BLIS Technologies

ANNUAL REPORT 2021

For the Year Ended 31 March 2021

“FY21 was a year of investment for the future, with significant allocation of resources and funds toward longer-term growth opportunities.

Despite volatile market conditions arising from the COVID-19 pandemic, Blis achieved a profitable year while also establishing future growth initiatives.”

Contents

FY21 Summary.

$10.6m
Revenue
maintained in a challenging environment

+12%
Ingredient revenue

+22%
Finished product sales through e-commerce channel

-38%
Finished product sales through traditional retail channels

$1.0m
EBITDA

$0.6m
PROFIT

New market launches

- Canada
- China Cross Border e-commerce Tmall Flagship store

New product launch

- BLIS Q24 our 3rd commercial probiotic strain
- Unconditional Skincare Co. - Live Probiotic Hydration Serum

Capability build

Key new hires:

- e-commerce Director
- Category Manager ENT/ Immunity
- Global Ingredients and Private Label Account Manager
- People and Culture Manager
- Category Manager Skin
- Product Technical Lead

Regulatory approvals

Health Canada Santé Canada

Health Canada approval of finished product range

CONTAINS BLIS K12 TM
CONTAINS BLIS M18 TM

India BLIS K12™ and BLIS M18™ approval.

Strategy.

The COVID-19 pandemic and rapidly changing market trends presented an opportunity for Blis to refresh its strategy ensuring responsiveness to capitalise on growth opportunities. Key features of this refresh are a commitment to continue building our e-commerce capability recognising the strong trends toward this channel and our early success. Along with this we will continue to heavily invest in our pipeline driving new innovation across three probiotic health and wellness targets.

Purpose

Developing breakthrough probiotic solutions for the health and wellbeing of global consumers.

Strategic priorities

Build our branded finished product e-commerce sales presence.
A strategic emphasis on growth through the D2C e-commerce channel.
Prioritised markets: Australasia, USA, China Cross-Border e-commerce (CBEC), Canada
Supported by retail finished goods presence in NZ, Australia, Canada

Launch into skincare, our third health and business stream
Health and wellbeing targets:

- ENT/ immunity
- Dental health
- Skincare

Targeted ingredient activity to drive scale
Complementary B2B Ingredients opportunities to drive further scale
Prioritised markets: USA, Europe, Japan, China

Invest in our pipeline
Strong investment in R&D, new product development (NPD) and IP protection

Our year.

Apr 2020

New director appointment Tony Balfour

Aug 2020

PurityLife appointment as distributor for Canada

Purity Life
Purity Life Health Products LP

RLG
YOUR CROSS-BORDER E-COMMERCE PARTNER

RooLife appointment as CBEC service provider

Nov 2020

Health Canada NPN Numbers

Dec 2020

GreenLab Certification

Jan 2021

Internal launch of Faster and Smarter- Business transformation programme

BLIS PROBIOTICS™ Tmall flagship store launch

Mar 2021

BLIS PROBIOTICS™ feature with John Tagg on Bulletproof radio

BLIS PROBIOTICS™ portfolio launched on Amazon Canada platform

Unconditional Skincare Co. website live and prelaunch activity initiated

Apr 2021

BLIS K12™ and BLIS M18™ approval in India

BLIS PROBIOTICS™ launch to trade in Canada at Canadian Health Foods Association (CHFA) virtual tradeshow

Chairman's Report.

Dear shareholder,

The Board is delighted to report to you on a year of significant investment into growth opportunities.

The year has been accentuated by the challenges and disruptions caused by the COVID-19 pandemic. At the beginning of the year, the safety and wellbeing of our people under these changed conditions was a priority focus. The board would like to acknowledge and thank all the Blis team for their responsiveness to quickly adapt to the changing work environment.

Despite the disruptions caused by COVID-19 we remained committed to increasing investment into new market and product growth initiatives. Company revenues of $10.6m were held at a similar level to last year and an EBITDA of $1.0m was recorded after $0.9m of market development and product development costs.

Changes in market conditions and consumer behaviours provided us with a new lens to view strategy delivery. For example, international travel and social gathering restrictions impeded traditional in-market development activities, along with this consumer concern for health and well-being has increased and there has been a significant move to online purchasing.

Our purpose: The delivery of breakthrough probiotic solutions for better health and well-being, aligns strongly with consumers heightened interest in health and wellness.

While the pharmacy retail channel is still a very important aspect of our business model, the extent of a pharmacy retail recovery and outlook remains uncertain. So, this last year for us has been about shifting focus and resource toward building e-commerce and direct to consumer capabilities that provide platforms to directly grow the company's branded finished goods business.

The immediate focus is investing into areas that will generate sales growth. We are resourcing for this growth with staff numbers increasing to 29 over the year and subject to hitting our sales targets staff numbers could potentially double within next 2-3 years.

As a board we are mindful of the lag between investment and the resulting revenue growth. Until the benefits of these growth initiatives are realised, shorter term profitability will be impacted due to the front-end phasing of investment.

As a company looking forward longer term, your board believes Blis is very well placed for substantial growth through new market and product development. Being domiciled in New Zealand has advantages, however to achieve meaningful scale internationally we will need collaborations with established international companies capable of leveraging our breakthrough technologies. This is an ongoing area of focus that we are actively progressing.

This report will highlight for you the areas of achievement that we are proud of and the challenges that we faced during the year along with the progress that we are making as a company toward a being more sustainable and substantial business.

Finally, on behalf of the board, a big welcome to the new staff who have joined the company during the year and thank you to Brian and the Blis team for their efforts and achievements across the year.

Tony Offen
Chairman

Chief Executive's Report.

Our programme of investment in new markets and product pipeline initiatives is the cornerstone growth driver for the future success of Blis. We have made good progress on the foundations for future year growth with pleasing progress in new market development and new product launches.

Key progress includes:

- CBEC – launch of the BLIS PROBIOTICS™ Tmall flagship store
- Canada – Launch onto Amazon and launch to trade with our partner Purity Life.
- Launch of Unconditional Skincare Co. brand, with our first product the Live Probiotic Hydration Serum using BLIS Q24™.

These developments occurred late in the financial year so have had little effect on revenue for FY21 however the upfront investment has added to our cost base. FY21 costs include approximately $0.9m of costs associated with establishing new market and product opportunities without matching revenue, but these developments are expected to drive revenue in FY22 and beyond. To date we are pleased with the early performance of these important new revenue drivers.

People and performance

As COVID-19 spread around the world in February and March 2020 we had to consider how to look at Blis through a different lens. Our initial view was that two areas clearly needed to be prioritised so that we could effectively respond to the challenging environment that was unfolding in front of us - the safety and wellbeing of our people and maintaining business momentum under changed working conditions. We are extremely proud of the way our staff responded to these challenges. As an Essential Business, we were able to continue production and logistics operations during the lockdowns. Overall our staff adapted quickly to new working practices to maintain momentum across our core business functions. It was tremendous to see the care and concern they showed for their workmates and their families. The willingness to review and adapt work processes to keep everyone safe demonstrated a "can do" culture within our workforce.

As conditions stabilised, we initiated a recruitment drive, having recognised we were both under resourced in certain areas and would benefit from specific skills to support our growth aspirations. Key hires that have been made to build Blis' capability include an e-commerce director, category manager Skin, category manager ENT/ Immunity, global ingredients and white label account manager, product technical lead, and people and culture manager.

Key to delivering on our growth aspirations is a focus on extremely efficient execution of our priorities. "Faster and Smarter" is a business transformation programme that will enable us to focus on project delivery. We are already seeing benefits as a result of a clearer and more transparent approach to tracking of project milestones, problem-solving and rapid decision making .

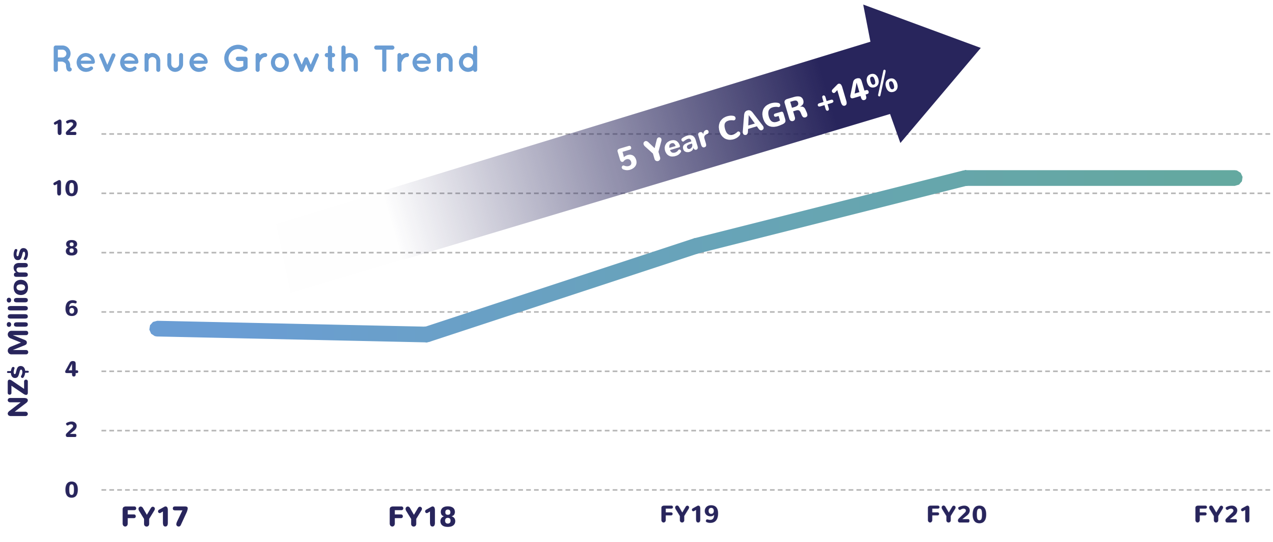
Pipeline progress

A deliberate increase in the level of R&D investment over the last couple of years is now delivering significant opportunities.

Highlights

- Launch of our third commercial probiotic strain BLIS Q24™ and our first skincare product, the Unconditional Skincare Co. Live Probiotic Hydration Serum.
- New patent filings:
  - ◊ BLIS K12™ new use against respiratory infections, new oral composition, new fermentation formulation (ownership interest)
  - ◊ BLIS M18™ new oral composition, new fermentations formulation (ownership interest)
  - ◊ BLIS Q24™ Topical composition and use
- A strong pipeline of new product development targets: Skin and personal care probiotic offers, Dental care including probiotic toothpaste, virus/ immunity

We continue to develop variations on existing product lines to extend the range. Several variations are intended to be brought to market in the current year.



Financial overview

Company revenues of $10.6m were at a similar level to last year with an EBITDA of $1.0m after $0.9m of additional one-off market and product development costs.

Over the past 12 months our existing retail sales channels have been severely impacted by the covid pandemic driven reduction in foot traffic through retail stores. While consumers have quickly adapted to buying online, their purchasing patterns have required us to boost the online profile of Blis products.

The increased online buying trend has supported the build of our internal e-commerce capability and emphasising a digital e-commerce strategy supported by distribution partnerships which complement Blis' own in-market activities.

Notable recent e-commerce developments which are expected to make a meaningful contribution to future revenue growth include:

- In January 2021, Blis launched the BLIS PROBIOTICS™ store on Alibaba's TMall Global marketplace, the largest cross-border marketplace in China. This represents the next stage of the company's CBEC strategy.
- In Canada we recently launched our products on Amazon. This activity will be complemented by retail pharmacy and health store activity with our distribution partner Purity Life Health Products. We have now supplied the first shipment for pharmacy distribution.
- More recently we announced the launch of our new breakthrough skincare product under the Unconditional Skincare Co. brand. The Live Probiotic Hydration Serum will initially be sold exclusively on our own e-commerce platform **www.unconditionalskin.com**.

These developments occurred late in the financial year so have had limited impact on FY21 revenue but sees Blis well set for significant future revenue streams.

Regional performance

In regions where we have traditionally been strong in the pharmacy channel the trading conditions have been more challenging. It has been widely reported that based on lockdowns and shifting shopping patterns, foot traffic to retail locations is down around the world. In line with this we have seen weaker sales in our pharmacy-based channel. In markets where we have a strong e-commerce customer and consumer base, we have seen more favourable results.

Asia Pacific

Revenue decline of 35% to $2.4 m

Post the COVID-19 outbreak, we have noted the ongoing impact on retail pharmacy foot traffic and the trend towards greater online purchase of dietary supplements in both Australia and New Zealand.

Asia Pacific -35%
$2.4m

Europe/ Middle East/ Africa -22%
$3.1m

North America +71%
$5.1m

To date our business model in Australia has been primarily focused on the pharmacy retail channel through a distribution relationship with iNova Pharmaceuticals (iNova), without a strong presence online to drive e-commerce sales. We have mutually agreed that the existing distribution relationship will be wound up allowing Blis to pursue an integrated channel strategy for Australia. In line with our strategic emphasis on D2C e-commerce sales opportunities, Blis will progress plans to build a stronger online presence in the Australia market for the BLIS PROBIOTICS™ branded range and coordinate this with the brand's presence in retail pharmacy. To support this retail activity we are in negotiations with a new partner strongly aligned with natural healthcare that brings complementary strengths to support the brand's presence in the market.

In New Zealand, unlike Australia, we have a well-established e-commerce business and were able to generate a 5% increase in sales through our website to New Zealand based customers to partially offset the soft retail sales.

We have made pleasing progress targeting the Chinese based consumer through our focus on China cross border e-commerce. Key to this has been our partnership with RooLife and the launch of the BLIS PROBIOTICS™ Tmall flagship store in January 2021. Although off a small base in the previous year we have seen strong growth in our CBEC channel sales.

Japan sales were similar to the previous year in spite of challenging market conditions with COVID-19 restrictions. Japan remains an important market for our ingredient and white label sales longer term.

Europe Middle East and Africa

Revenue decline of 22% to $3.1 m

This region was significantly impacted by extended lockdowns and restrictions in sales representatives' access to pharmacies and health professionals. Along with this our partners have reported a very mild northern hemisphere cold and flu season as a result of these COVID-19 lockdowns and other hygiene practices. Overall, these have resulted in a 22% decline in revenue.

We have also moved our distributor relationship with Bluestone Pharma (BSP) in Europe and the Middle East to non-exclusive allowing us to pursue complementary revenue opportunities and partnerships across the region. We will continue to support BSP with their existing customer base and new customer opportunities they are targeting, but will actively look for growth opportunities beyond this.

North America

Revenue growth of 71% to $5.1 m

Our USA business is heavily focused on the e-commerce channel and as a result has performed particularly well. We experienced strong ingredient sales to customers selling within the e-commerce channel resulting in 84% growth of ingredient revenue in this region. Along with this we have seen 23% growth of our Finished Product portfolio sold on the Amazon USA platform.

