BLIS Technologies

ANNUAL REPORT 2022

For the Year Ended 31 March 2022

"In the 12 months to 31 March 2022 we continue to build the foundations with attractive future prospects. These foundations include the long term strategic partnership with Probi, growth in our branded finished product sales and a strong product development pipeline."

Contents

FY22 Summary.

$9.0m
Trading Revenue
-16% on prior year

41%
Finished product revenue growth

47% eCommerce sales growth

27% retail sales growth

-29%
Ingredients revenue

$2.1m
EBITDA Loss

$2.7m
Net Deficit

Probi strategic partnership

- Royalty stream based on licensing of Blis probiotic strains
- R&D collaboration
- Cash issue of $9.2m for new shares

New market activity

- Canada Retail – Pharmacies and natural health stores launch
- Unconditional Skincare Co. – Live Probiotic Hydration Serum eCommerce sales in NZ

Ingredient supply

- Commercial supply of Dairy Free BLIS K12™

Capability build

Key new hires:

- Retail Sales Manager
- Global Ingredients Account Manager
- Science Manager for Research (filled vacancy)

Patent Filings

- Provisional BLIS K12™ filing new use against respiratory viral infections
- New oral composition (BLIS M18™) and new topical composition (BLIS Q24™) patents progressed to PCT application

Probiotic supplements market overview.

Based on a Euromonitor International custom report for the International Probiotics Association (IPA) Dec 2021.

Summary

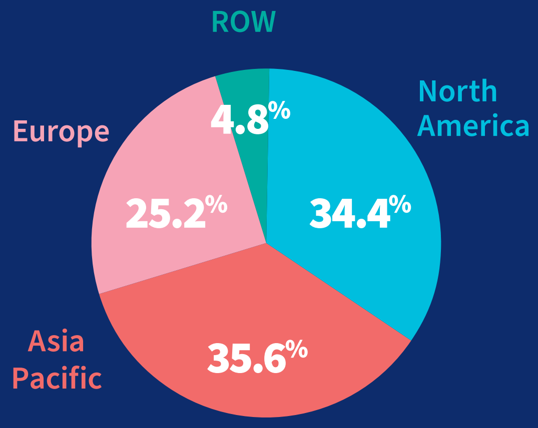
- The probiotic supplements category remains the largest subcategory of the dietary supplements market. Global retail revenue of US$7 B, forecast CAGR* 3.7%
- North America represents 34% of global sales but declined at –1% in 2021.
  - » The USA remains the largest market globally at US$2.3 B
- Asia Pacific market represents 36% of the global market and grew by 22% in 2021.
  - » China is the second largest probiotic supplement market at US$0.9 B
- Europe represents 25% of the global market, 2021 was flat compared with prior year.
  - » Italy is the 3rd largest market globally at US$0.7 B. Italy also has the highest consumption of probiotic supplements per capita globally

**Forecast CAGR: Forecast Compound Annual Growth Rate (2021 – 2026)*

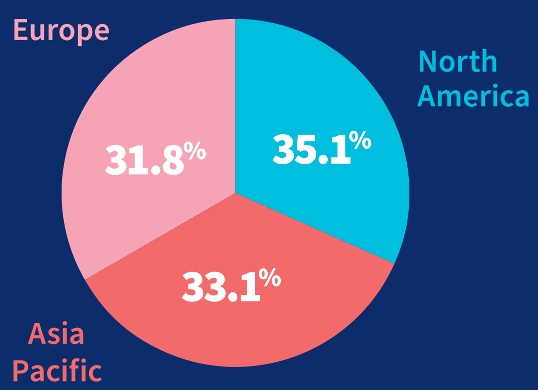
Forecast CAGR (2021 – 2026)

North America	-1%
Asia Pacific	10%
Europe	3%
Total Global Market	**3.7%**

Global Probiotic Supplements Market 2021



Blis Technologies Sales 2022



Our year.

Mar 2021

BLIS PROBIOTICS™ portfolio launched on Amazon Canada platform

Unconditional Skincare Co. website live and prelaunch activity initiated

Apr 2021

CONTAINS BLIS™ K12

CONTAINS BLIS™ M18

BLIS K12™ and BLIS M18™ approval in India

Jul 2021

Probi AB strategic partnership

probi
first in probiotics

Tom Rönnlund (Probi CEO) joins board of directors

Sep 2021

Canada media campaign launch

Oct 2021

New director appointment Aimee McCammon

Mar 2022

Probi confirms first commercial scale production of Dairy Free BLIS K12™

Apr 2022

Sacco System contract supply of Dairy Free BLIS K12™ and BLIS M18™ for sale

Blis sales team resumes international travel – Canada market visit

Chairman's Report.

Dear shareholder,

While the 2022 financial year was challenging and the financial results were disappointing, Blis Technologies achieved important partner and pipeline milestones and continues to