The Canada launch presents a new attractive market opportunity in both retail and e-commerce. In March 2021 we launched our BLIS PROBIOTICS™ portfolio onto Amazon Canada with strong claims based on our Health Canada approvals. This launch was delayed based on COVID-19 so has had little impact on our FY21 result. Following on from this we have initiated pharmacy and health store trade activity with our distribution partner PurityLife to launch the product range at the April Canada Health Foods Association virtual trade show. This launch activity has been enthusiastically received by the industry recognising the innovation and strong claim opportunities across our range.

Health and safety

A key focus was our response to the changing Alert Levels in response to COVID-19. The H & S committee effectively led guidance to the business with each change ensuring the company adhered to safe working practices and staff were supported through the uncertainty of a changing environment.

It has been pleasing to see how the H & S committee has quickly responded to a very different challenge, highlighting the maturity we have built into our processes as a business.

Outlook

Meaningful longer-term growth and value creation will require ongoing investment upfront. Over the short term, we expect to return to revenue growth, with increases in costs as part of the company's strategic evolution to a D2C e-commerce and R&D business and building internal capabilities likely to result in neutral earnings growth until the benefits of the new strategy are realised.

It is our expectation that over the longer-term horizon finished products will contribute to the majority of Blis' sales revenue.

Blis will continue to invest in innovation and science and build on its pioneering research to realise the full potential of probiotics in improving human health and wellbeing and assessing other market opportunities.

We continue to actively seek collaboration agreements with aligned industry partners for their international reach.

Brian Watson
Chief Executive Officer

Spotlight on Skin.

Unconditional Skincare Co.®

In March 2021, Blis Technologies launched a new probiotic strain BLIS Q24™, in the form of a live topical probiotic for cosmetic use under the brand name Unconditional Skincare Co.®

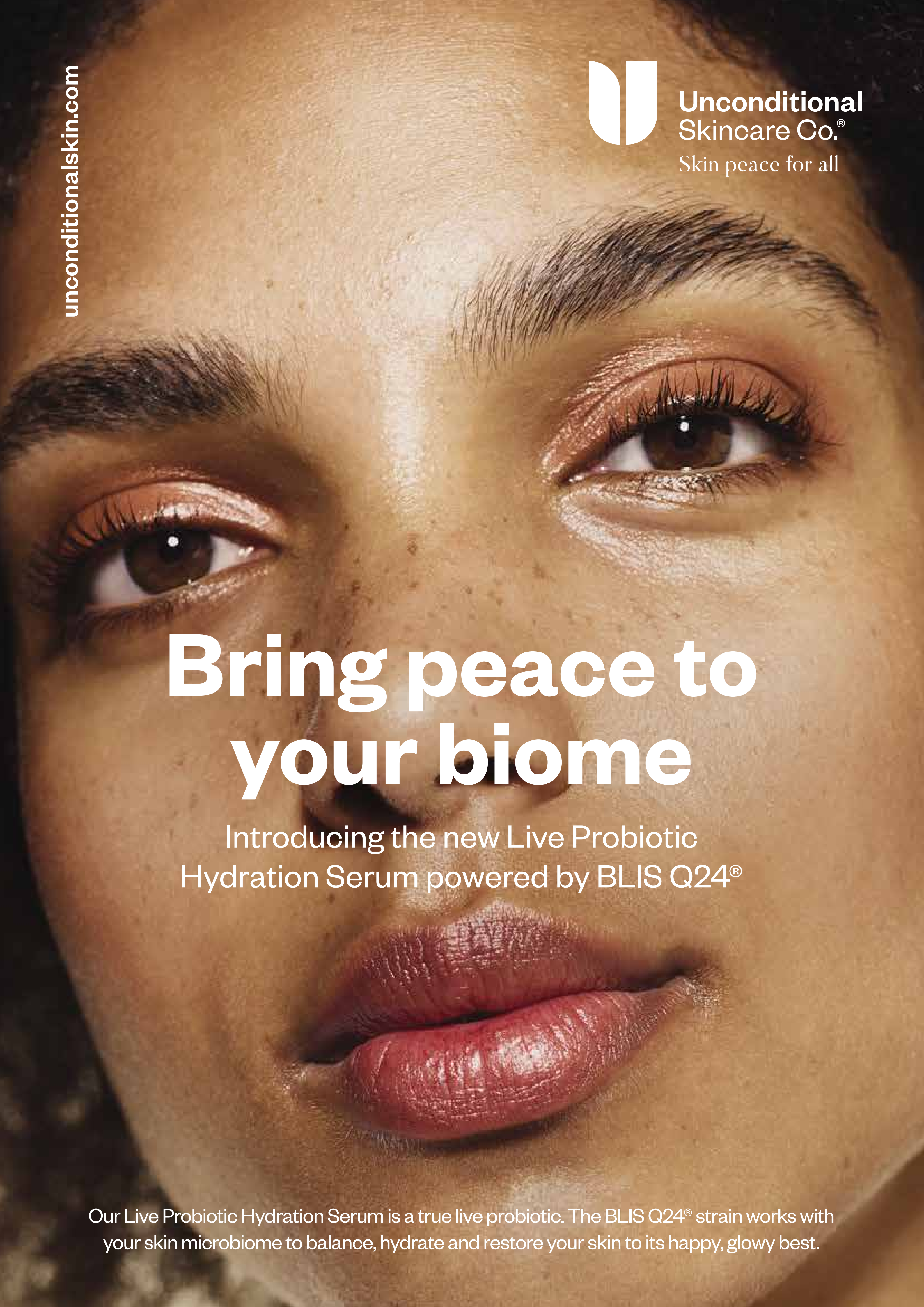
BLIS Q24™ is a strain of Micrococcus luteus, a bacteria naturally found on the skin which had been discovered by Prof. John Tagg in the early 2000's. BLIS Q24™ has a range of benefits that have been demonstrated in the lab including being effective against bacteria that can contribute to acne, eczema and other skin conditions.

The first product under the brand is the Live Probiotic Hydration Serum: Powered by BLIS Q24™. The product consists of two chambers: one that contains the probiotic serum, the second containing a rich hydration cream. The components are pumped together in specific measures and mixed together in the hands before being applied to the face.

A key to the product is that the BLIS Q24™ is kept alive at beneficial levels. As with all Blis probiotics, the quality of the probiotic strain over shelf-life is paramount.

Significant research and development time was spent in the formulation and procurement of packaging that would keep the product at optimum quality for its shelf life of 2 years.

The product is available exclusively at **www.unconditionalskin.com** currently shipping within NZ and Australia. The full launch of the brand in mid May will see a NZ-wide advertising campaign including outdoor, influencer programs and strong digital advertising.


unconditionalskin.com
Unconditional Skincare Co.®
Skin peace for all
Bring peace to your biome
Introducing the new Live Probiotic Hydration Serum powered by BLIS Q24®
Our Live Probiotic Hydration Serum is a true live probiotic. The BLIS Q24® strain works with your skin microbiome to balance, hydrate and restore your skin to its happy, glowy best.

Spotlight on Canada.

The initial range of BLIS PROBIOTICS™ was launched on **Amazon Canada** in February 2021 after the COVID-19 pandemic delayed the launch planned for the previous calendar year. The initial portfolio consists of 4 products and will be distributed into the retail channel through **PurityLife**; Canada's largest distributor for natural health products. The brand was officially launched to the trade at the recent CHFA virtual trade show (April 16th) and received positive feedback. BLIS PROBIOTICS™ are recognized as the originators and the experts in oral targeted probiotics and retailers are excited by this innovation coming to their shelves. The claims approved by Health Canada as reflected on our packaging, are strong and clear and this provides an immediate understanding of the preventative nature of BLIS PROBIOTICS™ and how they can be used. This allows consumers to easily identify what the products are for and the potential health benefits of each. Over the next few months we will be working to educate retailers about the product range so they feel confident in recommending the products correctly and answering questions that consumers may have.

The main category launch is scheduled for September to align with the refresh of supplement lines by retailers in the build up to winter.

Spotlight on Tmall.

In January 2021 Blis Technologies along with their e-commerce and digital agency RooLife (ASX:RLG) officially launched the BLIS PROBIOTICS™ flagship store on Alibaba's Tmall Global marketplace. RooLife is exclusively providing the digital marketing services and online store operation to promote and sell the BLIS PROBIOTICS™ range to Chinese consumers.

As China's largest cross-border marketplace, Tmall Global is the premier channel through which overseas brands and retailers can reach Chinese consumers, build brand awareness and gain valuable consumer insights making it the ideal platform for marketing and selling BLIS PROBIOTICS™.
The launch is supported by extensive digital marketing activities on China's leading social platforms like WeChat, Little Red Book and Weibo and working closely with live-streamers and key opinion leaders.

Sustainability.

Early in the financial year we formed an Environment, Social and Corporate Governance (ESG) committee with representation from across the business to map out and monitor company goals and priorities for the year.

The committee established the following set of core principles to guide thinking and outcome measurement:

- Define what sustainability means for us as a business
- Develop sustainability goals for Blis that are meaningful and relevant to our stakeholders
- Define a framework and measures for us to track and report on our performance against these goals
- Embed these goals and metrics within the business to deliver measurable change

Four key areas of focus were identified to underpin a meaningful sustainability programme.

- Advance Health and Wellbeing
- Be a valuable contributor to society
- Reduce our environmental impact
- Contribute to an innovation economy

Goals have been identified that are relevant and meaningful to key stakeholder groups:

- Our people (staff, their families and directors)
- Shareholders
- Customers and consumers
- Dunedin and the wider New Zealand community
- Suppliers

Progress update - key focus areas

Advance Health and Wellbeing

- Improving access to our product range with the aim of improving the health and wellbeing of consumers.
- A focus on quality and continuous improvement across our product range and service.
- The health, safety and wellbeing of our people including ongoing provision of a staff and families free counselling programme for support and guidance to enhance work performance and improve home and personal wellbeing yearly health checks and flu vaccinations for staff.

Be a valuable contributor to society

We recognise and value our contribution to the local economy through employment, supplier relationships and export revenues. Focus areas have included:

- High quality employment opportunities:
  - ◊ We are committed to paying the living wage
  - ◊ We value and embrace diversity in our staff
  - ◊ Development programmes across our staff
- Supporting local businesses where practical and relevant.
- Sponsorship of high performing regional sports teams: Highlanders, Southern Steel, Otago Nuggets.

Reduce our environmental impact

FY21 has been a year for establishing an understanding of our carbon footprint, and setting a baseline measurement from which initiatives can be established in areas of greatest impact in order to deliver meaningful reductions.

Our initial focus areas have been to implement changes to our supply chain efficiency through the use of offshore third party logistics partners and warehousing, moving to recyclable and biodegradable courier packaging and improving sustainability practices in our R&D Lab.

Blis is proud to be the first NZ based laboratory to complete the international My Green Lab certification process achieving the highest level of certification. A case study is set out on page 19.

We believe introducing and embedding a sustainability mindset within the business will be most successful when behaviour change is visible and encouraged, allowing our staff to identify and measure the benefit of changes to processes. Examples of initiatives that have been successfully introduced and now operate across Blis include paperless work practices and sound “Reduce, Reuse and Recycle” practices.

At our production site we strive to reduce waste with KPI’s focused on waste reduction and “Right first time” culture.

Contribute to an innovation economy

As a business, our science is world leading and provides researched-backed health solutions. Our research aims to unlock the potential of the microbiome in delivering health benefits and, as an exporter of high value innovative products, we contribute to New Zealand’s future export earnings. We actively support academic research and collaboration through the support of interns and post graduate study along with active research activity with multiple academic units both in New Zealand and overseas. While some of our research has a high level of IP that must be protected, we seek to partner with and support the work of industry experts wherever possible

Support of research endeavour has included:

- Completion of a PhD project with the Department of Food Science, University of Otago “The role of food parameters in defining the delivery of oral probiotics”.
- Support of two pharmacy interns for 4th year level projects
- Sponsorship of four summer research interns with Callaghan Innovation (3) and DCC (1).
- Active collaboration with research units including:
  - ◊ University of Otago (Dunedin, Christchurch and Wellington campuses)
  - ◊ University of Utah
  - ◊ Callaghan Innovation

Contribute to an innovation economy continued

- Clinical research underway:
  - ◊ Sponsorship of Periodontal trial with Griffith University in Australia
  - ◊ Continued support (product gratis) for clinical trials:
    - » Effect of a probiotic on Otitis media (ear infections) and Upper Respiratory Tract Infections amongst 6-24 month old children. (University of Otago) https://www.anzctr.org.au/Trial/Registration/TrialReview.aspx?id=374076
    - » Blis supporting Phase III trial in UBC “Oral Probiotic Supplementation in Pregnancy to Reduce Group B Streptococcus Colonization” https://ichgcp.net/clinical-trials-registry/NCT03407157

Our Sustainability priorities are linked to the UN Sustainability Goals

Advance Health & Wellbeing	• Access products • Focus on quality • Staff wellbeing	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH
Contribution to Society	• Economic contribution • Support of charities and sponsorship • Staff policies: living wage, diversity, development	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES
Environmental Impact	• Understanding of footprint • Areas of greatest relevance - supply chain, packaging • Leading behaviour change	13 CLIMATE ACTION
Contribute to an innovation economy	• World leading science • Research and academic support • Innovative product export earnings	4 QUALITY EDUCATION; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Spotlight on Green Lab.

my green lab certification.

Blis is proud to be the **first NZ based lab** to complete this international certification achieving the highest level of certification.

Congratulations on achieving your green lab certification!! The lab did an incredible job and should be very proud of their accomplishment. I have attached your feedback report, the lab scored an 86% overall and achieved the highest certification level!

Feedback from Green Lab

What is Green Lab?

Engaging scientists in laboratory sustainability to reduce waste, energy, and water.

At My Green Lab, our mission is to build a culture of sustainability through science. Our Green Lab Certification Program is the cornerstone of our mission, educating and engaging scientists on laboratory sustainability best practices so they can become active contributors in minimizing the environmental impact of their laboratory operations.

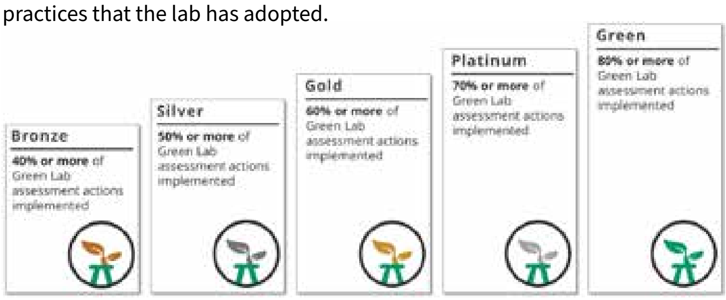
Recognized by the Association for the Advancement of Sustainability in Higher Education (AASHE), the American Energy Society, and the International Institute for Sustainable Laboratories, My Green Lab's Certification is considered the global standard for laboratory sustainability best practices.

Topics Covered

Our green lab certification program covers 14 topics related to energy, water, waste, chemistry/materials and engagement

Certification levels

There are 5 levels of certification: bronze, silver, gold, platinum and green. The level of certification is determined by the percentage of green lab best practices that the lab has adopted.



Board of Directors.

Anthony (Tony) Offen

Chair, Independent non-executive director

Member of Audit and Remuneration committee

Tony is Dunedin based and has been a Director and shareholder of Blis Technologies Limited since May 2009. Tony was appointed Board Chair in August 2017 and has previously served as Deputy Chair and Chair of the Audit and Risk Committee.

Through his Dunedin-based investment company, Tony has been a director and shareholder of private companies involved in commercial property, FMCG business sectors nationally and internationally and with 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 Institute of Directors. He is independent chair of the Governance Board of Brain Research New Zealand, Centre of Research Excellence (CoRE) and up to December 2019 was an elected member of the National Council for the Neurological Foundation of NZ where he had served as the Council Deputy Chair and Chair of its Audit and Risk Management Committee. Tony holds a B.Com. (Accounting) and B.A. (Philosophy) from University of Otago.

Geoffrey Plunket

Deputy Chair, Independent non-executive director

Chair of Audit and Risk Committee

Geoff is currently a Dunedin based Professional Director and has been a Director of Blis Technologies Limited since May 2018 and was appointed Audit and Risk Committee Chair in August 2018 and Deputy Chair in July 2020.

Geoff worked for Coopers & Lybrand (now PWC) and KPMG, in Dunedin and Birmingham, UK through the 1980's before joining Port Otago Limited in 1988, as Chief Financial Officer. Geoff spent the following 29 years with the Port Otago Group, before retiring in 2017. Geoff worked across the business in a variety of roles, culminating in appointment as CEO in 2004, a position he held until retirement. Geoff brings significant experience in leading a large successful organisation with expertise in logistics, managing international trading relationships, supply chain, human resource, health and safety and risk management.

Geoff is a Fellow of Chartered Accountants Australia and New Zealand, and a Member of the Institute of Directors.

Antony (Tony) Balfour

Independent non-executive director

Member of Remuneration committee

Tony was appointed to the Board on 9 April 2020. He brings to the board strong governance experience following a successful executive career as an international marketing and brand management leader building consumer goods businesses globally.

Tony has a diverse background of international experience in driving FMCG through retail channels and e-commerce from the leadership roles he held for Nike Inc, Icebreaker, Seek.com and Monster Worldwide. He holds directorships with The Warehouse Group Limited, Les Mills International Limited and Wayfare Limited (trading as Real Journeys). Tony has previously been a director of Silver Fern Farms Co-operative Limited (and subsidiaries) and Methven Limited.

Dr Barry Richardson

Independent non-executive director

Member of Audit Committee

Barry is Dunedin based and has been a Director of Blis Technologies Limited since July 2018.

Barry began his career as a scientist at the NZ Dairy Research Institute before joining the NZ Dairy Board in 1985 as a Business Development Manager, undertaking roles in several biotechnology and nutritional Dairy Board joint venture companies. Barry joined the Tatua Co-Operative Dairy Company Limited in 1991 as General Manager, Tatua Biologics and was later appointed General Manager, International and Strategic Development commercialising value added dairy ingredients. He was appointed CEO of Westland Milk Products when that company elected to be an independent exporter of dairy products in late 2001. From 2006 to 2016 Barry was CEO of Blis Technologies Limited, through the period when the Company transitioned from a research company into a commercial entity. His other professional roles include a Director of CertusBio among other business interests.

Barry has a M.Sc. (Hons) in Biochemistry and a Ph.D. from Massey University. He is a past Fellow of the NZ Institute of Management and a Fellow of the NZ Institute of Food Science and Technology. Barry received the JC Andrews award for distinction in Food Science and Technology in 2003.

Dr Alison Stewart

Independent non-executive director

Chair of Remuneration Committee

Alison is Christchurch based and was appointed to the Board in September 2018.

Alison brings to the Board governance and commercial research and development experience within the international biotechnology industry. Alison has held key executive leadership roles in New Zealand and US corporates and understands the drivers for successful commercialisation of research. Alison is an experienced research and innovation leader with expertise in microbe-based product development, patents, IP protection, new product pipeline and development of strategic partnerships with large international corporations.

Alison is a Distinguished Emeritus Professor from Lincoln University, New Zealand and was elected a Companion of the NZ Order of Merit in 2011 for her contributions to biology.

Executive Team.

Brian Watson

Chief Executive Officer (CEO)

BCom (Marketing), BPhEd

Brian was appointed CEO of Blis Technologies in February 2016. He joined Blis following senior management roles with Fonterra and within the pharmaceutical industry in New Zealand and overseas. Brian's career has focused on general management, marketing and sales across healthcare, nutraceutical and nutrition industries. Brian has a track record of successfully launching global brands into new markets and leading change within organisations.

Richard Wingham

Chief Financial Officer (CFO)

CA, BCom (Accounting)

Richard was appointed to the role of CFO for Blis Technologies in November 2017. Richard is a Chartered Accountant with over 20 years experience, including various senior finance roles across the dairy FMCG, construction and health sectors. His skills cross over manufacturing, project management, information technology and strategic planning.

Dr John Hale

Chief Technology Officer (CTO)

PhD

John did his PhD studying bacteriocins (BLIS) under the supervision of Professor John Tagg at the Department of Microbiology, University of Otago. He carried out post-doctoral research at the University of British Columbia (Vancouver, Canada) and Monash University School of Pharmacy (Melbourne, Australia) investigating the modes of action of antimicrobial peptides. Dr Hale joined Blis Technologies in 2011 and leads the Scientific Services team.

Julie Curphey

Chief Marketing Officer (CMO)

MBA, BCApSc (Food Science)

Julie joined Blis Technologies in September 2016 as Chief Marketing Officer. Prior to this she spent 18 years working internationally in the FMCG and pharmaceutical industries in various leadership roles including market research, marketing, operations and change management. Julie returned to NZ in 2014 to take up the CMO role at Dunedin company ADInstruments.

Frank Spiewack

Commercial Director
BA

Frank joined Blis Technologies in November 2019 he was confirmed as a member of the Executive in May 2020. Frank has a strong background developing international markets having worked as Vice President Global Sales and Marketing for Alchemy Equipment and Manager Distributor and Emerging Markets for Icebreaker.

Statement of Corporate Governance.

The Board and Management of Blis Technologies Limited (Blis, the Company) are committed to ensuring that the Company maintains corporate governance structures which ensure that the Company operates efficiently and effectively and maintains the highest ethical standards.

This statement of Corporate Governance provides a summary of the Company's governance processes and practices.

The Company's Corporate Governance policies are based on the principles set out in the NZX Corporate Governance Code (NZX Code). This statement is structured to follow the recommendations of the NZX Code.

The Board's view is that Blis complies with the corporate governance principles and recommendations set out in the NZX Code but measurable objectives for diversity are under development. The Board believes its governance structures are appropriate and meet the Company's strategic objectives.

The Company also complies with the corporate governance requirements of the NZX Listing Rules. The Board regularly reviews and assesses Blis' governance structures and processes to ensure that they are consistent with best practice.

This Corporate Governance Statement has been prepared in accordance with the NZX Code that was published on 10 December 2020.

Blis' key corporate governance documents referred to in this statement, including charters and policies, can be found at www.blis.co.nz/investor-centre/charters-policies (Investor Centre). The Board operates under a set of guidelines set out in its Directors' Operations Manual to assist 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; and
- Code of conduct.

This Corporate Governance Statement was approved by the Board on 26 May 2021.

PRINCIPLE 1 – Code of Ethical Behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Code of Ethics

As part of the Board's commitment to the highest standard of conduct, the Company has adopted a Code of Ethics (Code).

Every new Director and employee is provided with a copy of the Code and must confirm that they have read and understand the document. The Code is also available at the Investor Centre. Each Director, and employee is asked to annually confirm that they continue to comply with the Code of Ethics.

The procedure for advising the Company of a suspected breach is set out in the Code of Ethics. Blis also has a Protected Disclosures (Whistle-blower) Policy that sets out the process that serves to protect employees who raise allegations of serious wrongdoing by the Company.

Conflicts of interest

The Code of Ethics sets out the procedure to be followed where Directors or employees 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 and regulations including the NZX Listing Rules. The personal interests of the Director or employee (as applicable) and their family must not be allowed to prevail over those of the Company and its shareholders generally.

Protected Disclosure (Whistle-Blowers) Policy

The Protected Disclosure (Whislte Blower) policy provides information and guidelines to protect employees from retaliatory action where they have raised allegations of serious wrongdoing or reportable conduct they honestly believe has been carried out by any Director, employee, consultant, contractor or third party.

Blis is a small company and the main way to make a report is through the Chair of the Audit and Risk Committee.

No breaches of the Code of Ethics were identified during FY21 and no matters were raised under the Protected Disclosures (Whistle-blower) Policy.

The Code of Ethics is subject to annual review by the Board.

Share trading by Company Directors and Employees

The Board has implemented formal procedures to handle trading in the Company's equity securities by Directors, employees, and advisers of the Company. These are set out in

Blis' Securities Trading Policy which is available at the Investor Centre. Before any trading can occur approval is required to be obtained from the Chair of the Board, CEO or CFO. The policy provides that shares may not be traded at any time by any individual holding material information. The fundamental rule in the policy is that insider trading is prohibited at all times.

The requirements of the policy are separate from, and in addition to, the legal prohibitions on insider trading in New Zealand.

PRINCIPLE 2 – Board Composition & Performance

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

Responsibilities of the Board

The role of the Board is to act in the best interests of the Company and to promote the interests of the Company and its stakeholders. Directors are elected by the shareholders to govern the Company. 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 using 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 CEO within this framework.

The Board operates under a Directors' Operations Manual which sets out the roles and responsibilities of the board, and other matters as summarised on Page 26.

The primary responsibilities of the Board include:

- Ensuring that the Company purpose and goals are clearly established, and with appropriate strategies ;
- Establishing policies for strengthening the performance of the Company including ensuring that Management is pro-actively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;
- Monitoring the performance of Management, including the review and monitoring of compliance with delegated authorities, and of regulatory compliance;
- Monitoring strategic, financial, social and environmental performance;
- Appointing the CEO, setting the terms of the CEO's employment contract, including position description, reviewing succession planning and where necessary, terminating the CEO's employment with the Company;
- Deciding on whatever steps are necessary to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- Ensuring that the Company's financial statements are true and fair and otherwise conform with law;
- Ensuring that information of sufficient content, quality and timeliness, as the Board considers necessary to enable it to discharge its duties, is provided by Management;
- Ensuring that the Company adheres to high standards of ethical and corporate behaviour;
- Ensuring that the Company has appropriate management processes for defining risks and analysing options to minimise, mitigate and manage risks;
- Ensuring an appropriate capital structure such that it supports the business strategy; and
- Ensuring that the Company communicates with its shareholders and stakeholders in a timely manner.

The Board uses committees to address certain issues that require detailed consideration by members of the Board who have specialist knowledge and experience. The Board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

The Board has a statutory obligation to reserve responsibility for certain matters. It deals directly with issues relating to the Company's mission, appointments to the Board, strategy, business and financial plans.

The Directors appoint a Chair and Deputy Chair from amongst the non-executive members. The Board supports the separation of the role of Chair and CEO. The Chair's role is to provide leadership and to manage the Board effectively. The Chair has responsibility for:

- ensuring the integrity and effectiveness of the governance process of the Board;
- representing the Board to the shareholders;
- maintaining regular dialogue with the CEO over all operational matters; and
- for overseeing the annual work programme

The Chief Executive Officer is not a Director.

The Board regularly meet without the CEO being present and has a practice of holding Director-only meetings either prior to or following each Board meeting.

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

Director nomination and appointment

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. A thorough check of the candidate and his or her background is undertaken and shareholders are provided with all material information that is relevant to the decision on whether to elect or re-elect a Director.

The Board has the ability to appoint an individual to fill a casual vacancy on the Board until the Company's next Annual Shareholder Meeting.

The procedures for the appointment and removal of Directors are governed by the Company's constitution and the NZX Listing Rules.

The Board has determined that based on the Company's current size and stage of development that an optimal number of Directors is five. Each year as part of the board's annual review process the capability mix is assessed to evolve in line with Company's future development and international growth plan requirements.

The Board has determined that to operate effectively and to meet its responsibilities it requires competencies in disciplines including executive leadership and strategy, governance, industry experience, biotechnology IP development and protection, international sales and marketing, international supply chain and quality control, risk and compliance, finance and capital markets.

The current mix of skills and experience is considered appropriate for the responsibilities and requirements of governing Blis. The Board looks to strengthen its oversight of issues in all disciplines, as required, via expert advice.

As at 31 March 2021, all Directors on the Board are independent. Director independence is considered on a case-by-case basis (in accordance with the NZX Listing Rules) and is monitored on an ongoing basis.

Letter of appointment

All new Directors enter into a written agreement with Blis setting out the terms of their appointment. A copy of the appointment letter is available at the Investor Centre (www.blis.co.nz/investor-centre).

Board of Directors

Director profiles are shown at pages 20 - 21 of this report. The profiles include information on the year of appointment, skills, experience and background of each Director.

All five Directors as at 31 March 2021 are non-executive and independent members of the Board. Tony Offen is the Chair of Blis. Geoff Plunket is Deputy Chair and Chair of the Audit and Risk Committee. Dr Alison Stewart is the Chair of the Remuneration Committee. Dr Barry Richardson and Tony Balfour are also Directors.

The roles of Board Chair, Audit and Risk Committee Chair and CEO are not held by the same person.

The Board determines annually on a case-by-case basis who, in its view, are Independent Directors. The Board will consider all relevant circumstances when determining independence. Under the NZX Listing Rules, a Director is "Independent" when they are not an employee of the Company and do not have a 'Disqualifying Relationship' (as defined in the NZX Listing Rules).

The Company does not require Directors to hold shares in the Company but actively encourages them to do so. Directors' share interests are disclosed at page 34 - 35.

The Board does not have a tenure policy however it recognises that a regular refreshment programme leads to the introduction of new perspectives, skills, attributes and experience. Directors retire by rotation in accordance with the NZX Listing Rules but are eligible for re-election on retirement by rotation.

Director period of appointment

	0-3 years	3-9 years	9 + years
Number of Directors	4	-	1

Interest Register

The Board maintains an interest register for the Company. Any Director who is interested in a transaction with the Company must immediately disclose to the Board the nature, monetary value and extent of the interest. A Director who is interested in a transaction may attend and participate at a Board meeting at which the transaction is discussed but may not be counted in the quorum for that meeting or vote in respect of the transaction, unless it is one in respect of which Directors are expressly required by the Companies Act 1993 to sign a certificate.

Entries made in the interest register of the Company for the year ended 31 March 2021 are included in the Director Disclosures section on page 34 - 35.

Diversity

Blis Technologies is committed to achieving a diverse workforce and inclusive workplace practices in order to harness the business benefits of diversity, further social justice and comply with legislation. A Diversity and Inclusion Policy has been adopted by the Board and is available at the Investor Centre.

Responsibility for workplace diversity and the setting of measurable objectives is held by the Board. Appropriate measurable diversity objectives are under development.

The gender composition of Blis' Directors, senior managers and workforce was as follows:

	31 March 2021		31 March 2020	
Position	Female	Male	Female	Male
Director	1 (20%)	4 (80%)	1 (20%)	4 (80%)
Executives*	1 (20%)	4 (80%)	1 (20%)	4 (80%)
Employees**	14 (48%)	15 (52%)	12 (48%)	13 (52%)

**CEO and Direct Reports to the CEO*
***Includes Executives*

Director Training

The Board ensures that there is appropriate training available to all Directors to enable them to remain current on how best to discharge their responsibilities and keep up to date on changes and trends in areas relevant to their work. Directors are regularly provided with industry information and receive copies of appropriate Company documents to enable them to perform their role.

The Board also ensures that new Directors are appropriately introduced to management and the business.

Board Performance Evaluation

The Board annually assesses its effectiveness in carrying out its functions and responsibilities. The Chair of the Board leads the review which considers the performance of the Board as a whole, and of each of the Board Committees, against their respective charters.

The Chair, on behalf of the Board, is responsible for assessing the performance and contribution of individual Directors. The assessment is undertaken annually.

Principle 3 - Board Committees

"The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."

Board Committees

The Board has two formally constituted committees – the Audit and Risk Committee and the Remuneration Committee. Committee membership is reviewed annually.

Each Committee has a written charter that is approved by the Board and sets out its mandate. The charters are reviewed annually with any proposed changes recommended to the Board for approval.

Each Committee has an agreed annual work programme that sets out matters to be addressed over the following twelve month period. The Committees each review their performance on an annual basis against the Committee charter and work programme and report their findings to the Board.

Blis also has a Scientific Advisory Group (SAG) which is established as required to provide an independent source of advice to the Board and Management. SAG members are selected based on significant contribution to their chosen field and have complementary skillsets to those involved in the Company's research and development endeavours. There were no SAG meetings held during FY21 (FY20: R&D efforts for dental health needs).

Attendance at meetings

The table below sets out Director attendance at Board and Committee meetings during the year ended 31 March 2021.

	Board	Audit & Risk Committee	Remuneration Committee
A Offen	11	11	3
G Plunket	11	11	-
A Balfour	10	-	2
Dr B Richardson	11	11	-
Dr A Stewart	11	-	3
G Boyd*	4	-	1

**G Boyd retired on 24 July 2020*

Audit & Risk Committee

The Board has overall responsibility for the Company's system of internal financial control, risk management, 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 by Management and reviewed by the Board throughout the year to monitor performance against budget.

The Board has established an Audit and Risk 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 and Risk Committee are set out in its charter which is available in the Investor Centre.

The Audit and Risk Committee is appointed by the Board and must comprise three Directors, the majority of whom are to be independent. The Chair of Audit and Risk Committee must be an Independent Director and not the Chair of the Board. The current members of the Audit and Risk Committee are Geoffrey Plunket (Chair), Tony Offen and Dr Barry Richardson. All members are independent directors. Geoffrey Plunket is a Fellow of Chartered Accountants Australia and New Zealand and a Member of the Institute of Directors.

The Board considers the recommendations of the Audit and Risk 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 and Risk 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.

The Audit and Risk Committee met on 11 occasions during FY21. The agenda items for each meeting generally relate to financial governance, external financial reporting, external audit, internal control review, risk management, compliance and insurance.

Meeting Attendance

The CFO and CEO will normally be invited to attend meetings.

Remuneration Committee

The Board has established a Remuneration Committee which has responsibility for, amongst other things, setting the remuneration policy for the CEO, CFO, Chief Marketing Officer, Chief Scientific/ Technical Officer (Executive), and recommending and monitoring the level and structure of remuneration for senior management.

The terms of reference for this committee are set out in its charter which is available in the Investor Centre (www.blis.co.nz/investor-centre/charters-policies).

The Remuneration Committee is appointed by the Board and must comprise three Directors, the majority of whom shall be independent. The Chair of the Board may serve on the committee. Members of the Remuneration Committee are Dr Alison Stewart (Chair), Tony Balfour and Tony Offen. All committee members are independent Directors.

The Board ensures that the recommendations made by the Remuneration Committee are considered and acted on accordingly.

The Remuneration Committee met 3 times during the year.

Nomination Committee

Given the size and composition of the Board, Directors believe that there are no significant benefits in delegating matters in relation to Board nominations and all appointments are managed by the whole Board.

Committees

The Board has no Committees other than an Audit and Risk Committee and Remuneration Committee. The Scientific Advisory Group is not a Board committee.

Takeover Protocols

The Board has adopted a set of protocols to be followed in the event of a takeover offer being made.

In the event of a takeover offer, a committee of Independent Directors would be formed and would have responsibility for managing the takeover in accordance with the Board protocols and applicable laws, including the New Zealand Takeovers Code.

Principle 4 – Reporting and Disclosure

"The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosure."

Shareholder Communications and Market Disclosure

The Board is committed to keeping the financial products markets informed of material information relating to the Company and its shares and promoting investor confidence by ensuring that trading of its equity securities takes place in an efficient, well-informed market at all times.

The Company has in place a Continuous Disclosure Policy and a Communications Policy designed to ensure this occurs. The policies include procedures intended to ensure that:

- the Company complies with its continuous disclosure obligations; and
- timely, accurate and complete information is provided to all shareholders and other market participants.

The policies also outline mandatory requirements and responsibilities in relation to the identification, reporting, review and disclosure of material information relevant to the Company.

Accountability for compliance with disclosure obligations is the responsibility of the CEO and CFO. The CFO has been designated as the Disclosure Officer and has overall management responsibility for ensuring all material information is lodged with NZX.

All non-promotional information intended to be made public, whether or not it is believed to be material information, must be reviewed by the Disclosure Committee (comprising the Chair, Chair of the Audit and Risk Committee, CEO and CFO) prior to release. The Disclosure Committee also refers certain decisions to the Board.

Directors consider at each Board meeting whether there is any material information which should be disclosed to the market.

Governance Policies and Charters

Key corporate governance documents, including charters and policies, can be found at the Investor Centre: www.blis.co.nz/investor-centre/charters-policies.

Financial and Non-Financial Reporting

Blis is committed to ensuring integrity and timeliness in its financial reporting and in providing information to the market and shareholders which reflects a considered view on its present and future prospects.

The Audit and Risk Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews the Company's full and half-year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, NZX and legal requirements, and the results of the external audit. All matters required to be addressed and for which the Audit and Risk Committee has responsibility were addressed during FY21.

Blis has published its full and half-year financial statements that were prepared in accordance with relevant financial standards. The full year financial statements are set out on pages 39 - 61. The CEO and CFO have confirmed in writing to the Board that the Company's external financial reports present a true and fair view in all material aspects. These representations are given on the basis that a sound system of internal controls and risk management is operating effectively in all material respects in relation to financial reporting.

In addition to releasing the full and half-year results Blis provides an update on financial and non—financial performance for the first and third quarters. Revenue and EBITDA for the quarter and year to date, general commentary on market conditions and an update on guidance is given.

The Board does not believe that the Company has any material exposure to economic, environmental or social sustainability risks that are not appropriately managed. The material risks which may impact the Company's ability to achieve its strategic objectives and secure its future financial prospects, are managed through the strategic planning process.

Work continues on suitable sustainability-reporting framework. The project remains in its early stages and will involve preparing a series of financial and non-financial targets for reporting on regularly. This will ensure that non-financial reporting is informative, includes forward looking assessments and aligns with key strategies and metrics monitored by the Board. An overview of the Company's sustainability programme is set out at pages 16 - 19.

Principle 5 - Remuneration

"The remuneration of directors and executives should be transparent, fair and reasonable."

Remuneration Report

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages for Directors as well as the Executives.

The Company's remuneration philosophy is aimed at attracting, retaining and motivating employees of the highest quality at all levels of the organisation. It is based on practical, guiding principles and a framework that provides consistency, fairness and transparency while having regard to the risk appetite of the Company and alignment to its long-term strategic goals.

All remuneration packages are reviewed annually in the context of individual and Company performance, market movements and expert advice.

Non-executive Directors

The structure of non-executive Director remuneration is separate and distinct from the remuneration of the CEO and other executives.

The Board seeks to set aggregate remuneration for non-executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. No remuneration is payable to Directors unless it is approved by the Company's shareholders, or permitted under the NZX Listing Rules in the event of an increase in the total number of Directors.

The NZX Listing Rules specify that shareholders can approve a per Director remuneration amount or an aggregate Directors' fee pool. The Board has adopted a remuneration pool approach, as referred to in NZX Guidance Note - Governance. Shareholders approved an aggregate remuneration pool for non-executive Directors of $309,000 per annum in August 2020. Subject to external review, an increase of the director fee pool will likely be proposed at the 2022 Annual Shareholders Meeting.

Within the fee pool available, the Board reviews its fees annually to ensure the Company's non-executive Directors are fairly remunerated for their services, recognising the level of skill and experience required to fulfil the role, and to enable the Company to attract and retain talented non-executive Directors. The process involves benchmarking against a group of peer companies.

In addition, the Board reviews the Remuneration Committee structure and appropriate level of resourcing required to make an on-going contribution to long term value creation. Non-executive Directors have no entitlement to any performance-based remuneration or participation in any share-based incentive schemes.

Each non-executive Director receives a fee for services as a Director of the Company and an additional fee is also paid to the Chair, and each Chair and member of the Board Committees to recognise the additional time commitment required for that role. All Directors are entitled to be reimbursed for reasonable costs associated with carrying out their duties.

For the period 1 August 2020 to 31 March 2021 the allocation of the annual fee pool was as follows:

	Board	Audit and Risk Committee	Remuneration Committee
Chair	$90,000	N/A	$6,000
Deputy Chair	$60,000	N/A	N/A
Member	$45,000	$7,000	$3,000

For the period 1 April 2020 to 31 July 2020 the allocation of the fee pool was as follows:

	Board	Audit and Risk Committee	Remuneration Committee
Chair	$66,000	$10,000	$4,000
Deputy Chair	$45,000	N/A	N/A
Member	$35,000	$5,000	N/A

Non-executive Directors are encouraged to be shareholders, but are not required to hold shares in the Company.

Fees payable to the non-executive Directors of the Company for the period 1 April 2020 to 31 March 2021 were as follows:

	Board	Audit and Risk Committee	Remuneration Committee	Total
A Offen	$82,000	$1,667	-	$83,667
G Plunket	$51,667	$3,333	-	$55,000
A Balfour	$40,986	-	$2,000	$42,986
Dr B Richardson	$41,667	$6,333	-	$48,000
Dr A Stewart	$47,667	-	$5,333	$53,000
G Boyd	$15,000	-	-	$15,000

**Graeme Boyd retired on 24 July 2020*

Remuneration of the CEO and Employees

The Company is committed to providing a remuneration framework that promotes a high-performance culture and aligns rewards to the creation of sustainable value for shareholders. The underlying principle is to reward employees for Company and business unit performance against targets set by reference to appropriate benchmarks and key performance indicators and to:

- Align their interests with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Total remuneration is made up of fixed remuneration, a short term incentive (STI) and a long term incentive (LTI).

Fixed remuneration includes all benefits, allowances and deductions.

The STI and LTI performance incentives are "at-risk" and are directly linked to both the performance of the Company and to each individual's performance while promoting the Company's long-term success.

The total remuneration earned by the Executive is set out in note 5 to the financial statements.

(i) Fixed annual remuneration

Remuneration levels are reviewed annually to ensure that they are appropriate for the responsibility, qualifications and experience of the Executives and are competitive with the market.

The Executives receive their fixed annual remuneration in cash and a limited range of prescribed fringe benefits such as superannuation, motor vehicle and health insurance. The total employment cost of any remuneration package, including fringe benefit tax, is taken into account in determining an employee's fixed annual remuneration.

For the financial year ended 31 March 2021, the CEO received $328,944 (2020: $302,654) in fixed annual remuneration.

(ii) Variable remuneration – STI Scheme

The objective of the STI Scheme is to link the achievement of the annual financial and operational targets with the remuneration received by the Executives charged with meeting those targets. The total potential remuneration under the STI Scheme is set with a maximum of 30% for the CEO and 20% for other Executives of fixed annual remuneration so as to provide sufficient incentive to the executive to achieve the targets such that the cost to the Company is flexible and in line with the trading outcome for the year.

Actual STI Scheme payments granted to the CEO and each nominated Executive depend on the extent to which specific targets, set at the beginning of each year, are met. The targets may include a weighted combination of Company, Departmental, Financial and Non-Financial.

In determining the amount to be allocated the Board considers the performance against the targets.

For the financial year ended 31 March 2021 there were four nominated executives in the STI scheme (31 March 2020: four).

STI Scheme payments relating to the financial year ended 31 March 2021 are delivered as a taxable cash bonus and are payable on completion of the annual audited financial statements. The total accrual for FY21 for all nominated executives in the STI Scheme is $125,145 being 50% of the total pool for the year. The actual amount paid for FY21 was $174,225.

In addition to the STI Scheme, the Board reserves the ability to pay ad hoc bonus payments to any employee, again directly related with the trading outcome.

(iii) Variable remuneration – LTI Scheme

The objective of the LTI Scheme is to align the executive with shareholder interests over the longer term, and provide a longer term employee retention benefit.

On 21 December 2021, the Company granted performance share rights (PSRs) to certain members of its executive team. There were no PSR schemes prior to this date. Details of the performance criteria are detailed in note 5 to the financial statements.

CEO remuneration

Salary	Taxable Benefits*	Sub-total	STI	LTI**	Total
FY21					
328,944	12,653	341,597	93,000	3,773	438,370
FY20					
302,654	11,647	314,301	85,605	-	399,906

**Includes the value of benefits including health care, superannuation, vehicle and low interest loan.*

***LTI includes PSRs awarded during the financial year. In the 2021 financial year 1,033,000 PSRs were granted (2020: nil). PSRs granted in 2020 will vest, if the performance criteria are met, in the 2023 financial year. details of the plans and valuation methodology are set out in Note 5 to the financial statements.*

Total remuneration paid is fixed remuneration and any STI Scheme payment physically received during the year. Performance based payments are paid in the following year.

The CEO's STI scheme payment for FY21 comprises several financial and non-financial performance measures. Overall, the STI is set at 30% of fixed remuneration. A breakdown of the STI components follows:

Performance Measures	Percent Achieved
50% based on financial revenue and profitability targets FY20	Achieved
50% based on non-financial targets FY20	Achieved

Employee remuneration

The number of employees of the Company (including former employees) who received remuneration and other benefits in excess of $100,000 in the period 1 April 2020 to 31 March 2021 are shown below:

Remuneration Banding	Number of Employees	
	FY21	FY20
100,001 – 110,000	2	2
110,001 – 120,000	1	-
160,001 – 170,000	1	-
170,001 – 180,000	-	1
180,001 – 190,000	-	1
190,001 – 200,000	-	1
210,001 – 220,000	1	-
240,001 – 250,000	1	-
390,001 – 400,000	-	1
430,001 – 440,000	1	-

Principle 6 – Risk Management

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

Risk Management Framework

Blis operates in an environment that contains operational and strategic risks. Risks are actively managed to ensure Blis operates a safe workplace and is able to sustain the achievement of its business objectives while at the same time accepting an appropriate level of commercial risk that is consistent with desired profitability.

The Board is responsible for ensuring that key business and financial risks are identified, and that appropriate controls and procedures are in place to effectively manage those risks.

The Audit and Risk Committee has overall responsibility for ensuring that Company's risk management framework is appropriate and that risks are identified, considered and managed. Risk management is a standing item on the agenda for Audit and Risk Committee meetings, with detailed reports provided by management.

A Risk Management Policy provides guidance on the Board's approach to risk management. The objectives of the Risk Management Policy are:

- To allow Blis to pursue opportunities that involve risk in an informed manner, so as to meet the expectations of stakeholders;
- To enable full and due consideration to be given to the balance of risk and reward in pursuing the achievement of Blis' business objectives;
- To apply risk management practices to enhance strategic, tactical and operational decision making; and
- To ensure that Blis operates in a sustainable manner.

The policy is available at the Investor Centre.

Insurance
In managing the Company's business risks, the Board approves and monitors policy and procedures in areas such as treasury management, financial performance, taxation and delegated authorities. Blis has insurance policies in place covering most areas where risk to its assets and business can be insured at a reasonable cost.

Product Quality and Safety
Ensuring the safety and quality of our products is a key priority. We establish processes that effectively manage risk and drive continuous improvement in product quality throughout the product production cycle.

We have introduced proactive quality control mechanisms within our manufacturing operations. Through the use of data collection and statistical analysis, we are improving the control of our manufacturing processes, with the aim of being able to intervene and correct a process prior to product quality being compromised. This approach is providing further assurance that our customers receive high quality products that are safe and effective.

Health, Safety and Wellbeing
Overall responsibility for health and safety, specifically for setting of high-level strategy and policy, resides with the Board which is committed to continuous improvement and progressively higher standards of work health and safety for the benefit of all employees and others who work in, use or visit the Company's workplace.

The principles of the health and safety framework are to:

- Understand and comply with all applicable health and safety legislation and regulations;
- Establish objectives and management systems consistent with health and safety best practice; and
- Ensure all officers and workers engage in creating a positive workplace culture to support health, safety and wellbeing.

The Executive are responsible for implementation of the health and safety framework and will:

- Determine and implement business and action plans to give effect to Board strategy;
- Acquire and maintain good understating of health, safety and wellbeing matters;
- Be responsible and accountable for health and safety compliance;
- Promote and role-model high workplace health, safety and wellbeing standards; and
- Ensure business objectives are complementary to health, safety and wellbeing objectives.

Management reports on a monthly basis to the Board which consists of the following lead and lag indicators - H&S Committee minutes, monthly hazard assessment, incidents & accidents (including near miss incidents), good news stories, achievements and training activities.

No lost time injuries, injuries resulting in workers being unable to perform normal duties at next shift, have occurred over the last three years.

Material business risks mitigation

After completing the risk management processes outlined on the previous page, the following key business and financial risks have been identified.

Area	Principal risk	Strategies to mitigate
Product quality and customer safety	Customer harm caused as a result of using Blis products	Our production facility operates under a Food Control Plan which requires high standards and procedures to ensure quality and safety from our production. We work with our suppliers and contact manufacturers to ensure high standards are adhered to. Our company values also include a focus on high quality standards across our business.
Market access	Loss of regulatory approval to market and sell Blis products in certain countries	Blis has robust regulatory affairs processes for obtaining and maintaining product licenses, as well as a quality management system that ensures compliance with applicable regulatory requirements.
Health and safety	Work related injuries	Practices and processes are reviewed annually by an accredited Workplace Health and Safety independent expert. Health, safety and wellbeing metrics are reported regularly to the Board.
Intellectual Property	Third parties assert IP rights against us	A comprehensive patent portfolio across our products is held and maintained. Market searches undertaken in product development phase of product design. Competitor patent filings are actively monitored.
Business continuity	Loss of continuity and quality of supply	We actively monitor the quality of raw materials, end products, production processes and systems. Business impact analysis is used to identify, understand and quantify the impact of a material disruption to a key facility, location, supplier or business process. Technology and know-how for future production of both BLIS K12™ and BLIS M18™ is transferred to an offshore fermentation supplier which ensures production can be continued in the event of a single supplier failure.
Cyber security and data protection	Cyber security attack results in disruption to operations and data breach.	Independent review of control mechanisms is undertaken.

Principle 7 - Auditors

"The board should ensure the quality and independence of the external audit process."

External Auditor

Oversight of the Company's external audit arrangements to safeguard the integrity of financial reporting is the responsibility of the Audit and Risk Committee.

Blis maintains an Auditor Independence Policy to ensure that audit independence is maintained, both in fact and appearance. The quality of the audit opinion is considered to be paramount. Accordingly, any compromises to auditor objectivity and independence that are considered to exist require appropriate safeguards to eliminate or reduce the risk of compromise to an acceptable level.

Blis has adopted the following requirements in relation to auditor independence:

- the Blis auditor is required to comply with relevant independence requirements promulgated by the Financial Markets Authority and other governing bodies;
- the Audit and Risk Committee must approve the appointment of the auditor to provide any non-audit services to the Company or its subsidiaries.;
- the auditor is required to report to the Audit and Risk Committee annually on matters pertaining to their independence

The external auditor attends the Company's annual meeting each year to answer questions from shareholders in relation to the audit.

Internal audit

The Company does not have a formal internal audit function, however it does have internal processes and controls that are considered to be appropriate for the size and complexity of the organisation. The Audit and Risk Committee carefully considers the auditor's management report which lists its key findings and recommendations about significant matters arising from the audit.

Principle 8 – Shareholder Relations

"The board should respect the rights of shareholders and foster relationships with shareholders that encourage them to engage with the issuer."

Shareholder Rights and Relations

The Company is committed to regularly communicating with shareholders and other stakeholders in a timely, accurate and clear manner with respect to both procedural matters and major issues affecting the Company.

To achieve this, the Company communicates through a range of forums and publications. Annual reports, NZX releases, governance policies and charters, and a variety of corporate information is available at the Investor Centre.

Each shareholder is entitled to receive a hard copy of each annual report on request.

Documents relating to annual shareholder meetings are available at the Investor Centre.

Annual shareholder meetings to date have been held at a venue in Dunedin, reflecting the head office location for the Company, as well as being live streamed to shareholders joining online. The speeches and slides are lodged with NZX prior to the start of the meeting. Shareholders may raise matters for discussion at the annual shareholder meeting either in person or by emailing the Company with a question to be asked.

Electronic Communications

Shareholders have the option of receiving their communications electronically. Contact details for the Company's head office are available on the Blis website.

Major Decisions

The Directors' commitment to timely and balanced disclosure is set out in the Continuous Disclosure Policy and Communications Policy. The commitments include advising shareholders on any major decisions. Where voting on a matter is required, the Board encourages investors to attend the meeting or to send in a proxy vote.

Equity Issues

In the event of a capital raising, the Board will carefully consider and, where practical, will favour an offer of shares to existing shareholders on a pro-rata basis and on no less favourable terms before offering shares to other investors.

Dividend Policy

Under the current strategy of full reinvesment into growth and pipeline development, no dividend has been declared.

Notice of Meeting

The Notice of Meeting will be lodged with NZX at least 20 working days prior to the annual shareholder meeting and will be available in the Investor Centre.

Directors' interests.

Directors' Shareholdings

The following table sets out, for the purposes of the disclosures required under Listing Rule 3.7.1 (d) of the NZX Listing Rules, the relevant interests of Directors and associated persons of the Directors in equity securities of the Company as at 31 March 2021:

Name of Director	Number of Equity Securities in which a relevant interest is held by a director		
A Offen	Ordinary	31,157,388	(a)
G Plunket	Ordinary	800,000	(b)
A Balfour	-	-	
Dr B Richardson	Ordinary	17,903,624	(c)
Dr A Stewart	Ordinary	350,000	(d)

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

(a) The number of equity securities in which Mr A P Offen holds a relevant interest includes 31,157,388 ordinary shares; 11,157,388 ordinary shares held by AP Offen, BJ Offen and Downie Stewart Trustee Limited, 10,000,000 ordinary shares held by BJ Offen and 10,000,000 ordinary shares held by Edinburgh Securities Limited. Mr Offen is a director and beneficial shareholder of Edinburgh Securities Limited.

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

(c) The number of equity securities in which Dr B Richardson holds a relevant interest includes 17,903,624 ordinary shares held by Custodial Services Limited.

(d) The number of equity securities in which Dr A Stewart holds a relevant interest includes 350,000 ordinary shares held by Custodial Services Limited.

Director's Share Dealings

No Directors (or associated entities in which the Directors have relevant interests) acquired or disposed of equity securities in the Group during the year ended 31 March 2021.

Disclosures of Interest by Directors

Name of Director	Organisation	Active Interests
A Offen	Blis Functional Foods Limited	Director
	Bark Avenue Limited	Director/Shareholder
	Edinburgh Equity Limited	Director/Shareholder
	Edinburgh Securities Limited	Director/Shareholder
	Mill Park 60 Limited	Director/Shareholder
	Mill Park 92 Limited	Director/Shareholder
	Offen Nominee Limited	Director/Shareholder
	Plaza Funds Management Limited	Director/Shareholder
	Taieri Investments Limited	Director/Shareholder

G Plunket	North Otago Irrigation Company Limited	Director
	Orokonui Foundation Trust	Trustee
	Orokonui Ecosanctuary Limited	Director
	Otago Natural History Trust	Trustee
A Balfour	Bottom Right Hand Corner Limited	Director/Shareholder
	Joy Business Academy Limited	Shareholder
	Les Mills International Limited	Director/Shareholder
	Little Stream Water Company Limited	Director/Shareholder
	Pioneer Energy Limited	Director
	Strong Action Wool Group Limited	Director
	The Warehouse Group Limited	Director/Shareholder
	Wakatipu High School	Trustee
	Wayfare Group Limited (and its wholly owned subsidiaries)	Director
Dr B Richardson	CertusBio Limited	Director/Shareholder
	Otago Classic Spares Limited	Director/Shareholder
	Zircon Services Limited	Director/Shareholder
Dr A Stewart	Arable Food Industry Council	Executive committee member
	Foundation for Arable Research	Chief Executive
	GIA Brown Marmorate Stink Bug Council	Council Member
	GIA Plant Biosecurity Council	Governance Group Member
	Good Farming Practice	Governance Group Member
	MBIE Tissue Culture Partnership	Chair Governance Group
	MfE Measure and Manage diffused nutrient losses from arable crops	Governance Council Chair
	MPI A Lighter Touch PGP	Governance Group Member
	Seed & Grain Readiness & Response	Chair Governance Group
	Seed Industry Research Centre	Advisory Board member
	Vegetable Research & Innovation	Governance Group Member

Use of Company information

There were no notices from Directors regarding the use of Company information.

Indemnities and Insurance

Pursuant to s162 of the Companies Act 1993 and the Company's Constitution, the Company has entered into deeds of access, insurance and indemnity, with the directors of the Group to indemnify them to the maximum extent permitted by law, against all liabilities which they may incur in the performance of their duties as directors of any company within the Group. Insurance cover extends to directors and officers for the expenses of defending legal proceedings and the cost of damages incurred. Specifically excluded are proven criminal liability and fines and penalties other than those pecuniary penalties which are legally insurable. In accordance with commercial practice, the insurance contract prohibits further disclosure of the terms of the policy. All Directors who voted in favour of authorising the insurance certified that in their opinion, the cost of the insurance is fair to the Company.

Donations

There were no donations made by the Company during the year ended 31 March 2021 (2020: Nil)

Directors' Responsibility Statement.

The Directors of Blis Technologies Limited are pleased to present to shareholders the financial statements for the Group for the year ended 31 March 2021.

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 2021 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.

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

Tony Offen
Chairman
26 May 2021

Geoff Plunket
Director
26 May 2021

5 Year Trend.

	2021 ($000)	2020 ($000)	2019 ($000)	2018 ($000)	2017 ($000)
Revenue	**10,613**	**10,642**	**8,239**	**5,285**	**6,543**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	975	2,119	922	(427)	580
Depreciation and amortisation	406	513	525	610	608
Net interest expense	5	4	16	5	(4)
Net profit after tax (NPAT)	564	1,602	381	(1,042)	(24)
Net debt	83	128	829	290	-
Shareholder's Equity	5,662	5,056	3,421	3,007	4,017
Total assets	7,806	7,058	5,201	3,888	4,500
Current assets	5,146	5,746	3,966	2,260	2,736
Current liabilities	1,812	1,642	1,651	712	483
Working capital	3,334	4,104	2,315	1,548	2,253
Net tangible assets (NTA)[1]	3,473	4,311	2,856	2,164	2,899
Cash generated from operations	589	3,197	(583)	118	244
Number of shares on issue ('000)	1,107,654	1,107,654	1,107,654	1,107,654	1,107,654
Earnings per share (EPS) – basic (cents)	0.05	0.14	0.03	(0.09)	(0.00)
Share price at 31 March	0.06	0.06	0.02	0.02	0.04
NTA per share (cents)	0.31	0.39	0.26	0.20	0.26
Cash conversion ratio[2]	60.3%	150.9%	(63.2%)	(27.6%)	42.1%
Return on shareholders' equity[3]	10.0%	31.7%	11.1%	(34.7%)	(0.6%)
Return on assets[4]	7.7%	26.2%	8.7%	(24.7%)	(0.6%)
Gearing ratio[5]	1.4%	2.5%	19.5%	8.8%	-
EBIT to revenue ratio	5.4%	15.1%	4.8%	(19.6%)	(0.4%)
Current assets to current liabilities (times)	2.8	3.5	2.4	3.2	5.7
% CHANGE ON PRIOR YEAR					
Revenue	(0.3%)	29.2%	55.9%	(19.2%)	16.3%
EBITDA	(54.0%)	129.8%	315.9%	(173.6%)	298.0%
NPAT	(64.8%)	320.5%	136.6%	(4,241.7%)	97.1%
EPS	(64.8%)	320.5%	136.6%	(4,241.7%)	97.1%

1. Calculated as Net Assets less right of use assets and finite life intangible assets.
2. Calculated as cash generated from operations divided by EBITDA.
3. Calculated as net profit after tax divided by closing shareholders' equity.
4. Calculated as EBIT divided by average total assets.
5. Gearing ratio is calculated as net debt divided by the sum of net debt and shareholders' equity.

Financial Statements 2021

Consolidated Statement of Comprehensive Income.

For the year ended 31 March 2021

	Note	2021 ($000)	2020 ($000)
REVENUES			
Revenue	2 (a)	10,613	10,642
Other income	2 (b)	226	217
Total Revenue and Other Income		**10,839**	**10,859**
EXPENSES			
Distribution expenses		257	160
Marketing expenses		2,533	1,642
Occupancy expenses		66	85
Employee benefits		2,566	2,558
Raw materials and consumables		1,877	2,229
Operating expenses		2,950	2,553
Finance expenses		26	30
Total Expenses	**2 (c)**	**10,275**	**9,257**
SURPLUS / (DEFICIT) BEFORE TAX	**2, 4, 5**	**564**	**1,602**
Income tax expense	3	-	-
SURPLUS / (DEFICIT) FOR THE PERIOD		**564**	**1,602**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**564**	**1,602**
Earnings / (deficit) per Share:			
Basic (cents per ordinary share)	15	0.05	0.14
Diluted (cents per ordinary share)	15	0.05	0.14

The above consolidated statements should be read in conjunction with the accompanying notes on pages 43 to 61.

Consolidated Statement of Changes in Equity.

For the year ended 31 March 2021

	Notes	Share capital ($000)	Retained earnings/ deficit ($000)	Share based payments equity reserves ($000)	Total attributable to Group ($000)
OPENING EQUITY – 1 APRIL 2019		**37,380**	**(33,996)**	**37**	**3,421**
Surplus / (deficit) for the year		-	1,602	-	1,602
Other comprehensive income		-	-	-	-
Total comprehensive Income		**-**	**1,602**	**-**	**1,602**
Equity contributions and distributions					
CEO share option equity reserves	15,16	44	-	(11)	33
		44	**-**	**(11)**	**33**
CLOSING EQUITY – 31 MARCH 2020		**37,424**	**(32,394)**	**26**	**5,056**
OPENING EQUITY – 1 APRIL 2020		**37,424**	**(32,394)**	**26**	**5,056**
Surplus / (deficit) for the year		-	564	-	564
Other comprehensive income		-	-	-	-
Total comprehensive Income		**-**	**564**	**-**	**564**
Equity contributions and distributions					
CEO share option equity reserve	15,16	45	-	(13)	32
Employee performance rights plan reserve	16	-	-	10	10
		45	**-**	**(3)**	**42**
CLOSING EQUITY – 31 MARCH 2021		**37,469**	**(31,830)**	**23**	**5,662**

The above consolidated statements should be read in conjunction with the accompanying notes on pages 43 to 61.

Consolidated Balance Sheet.

As at 31 March 2021

	Notes	2021 ($000)	2020 ($000)
ASSETS			
Current Assets			
Cash and short term deposits	6	2,187	3,214
Trade and other receivables	7	1,572	1,570
Prepayments		308	202
Inventory	8	1,004	685
NZX Bond	6	75	75
TOTAL CURRENT ASSETS		**5,146**	**5,746**
NON CURRENT ASSETS			
Property, plant and equipment	9	471	567
Finite life intangible assets	10	1,711	404
Right-of-use assets	11	478	341
TOTAL NON CURRENT ASSETS		**2,660**	**1,312**
TOTAL ASSETS		**7,806**	**7,058**
LIABILITIES			
Less Current Liabilities			
Trade and other payables	12	1,549	1,520
Current borrowings	13	46	43
Lease liabilities	11	200	76
Foreign exchange contracts	22 (e)	17	3
TOTAL CURRENT LIABILITIES		**1,812**	**1,642**
Non Current Liabilities			
Non current borrowings	13	37	85
Lease liabilities	11	295	275
TOTAL NON CURRENT LIABILITIES		**332**	**360**
TOTAL LIABILITIES		**2,144**	**2,002**
NET ASSETS		**5,662**	**5,056**
OWNERS EQUITY			
Share capital	15	37,469	37,424
Retained earnings / (deficits)		(31,830)	(32,394)
Share based payment equity reserves	16	23	26
TOTAL EQUITY		**5,662**	**5,056**

The above consolidated statements should be read in conjunction with the accompanying notes on pages 43 to 61.

Consolidated Statement of Cashflows.

For the year ended 31 March 2021

	Notes	2021 ($000)	2020 ($000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from / (applied to):			
Receipts from customers		10,853	11,626
Interest received		22	26
Payments to suppliers and employees		(10,260)	(8,425)
Finance costs		(26)	(30)
Net cash inflow / (outflow) from operating activities	**21**	**589**	**3,197**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from / (applied to):			
Purchase of intangible assets	10	(1,443)	(94)
Purchase of property, plant and equipment	9	(96)	(73)
Sale of property, plant and equipment	9	56	-
Net cash inflow / (outflow) from investing activities		**(1,483)**	**(167)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from / (applied to):			
Repayment of borrowings		(45)	(701)
Repayment of lease liabilities		(127)	(72)
Receipt of share option		33	33
Net cash inflow / (outflow) from financing activities		**(139)**	**(740)**
Net Increase / (Decrease) in cash held		**(1,033)**	**2,290**
Add cash and short-term deposits at start of period		3,214	924
Foreign exchange differences		6	-
Balance at end of period		**2,187**	**3,214**
COMPRISED OF:			
Cash and short-term deposits		2,187	3,214
		2,187	**3,214**

The above consolidated statements should be read in conjunction with the accompanying notes on pages 43 to 61.

Notes to and Forming Part of the Consolidated Financial Statements.

1. BASIS OF REPORTING

Reporting Entity

The consolidated financial statements presented are those of Blis Technologies Limited (the "Company") and its subsidiary Blis Functional Foods Limited (the "Group").

The Group's principal activity is developing healthcare products based on strains of bacteria that produce bacteriocin activity for sale in New Zealand and overseas.

Statutory Base

The Company is a profit-oriented entity, domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. The Company is an FMC reporting entity under the Financial Markets Conduct Act 2013. The financial statements have been prepared in line with the requirements of these Acts and the Financial Reporting Act 2013.

Basis of Preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("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 authorised for issue by the Board of Directors on 26th May 2021.

Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for the derivative financial instruments that are measured at fair value at the end of each reporting period as explained in the relevant accounting policies.

Historical 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.

Unless otherwise stated the accounting policies set out below have been applied in preparing the consolidated financial statements for the year ended 31 March 2021 and 31 March 2020.

The financial statements are presented in thousands of New Zealand dollars. The New Zealand dollar is the Group's functional currency.

Critical Judgements, Estimates and Assumptions

In the application of NZ IFRS, the Directors are 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.

Judgements made by the Directors 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 include:

- Assessing the point at which a project has moved from the research phase to the development phase and which costs may be capitalised as internally generated intangible assets. Refer to note 10 for further information.
- 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.
- The determination of separate performance obligations for the recognition of revenue. Refer to note 2 for further information.

- Tax Losses - The recognition of a deferred tax asset arising from prior year tax losses and temporary differences is dependent on generating future taxable profits. No deferred tax asset has been recognised as at 31 March 2021 but this position will be reviewed in future periods as the Company demonstrates a consistent track record of profitable Group results. The Group's ability to utilise tax losses is explained in note 3.

Significant Accounting Policies

The principal accounting policies applied in the preparation and presentation of the financial statements are set out below or in the notes with the item to which they relate, where policies are specific to certain transactions or balances.

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 Consolidated Statement of Comprehensive Income 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.

Foreign Exchange

In the course of normal trading activities, the Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Transactions in currencies other than the New Zealand dollar are recognised at the rate of exchange prevailing on the dates of the transactions. Trade and other receivables, trade and other payables, 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 statement of comprehensive income in the period in which they occur.

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.

New and revised NZ IFRS Standards and Interpretations Issued but not yet adopted

All mandatory new and revised standards and interpretations have been adopted in the current year. None had a material impact on these financial statements

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. The Group expects to adopt these when they become mandatory. None are expected to materially impact the Group's financial statements.

2. SURPLUS / (DEFICIT) FROM OPERATIONS

Policy

Revenue is recognised from the following major sources:

- Sale of goods;
- Right to access; and
- Grants.

Revenue is measured at the fair value of the consideration the Group expects to be entitled to in accordance with customer contracts and excludes amounts collected on behalf of third parties.

Sale of Goods

The Group sells ingredients and finished goods to manufacturer and wholesale customers. In addition to product sales, the Group provides sales training and support to its customers. The Group has determined that the sales training and support is not a distinct performance obligation.

In addition to selling products to customers, the Group also arranges delivery of the products to its customers. Where control of the product passes to the customer on departure the delivery services represent a separate performance obligation. The Group is an agent in the performance of the delivery service and the allocated revenue is recognised net of costs.

Revenue from the sale of goods is recognised when the Group has transferred control of the goods to the customer, which is typically at the point goods are dispatched. For some customers, the customer does not obtain control until the goods have been delivered to their premises. For these customers, revenue is recognised at the date the goods are delivered. One of the Group's major customers has entered into a consignment arrangement. Sales to this customer, are not recognised until the sale is made to the end customer.

Rebates
The Group provides rebates to certain customers based on the quantity of products purchased during the period. Rebates are offset against revenue. To estimate the variable consideration for the expected rebates, the Group applies the expected value method. The Group recognises a refund liability for the expected rebates.

Right to access
Right to access agreements with customers provide exclusive rights to the customer for specified products throughout the contract period.

Revenue from right to access agreements is recognised over time, on a straight-line basis over the contract term as this depicts the period of exclusive supply to the customer.

A material right is recognised as a separate performance obligation where the customer has the right to extend the access period at a discounted price. In such instances, the Group recognises revenue when the rights are exercised or expired. The material right is estimated based on the likelihood of the customer exercising the option.

Contract liabilities
Revenue is recognised when all associated obligations have been met. Where consideration has been received but the associated obligations have not been met, for instance goods have not yet been provided, it will be recognised as a contract liability on the balance sheet.

Grant 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 revenue of the period in which it becomes receivable.

Interest Income
Interest income 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.

(a) Revenue	2021 $'000	2020 $'000
Revenue consists of the following items:		
Point in time recognition:		
Sale of goods – domestic sales		
Finished goods	1,115	1,663
Ingredients	27	45
Sale of goods – export sales		
Finished goods	969	1,445
Ingredients	8,203	7,290
Over time recognition:		
Right to access	299	199
	10,613	**10,642**

(b) Other Income	2021 $'000	2020 $'000
Grant income	201	181
Other income	3	10
Interest income	22	26
	226	**217**

(c) Expenses	2021 $'000	2020 $'000
This includes the following specific expenses:		
Director's fees	298	248
Other operating expenses	1,799	1,521
Depreciation of property, plant and equipment **(note 9)**	137	156
Depreciation of right of use assets **(note 11)**	134	82
Amortisation of finite life intangible assets **(note 10)**	122	256
(Gain) / loss on disposal of property, plant and equipment **(note 9)**	(1)	19
Loss on disposal of Intangibles **(note 10)**	14	-
Reversal of allowance on trade receivables **(note 22 g)**	-	(6)
Operating lease payment	5	20
Research and development	445	290
Employee benefits	2,951	2,492
Employee benefits capitalised	(469)	-
Post employment benefits	84	66

3. INCOME TAXES

Policy

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 statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(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:

	2021 $'000	2020 $'000
Net surplus before tax	564	1,602
Income tax expense calculated at 28%	158	449
Non-deductible items	86	61
Temporary differences excluding tax losses not recognised	(46)	14
Tax losses (recognised)/not recognised	(198)	(524)
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 an unrecognised deferred tax asset of $4,302,366 (2020: $4,669,199). The unrecognised deferred tax asset arises in relation to temporary differences of $298,930 (2020: $346,118) and gross tax losses of $14,297,985 (2020: $15,439,574) with a tax effect of $4,003,436 (2020: $4,323,081). The tax losses may be able to be carried forward and offset against future taxable income (subject to meeting the requirements of the Income Tax Act 2007) and accounting recognition requirements.

4. REMUNERATION OF AUDITORS

	2021 $'000	2020 $'000
Audit of the financial statements	85	70
Additional fees relating to 2019 audit	-	6
	85	**76**

The auditor of Blis Technologies Limited is Deloitte Limited.

5. KEY MANAGEMENT PERSONNEL COMPENSATION

	2021 $'000	2020 $'000
Short term employee benefits	1,234	1,061
Post employee benefits	37	29
Share based payments	10	-
	1,281	**1,090**

Equity settled share based payments

The fair value (at grant date) of performance share rights plan (PSRs) granted to the CEO and certain other senior management, is recognised in profit or loss within the consolidated statement of Comprehensive Income over the vesting period with a corresponding increase in the share based payment reserve. When PSRs are exercised, the amount in the share based payment reserve relating to those instruments is transferred to share capital. When any PSRs lapse, the amount in the share based payment reserve relating to those PSRs is also transferred to retained earnings.

Employee share based compensation

From 21 December 2020, the Company grants PSRs to certain members of its senior leadership and senior management teams under the 2020 Performance Share Rights Plan. There were no Employee share based schemes prior to December 2020.

i) Performance share rights plan

Under the 2020 Performance Share Rights Plan, one share right gives the employee the potential to exercise a share right for an ordinary share in the Company. Performance share rights will only become exercisable if the Company meets certain market based and performance based requirements set by the board in respect of its share price and net profit, and the continuous employment of the relevant holder.

The plan is a three year scheme, with the potential rights to fully vest on the third anniversary of the grant date if the following criteria are met:

- 50% of the Performance rights shall vest on the Vesting Date subject to the average market price of the shares of the Company from the Grant Date to the Vesting Date increase by 15% per annum.
- 50% of the Performance rights shall vest on the Vesting date subject to the Company achieving 15% compound annual growth rate (CAGR) for net profit from 31 March 2020 to the Vesting Date; and
- The holder of the Performance Rights is continuously employed by the Company during the period from the Grant Date to the Vesting Date.

Measurement

The fair value of the PSRs was determined using the Black Scholes option pricing model to value the 50% performance rights which vest on achieving 15% CAGR for net profit being non market conditions and a Monte Carlo simulation valuation methodology for the 50% performance rights with market based vesting conditions.

The compensation of the key management personnel of the entity, is set out below:

Movements in the number of PSRs outstanding and their exercise prices are as follows:

	2021	2020
Number of options outstanding		
As at beginning of the year	-	-
Granted during the year	2,674,000	-
Exercised during the year	-	-
Lapsed during the year	-	-
As at end of the year	**2,674,000**	**-**
Exercisable at year end	-	-
Number of employees	4	-
Weighted average exercise price	$0.08	-
Weighted average remaining contractual life (months)	33	
Fair value of rights granted during the year	106,960	-
Fair value of rights granted during the year ($ per share)	0.04	-

Key inputs and assumptions used in fair value of PSRs granted during the year

	2021	2020
Share price at grant date	$0.08	-
Contractual life (years)	4	-
Exercise price	$0.08	-
Dividend yield	0%	-
Expected volatility [(i)]	70-75%	-
Risk free rate	0.31%	-

(i) The expected share price volatility is derived by analysing the historical volatility over the most recent historical period corresponding to the term of the PSR.

6. CASH AND SHORT TERM DEPOSITS

Policy

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. Cash and short term deposits are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

NZX Bond

A short term deposit is held at Bank of New Zealand as security for a bond issued to the NZX. These funds do not represent operating cash reserves.

	2021 $'000	2020 $'000
Cash	1,487	1,614
Short term deposits	700	1,600
	2,187	**3,214**
NZX bond	75	75

7. TRADE AND OTHER RECEIVABLES

Policy

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for expected credit losses.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance.

The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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.

	2021 $'000	2020 $'000
Trade receivables	1,474	1,543
Allowance for expected credit losses (note 22 g)	(2)	(2)
GST receivable	100	29
	1,572	**1,570**

Trade receivables and other receivables are non-interest bearing and receipt is normally on 30 to 60 day terms. Therefore, the carrying value of trade debtors and other receivables approximates its fair value.

8. INVENTORIES

Policy

Inventories are stated 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.

	2021 $'000	2020 $'000
Raw materials	666	549
Finished goods	338	136
	1,004	**685**

9. PROPERTY, PLANT AND EQUIPMENT

Policy

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	2 – 15 years
Plant and equipment	3 – 12 years

2021

	Cost 1 April 2020 $'000	Additions/ Transfers $'000	Disposals $'000	Cost 31 March 2021 $'000	Accumulated depreciation 1 April 2020 $'000	Depreciation expense $'000	Accumulated depreciation reversed on disposal $'000	Transfer $'000	Accumulated depreciation 31 March 2021 $'000	Book Value 31 March 2021 $'000
Leasehold improvements	364	-	-	364	(314)	(6)	-	-	(320)	44
Furniture and fittings	100	30	-	130	(100)	(7)	-	-	(107)	23
Plant and equipment	1,601	66	(149)	1,518	(1,084)	(124)	94	-	(1,114)	404
	2,065	**96**	**(149)**	**2,012**	**(1,498)**	**(137)**	**94**	**-**	**(1,541)**	**471**

2020

	Cost 1 April 2019 $'000	Additions/ Transfers $'000	Disposals $'000	Cost 31 March 2020 $'000	Accumulated depreciation 1 April 2019 $'000	Depreciation expense $'000	Accumulated depreciation reversed on disposal $'000	Transfer $'000	Accumulated depreciation 31 March 2020 $'000	Book Value 31 March 2020 $'000
Leasehold improvements	367	2	(5)	364	(314)	(6)	6	-	(314)	50
Furniture and fittings	98	2	-	100	(96)	(4)	-	-	(100)	-
Plant and equipment	1,667	69	(135)	1,601	(1,053)	(146)	115	-	(1,084)	517
	2,132	**73**	**(140)**	**2,065**	**(1,463)**	**(156)**	**121**	**-**	**(1,498)**	**567**

10. FINITE LIFE INTANGIBLE ASSETS

Policy

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised 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 Group 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 20 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Website

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

Internally-generated Intangible Assets – Capitalised 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 8 years.

Intangibles work in progress

Intangibles work in progress is not amortised until work is complete and the asset is fit for its intended use.

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.

2021	**Trademarks $'000**	**Patents $'000**	**Capitalised development $'000**	**IT, website development and software $'000**	**Total $'000**
Gross Carrying Amount					
Balance at 1 April 2020	130	1,072	3,115	193	4,510
Additions - acquired	76	106	-	-	182
Additions - internally generated (WiP)	-	-	1,054	207	1,261
Disposals	-	(14)	-	-	(14)
Balance at 31 March 2021	206	1,164	4,169	400	5,939
Accumulated amortisation and impairment					
Balance at 1 April 2020	11	829	3,082	184	4,106
Amortisation expense	15	71	33	3	122
Balance at 31 March 2021	26	900	3,115	187	4,228
Net Book Value at 31 March 2021	**180**	**264**	**1,054**	**213**	**1,711**

2020	Trademarks $'000	Patents $'000	Capitalised development $'000	IT, website development and software $'000	Total $'000
Gross Carrying Amount					
Balance at 1 April 2019	47	1,072	3,115	182	4,416
Additions - acquired	83	-	-	11	94
Balance at 31 March 2020	130	1,072	3,115	193	4,510
Accumulated amortisation and impairment					
Balance at 1 April 2019	3	689	2,998	160	3,850
Amortisation expense	8	140	84	24	256
Balance at 31 March 2020	11	829	3,082	184	4,106
Net Book Value at 31 March 2020	**119**	**243**	**33**	**9**	**404**

Trademarks are amortised over their estimate useful lives, which is on average 10 years.

Patents are amortised over their estimated useful lives, which is on average 20 years.

The amortisation period for development costs incurred on the Group's K12, M18 and Q24 product development is 8 years.

The amortisation period for the development costs incurred on the Group's IT, website and software development is 3 years.

No impairment losses have been recorded in the current year (2020: Nil).

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.

Impairment test for Intangible Assets

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 Group is considered to be one cash-generating unit.

The calculation of the recoverable amount 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 rate, contribution margins and the required rate of return. Key assumptions used in the value-in-use calculation are:

- Annual sales growth rate of between 15% - 19% (2020: 0% - 5%)
- Contribution margins of 73% - 75% (2020: 61% – 65%)
- Pre-tax discount rate of 16.45% (2020: 17.4% pre tax)
- Terminal growth rate of 2% (2020: 2%)

The calculation supports the carrying amount of intangible assets. Excluding costs associated with new growth or development activities:

- A sales growth rate of 0% would not have resulted in an impairment loss
- A reduction of contribution margins by 5% would not have resulted in an impairment loss
- A 5% increase in the discount rate would not have resulted in an impairment loss

The recoverable amount is sensitive to each of these assumptions. If sales growth and/or contribution margins fall short of projections, the recoverable amount of the capitalised intangible asset expenditure may be less than the carrying value.

11. LEASES

Policy

The Group as a lessee

The Group leases certain property, plant and equipment. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets where the Group recognises the lease payments as an other operating expense on a straight-line basis over the term of the lease.

Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate (IBR).

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease liabilities are presented as a separate line in the balance sheet and are subsequently measured by increasing the carrying amount to reflect interest on the lease (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability if:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- Lease payments changing due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

ROU assets

ROU assets comprise of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Wherever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under NZ IAS 37. The costs are included in the related ROU asset, unless those costs are incurred to produce inventories.

ROU assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The estimated useful lives of ROU assets are determined on the same basis as similar owned assets within property, plant and equipment. Depreciation starts at the commencement date of the lease.

ROU assets are presented as a separate line in the balance sheet.

The Group applies NZ IAS 36 to determine whether a ROU asset is impaired and accounts for any identified loss under the same policy adopted for property, plant and equipment.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and ROU asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in other operating expenses in the income statement.

Right-of-use assets

2021	Properties $'000	Office Equipment $'000	Total $'000
As at 1 April 2020	325	16	341
Additions	244	38	282
Terminations	-	(22)	(22)
Depreciation expense	(132)	(2)	(134)
Depreciation write back on terminations	-	11	11
Net Book Value as at 31 March 2021	**437**	**41**	**478**

2020	Properties $'000	Office Equipment $'000	Total $'000
As at 1 April 2019	401	22	423
Additions	-	-	-
Terminations	-	-	-
Depreciation expense	(76)	(6)	(82)
Net Book Value as at 31 March 2020	**325**	**16**	**341**

Lease Liabilities – Maturity Analysis	2021 $'000	2020 $'000
Lease Liabilities under NZ IFRS 16		
Less than one year	200	76
Between one and five years	184	141
More than five years	111	134
	495	351
Current	200	76
Non-Current	295	275
Total	**495**	**351**

The Group leases various properties and office equipment under non-cancellable leases expiring within two to ten years. The leases have varying terms and have no option to purchase in respect to the leased equipment in the financial year ended 31 March 2021.

	2021 $'000	2020 $'000
Amounts Recognised in consolidated statement of comprehensive income:		
Depreciation of right-of-use assets	134	82
Interest expense on lease liabilities	23	23
Expense relating to short-term leases	2	17
Expense relating to low value assets	3	3

The total cash outflow for leases in 2021 was $148,461 (2020: $115,388).

The incremental borrowing rate applied on properties was 6% (2020: 6%) and office equipment 6% (2020: 6%).

The below table details changes in the group's lease liabilities from financing activities, including both cash and non-cash changes.

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the group's statement of cash flows from financing activities.

2021	Opening balance at 1 April 2020	Non-cash changes[1]	Recognised on acquisition	Non-financing cash flows	Financing cash flow	Closing balance at 31 March 2021
Lease liabilities	351	271	-	-	(127)	495
	351	**271**	**-**	**-**	**(127)**	**495**

2020	Opening balance at 1 April 2019	Non-cash changes[1]	Recognised on acquisition	Non-financing cash flows	Financing cash flow	Closing balance at 31 March 2020
Lease liabilities	-	423	-	-	(72)	351
	-	**423**	**-**	**-**	**(72)**	**351**

(1) Non-cash changes within lease liabilities relate to new leases entered into during the financial year, interest, lease modifications and reassessments of lease terms.

12. TRADE AND OTHER PAYABLES

Policy

Trade Payable

Trade 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 and annual leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

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.

Refund Liabilities

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

	2021 $'000	2020 $'000
Trade payable	1,246	1,222
Employee entitlements	303	295
Refund liabilities	-	3
	1,549	**1,520**

13. BORROWINGS

Policy

Borrowings are recognised initially at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

	2021 $'000	2020 $'000
Asset finance	83	128
Total borrowings	**83**	**128**

	2021 $'000	2020 $'000
Current borrowings	46	43
Non-current borrowings	37	85
Total borrowings	**83**	**128**

The Group has an undrawn trade credit loan facility with the Bank of New Zealand that has a base limit of $550,000. The effective interest rate of the trade credit loans is between 5.86% - 6.49% (2020: 6.76% - 7.43%).

Asset Finance loan with the Bank of New Zealand was utilised to finance the purchase of the Natoli tablet press. The loan has an effective interest rate of 4.48% (2020: 5.21%). The term of this loan is over 60 months with the final payment due December 2022. The loan is secured over the Natoli tablet press, purchased for $293,479.

Security

The banking facilities from Bank of New Zealand are secured by general security agreement over all present and after acquired property of Blis Technologies Limited. There is assignment of Trade Credit Insurance Policy covering export receivables and specific security (set off and charge) over Term Deposit funds to secure NZX Bond.

14. INVESTMENT IN SUBSIDIARY

	Percentage held		Balance date	Principal activity
	2021	2020		
Blis Functional Foods Limited	100%	100%	31 March	Non-trading

15. SHARE CAPITAL AND EARNINGS PER SHARE

	2021		2020	
	No. of shares	$'000	No. of shares	$'000
Balance at the beginning of the year (fully paid)	1,107,653,565	37,424	1,107,653,565	37,380
Shares pursuant to the CEO share plan	-	45	-	44
Balance at the end of the year	**1,107,653,565**	**37,469**	**1,107,653,565**	**37,424**

All 1,107,653,565 ordinary shares are issued and carry equal voting rights. All issued shares participate equally in any dividend distribution or any surplus on winding up of the Company.

On 2 June 2016, 5,500,000 shares were issued to Mr Brian Watson, Chief Executive of the Company. The shares were issued at a price of $0.0299 per share. Details of this transaction is shown in note 17.

Basic earnings per share	2021	2020
Profit attributable to members of the Company used in calculating basic and diluted EPS ($'000)	564	1,602
Weighted average number of ordinary shares ('000) for basic EPS	1,107,654	1,107,654
Effect of dilution due to performance rights	-	-
Weighted average number of ordinary shares ('000) for diluted EPS	1,107,654	1,107,654
Earnings per share		
Basic EPS (cents)	0.05	0.14
Diluted EPS (Cents)	0.05	0.14

Recognition and measurement

Basic EPS is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares outstanding during the financial year. Diluted EPS adjusts basic EPS for the dilutive effect of employee share rights and options that may be converted into ordinary shares in the Company to the extent that the shares are contingently issuable at balance date.

16. RESERVES

Nature and purpose of share based payment equity reserves

Share option equity reserve

The Share option equity reserve relates to the CEO share plan refer note 17.

Employee performance rights plan reserve

The Reserve is used to recognise the fair value of PSRs granted but not exercised refer to note 5.

	2021 $'000	2020 $'000
Balance at the beginning of the year	26	37
Repayment of CEO share option equity reserve	(13)	(11)
Expense recognised in relation to employee performance rights plan reserve	10	-
Balance at end of the year	**23**	**26**

17. RELATED PARTY TRANSACTIONS

During the year, BLIS products were not sold to any related parties (excluding web sales). Product seconds are made available to the staff and Board members for personal use at no charge.

CEO Share option and issue of shares to the CEO

The Company entered into a Subscription Agreement and issued 5,500,000 new ordinary shares to the CEO, Brian Watson, on 2 June 2016. The shares were issued for cash consideration of 2.99 cents per share being an aggregate $164,500, which was satisfied by way of a contemporaneous interest free loan provided by the Company to the CEO for an aggregate amount equivalent to the subscription price for the shares.

The loan is secured by a lien on the issued shares and repayable in equal annual instalments commencing on the 1st of December 2017 with the final instalment due on 1 December 2021.

The shares were issued at 90% of the volume weighted average share price for the 5 trading days prior to 1 June 2016. The issue price was considered by the Directors of the Company to be equivalent to the price that the tranche of shares would have been issued to an independent third party at the time of issue.

The Subscription Agreement provides security against the loan through a charge on the shares. The appropriate approach consistent with the relevant accounting standard is to treat the entire arrangement as a share option.

Using the Black Scholes option pricing model for the CEO Share Plan at an implied volatility of 32% and referenced to the prevailing share price of 3.32 cents on 2 June 2016 yielded an aggregate option value of $54,517. This amount was treated as an expense.

As a result of the charge to the Statement of Comprehensive Income a CEO Share Option Reserve was created in the Consolidated Balance Sheet. Upon receipt of each of the scheduled loan repayment the notional option value associated with each tranche transfers from the CEO Share Plan Reserve to Share Capital and the amount of each loan repayment recorded to equity to represent the consideration received for each tranche of shares issued to the CEO.

Consideration of $32,900 was received for the fourth tranche of shares in November 2020 (third instalment in November 2019: $32,900, second instalment in November 2018: $32,900, first instalment in November 2017 $32,900).

Fair Value of Share Options

The fair value of the share options granted during the 2017 financial year was $54,517. Options were priced using the Black-Scholes option pricing model. Expected volatility is based on the historical share price over the past 5 years, consistent with the options lives, factoring in a step change in the 9 months prior to grant date.

No allowance for early exercise was incorporated into the fair value calculation as it was assumed that the CEO would exercise the options at the latest exercise date.

There are no market or service conditions.

The fair value model is most susceptible to changes in the expected volatility. Had an expected volatility of 45% been utilised, the fair value of the share options would have been $69,000.

Inputs to the model:

Option Series	**1**	**2**	**3**	**4**	**5**
Grant date weighted average share price	$0.0322	$0.0322	$0.0322	$0.0322	$0.0322
Exercise price	$0.0299	$0.0299	$0.0299	$0.0299	$0.0299
Expected volatility	31.93%	31.93%	31.93%	31.93%	31.93%
Option life (years)	1.5	2.5	3.5	4.5	5.5
Dividend yield	0%	0%	0%	0%	0%
Risk free interest rate	2.07%	2.01%	2.00%	2.06%	2.02%
Final exercise date	1/12/17	1/12/18	1/12/19	1/12/20	1/12/21

18. COMMITMENTS FOR EXPENDITURE

As at 31 March 2021 there is no capital expenditure commitments (2020: $nil)

19. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no material contingent assets or contingent liabilities at 31 March 2021 (2020: $Nil).

20. SEGMENTAL REPORTING

20.1 Operating segments

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

20.2 Revenue from major products and services

	2021 $'000	**2020** $'000
The Group's revenues from its major products and services were as follows:		
BLIS products	10,613	10,642
Non-core business	226	217
Total Revenue and Other Income	**10,839**	**10,859**

Non-core business includes grant revenue and contract manufacturing revenue of non-BLIS branded products.

20.3 Information about geographical areas

The Group operates in 3 principal geographical areas, Asia Pacific, Europe Middle East and Africa (EMEA) 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**	
	2021 $'000	**2020** $'000	**2021** $'000	**2020** $'000
New Zealand	1,148	1,708	2,660	1,312
Asia Pacific (excl. NZ)	1,301	2,010	-	-
EMEA	3,101	3,964	-	-
North America	5,063	2,970	-	-
Total revenue	**10,613**	**10,642**	**2,660**	**1,312**
Grant revenue	201	181	-	-
Other revenue	3	10	-	-
Interest revenue	22	26	-	-
Total revenue & other income	**10,839**	**10,859**	**2,660**	**1,312**

Included in revenue are revenues of $4,038k and $3,084k (2020: $3,923k, $2,190k and $1,034k) which arose from sales to the Group's two largest customers (2020: three).

Web sales are allocated to the region where the end consumer is based.

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

Policy

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 consolidated statement of comprehensive income.

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.

	2021 $'000	**2020** $'000
Net surplus / (deficit) for the year	564	1,602
Adjustments for non-cash items:		
Amortisation	122	256
Depreciation property, plant and equipment	137	156
Depreciation right of use assets	134	82
Foreign exchange loss / (gain)	(14)	9
ECL provision	-	(6)
PSR Expense	10	-
Loss / (gain) on fair value of foreign exchange contracts	17	3
Loss on disposal of intangible assets	14	-
Loss / (gain) on disposal of fixed assets	(1)	19
	983	**2,121**
Movements in working capital		
Trade and other receivables	2	797
Prepayments	(106)	18
Inventories	(319)	(308)
Trade and other payable	29	569
	(394)	**1,076**
Net cash inflow/ (outflow) from operating activities	**589**	**3,197**

22. FINANCIAL INSTRUMENTS

Policy

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.

All of the Group's financial assets (excluding derivative financial assets) are measured at amortised cost. Foreign exchange contracts are measured at fair value, all of the Group's other 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 derivative financial instruments for speculative purposes. The Group utilises forward cover on confirmed foreign currency transactions. 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 reserves, share based payment equity reserves 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 2020.

(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. The Group enters into foreign exchange contracts to manage its exposure to foreign currency transactions, 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 and borrowings 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 enters into foreign exchange contacts on certain sales denominated in foreign currencies to economically hedge the foreign exchange risk associated with the timing between the date of sale and receipt of payment. The Group has not adopted hedge accounting.

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

	2021 $'000	2020 $'000
Euro	105	1
United States dollar	422	1
Canadian dollar	6	1

The table below details the notional principal amounts and remaining terms of foreign exchange contracts outstanding at reporting date:

	Average contract rate		Foreign currency		Nominal contract Value		Fair value asset /(liability)	
	2021	2020	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Euro								
Less than 1 year	-	0.5297	-	460	-	472	-	12
USD								
Less than 1 year	0.7135	0.6324	718	281	701	266	(17)	(15)
			718	**741**	**701**	**738**	**(17)**	**(3)**

The above tables express foreign currency amounts in New Zealand dollar equivalents using the exchange rates at 31 March 2021 and 31 March 2020. The rates applied at 31 March 2021 were:

	2021	2020
EUR	0.5943	0.5429
USD	0.6966	0.5987

The fair value of the foreign exchange contracts is based on a discounted cash flow analysis using observable market data and is a level 2 fair value measurement.

Foreign exchange rate sensitivity

Reasonable fluctuations in foreign exchange rates were determined based on a review of the last two years' historical movements. A movement of plus or minus 10% has therefore been applied to the exchange rates to demonstrate the sensitivity to foreign currency risk of the Group.

The following sensitivity is based on the foreign currency risk exposures in existence at balance date. The impact of a plus or minus 10% foreign exchange movement on New Zealand dollars against all trading currencies, with all other variables held constant, is illustrated below:

	-10%		+10%	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Surplus / (deficit) before tax	(97)	(86)	32	60

(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 trade and other receivables.

In the normal course of business, the Group is exposed to counterparty credit risk. The maximum exposure to credit risk is equal to the carrying value of cash and short term deposits, trade and other receivables and transactions with financial institutions (derivative financial instruments). The Group requires payment of deposits prior to production by high credit risk customers and carries trade credit insurance for its four largest customers. The Group, as a result of the markets in which they operate, can be exposed to significant concentrations of credit risk from trade receivables. They do not require any collateral or security to support financial instruments as these represent deposits with, or loans to, banks and other financial institutions with high credit ratings.

	2021 $'000	2020 $'000
Cash and short term deposits	2,187	3,214
NZX bond	75	75
Trade receivables (net of loss allowance)	1,472	1,541
GST receivable	100	29
	3,834	**4,859**

Ageing receivables breakdown

2021

	Gross amounts receivable $'000	Allowance for expected credit losses $'000	Net balance $'000
Current	1,402	-	1,402
0 – 30 days (past due)	30	-	30
31 – 60 days (past due)	4	-	4
Greater than 60 days (past due)	38	(2)	36
Total past due	72	(2)	70
Total trade receivables	**1,474**	**(2)**	**1,472**

Ageing receivables breakdown

2020

	Gross amounts receivable $'000	Allowance for expected credit losses $'000	Net balance $'000
Current	1,311	-	1,311
0 – 30 days (past due)	97	-	97
31 – 60 days (past due)	78	-	78
Greater than 60 days (past due)	57	(2)	55
Total past due	232	(2)	230
Total trade receivables	**1,543**	**(2)**	**1,541**

At 31 March 2021, trade receivables includes amounts of $434k, $224k and $381k (2020: $633K and $246K) due from the Group's three largest receivables (2020: two). All of the Group's bank accounts are held with Bank of New Zealand. Otherwise the Group does not have any other concentrations of credit risk

(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 Group also has approved trade funding facilities with a base limit of up to $550k which are linked to customer specific limits. As at 31 March 2021 the facility was not drawn down (2020: Nil).

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

Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities.

2021

	Weighted average effective interest rate	YEARS < 1 $'000	1 - 2 $'000	2 - 3 $'000	3 - 4 $'000	4 - 5 $'000	5 + $'000	Total $'000
Financial liabilities at amortised cost								
Trade payables	-	1,246	-	-	-	-	-	1,246
Borrowings	4.48%	49	38	-	-	-	-	87
Lease liabilities	6.00%	224	116	41	38	30	125	574
		1,519	**154**	**41**	**38**	**30**	**125**	**1,907**

2020

Financial liabilities at amortised cost								
Trade payable	-	1,222	-	-	-	-	-	1,222
Borrowings	5.21%	51	51	38	-	-	-	140
Lease liability	6.00%	95	91	35	30	30	155	436
Total		**1,368**	**142**	**73**	**30**	**30**	**155**	**1,798**

(i) 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.

23. EVENTS AFTER BALANCE DATE

There were no significant events after balance date (2020: nil)

Additional Stock Exchange Information.

For the year ended 31 March 2021

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

As at 31 March 2021 the total number of issued ordinary shares in the Company was 1,107,653,565

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 2021 details of the substantial product holders of the Company and their relevant interests in the ordinary shares of the Company are as follows:

Name of Substantial product holder	Shareholding as at 31 March 2021	% of issued share capital
Leveraged Equities Finance	178,776,130	16.14%

2. Spread of security holders at 31 March 2021 - Ordinary shares

	Number of security holders	Percentage of security holders	Percentage of shares held
1 - 50,000	1,399	48.17%	2.39%
50,001 - 100,000	460	15.83%	2.69%
100,001 - 150,000	310	10.67%	3.15%
150,001 - 200,000	133	4.58%	2.00%
200,001 - 300,000	174	5.99%	3.66%
300,001-500,000	145	4.99%	4.85%
500,001 - 1,000,000	134	4.61%	7.83%
1,000,001 - 5,000,000	118	4.06%	20.36%
5,000,001 and above	32	1.10%	53.07%
	2,905	**100%**	**100%**

3. Twenty largest equity security holders

The names of the 20 largest holders of each class of quoted equity security as at 31 March 2021 are listed below.

Top 20 shareholders	Number of issued ordinary shares	Percentage issued
Leveraged Equities Finance	178,776,130	16.14%
New Zealand Depository Nominee	44,991,993	4.06%
Mingchun Qiu	26,895,482	2.43%
Custodial Services Limited	25,179,416	2.27%
Zhaoyi Li	25,000,000	2.26%
Mark Alexander Stevens & Wendy Joanne Stevens & W M C Trustees Limited	24,094,577	2.18%
Asia Pacific Partners Limited	21,850,878	1.97%
New Zealand Central Securities	19,036,330	1.72%
Hui Ai Adriana Tong & Morlan Tong	16,878,179	1.52%
FNZ Custodians Limited	16,089,857	1.45%
Stephen Patrick Ward & Julie Patricia Ward & James Michael Ward	15,307,128	1.38%
Phaben Holdings Limited	15,243,436	1.38%
Jennbring Fruit Ltd	12,250,000	1.11%
Caroline Robyn Ball & Christopher John Thomson Bush	11,617,336	1.05%
Anthony Paul Offen & Bilinda Jane Offen & Downie Stewart Trustee Limited	11,157,388	1.01%
Michael Herbert Bird	11,000,000	0.99%
Bilinda Jane Offen	10,000,000	0.90%
Circada Limited	10,000,000	0.90%
Edinburgh Securities Limited	10,000,000	0.90%
Richard Mark Keenan	9,637,308	0.87%
	515,005,438	**46.50%**

4. Credit rating

The Company does not currently have a credit rating.

5. NZX matters

No waivers were granted by NZX (or relied upon) with respect to the Company during the period 1 April 2020 to 31 March 2021.

Deloitte.

Independent Auditor's Report

To the Shareholders of Blis Technologies Limited

Opinion

We have audited the consolidated financial statements of Blis Technologies Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 31 March 2021, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 39 to 61, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the Company or any of its subsidiaries, except that partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be $130,000 (2020: $110,000).

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Capitalisation of internally generated intangible assets As disclosed in Note 10 of the financial statements, the Group capitalises costs incurred in the development of its products and website. For the year ended 31 March 2021 Blis has capitalised $1,261,000 of internally generated intangible assets in relation to development costs. Management has assessed these as satisfying the requirements for recognition in line with NZ IAS 38 *Intangible Assets*. These costs are then amortised over the estimated useful life of the product / asset. The Group's process for calculating the value of internally developed products and website involves judgement as it includes: • assessing the point at which a project has moved from the research phase to development phase in accordance with NZ IAS 38 *Intangible Assets;* • determining which costs may be capitalised in accordance with the criteria included within NZ IAS 38; • assessing internal staff time spent on developing products and determining the value attributable to that time. We consider the capitalisation of development costs as internally generated intangible assets to be a key audit matter as these costs are material to the financial statements and judgement is exercised by management when determining whether amounts incurred meet the criteria to be capitalised.	Our procedures, amongst others focussed on: • Reviewing the accounting memo prepared by management and assessing whether management's capitalisation methodology is in accordance with NZ IAS 38. • Obtaining an understanding from and challenging, key management personnel, on project objectives and timelines including the current status of projects. • For a sample of transactions capitalised, agreeing amounts capitalised to supporting documentation /evidence and assessing the reasonableness of the costs capitalised relative to the capitalisation requirements under NZ IAS 38. • Assessing the procedures applied by management to determine payroll costs that were capitalised to ensure these were reasonable. • Assessing the adequacy of the disclosures related to internally generated intangible assets in the consolidated financial statements.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1

This description forms part of our auditor's report.

Restriction on use

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.

Deloitte Limited

Heidi Rautjoki, Partner
for Deloitte Limited
Dunedin, New Zealand
26 May 2021

This audit report relates to the consolidated financial statements of Blis Technologies Limited (the 'Company') for the year ended 31 March 2021 included on the Company's website. The Directors are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 26 May 2021 to confirm the information included in the audited consolidated financial statements presented on this website.

Company Directory.

For the year ended 31 March 2021

Company number
1042367

Issued capital
1,107,653,565 Ordinary Shares

Registered office
Blis Technologies Limited
81 Glasgow Street, South Dunedin
Dunedin 9012

Shareholders
Listed on the NZX main board

Share registrar
Link Market Services Limited
Deloitte Centre, 80 Queen street
Auckland

Directors
A Offen
G Plunket
A Balfour (appointed 8 April 2020)
Dr B Richardson
Dr A Stewart
G Boyd (retired 24 July 2020)

Chief executive
B D Watson

Auditors
Deloitte Limited
PO Box 1245
Dunedin

Bankers
Bank of New Zealand
Dunedin

Solicitors
Anderson Lloyd
Private bag 1959
Dunedin 9054

Downie Stewart Lawyers
PO Box 1345
Dunedin 9054

Goldsmith Law
PO Box 40
Dunedin 9054

Website
www.blis.co.nz
www.unconditionalskin.com

Facebook
www.facebook.com/BLISTechnologiesLtd
www.facebook.com/unconditionalskin

Instagram
www.instagram.com/blisprobiotics
www.instagram.com/unconditionalskin

BLIS Technologies

Physical Address
Blis Technologies Limited
81 Glasgow Street
Dunedin 9012

Postal Address
PO Box 2208
Dunedin 9044
New Zealand

Email
info@blis.co.nz

Telephone
+64 3 474 0988

www.blis.co.nz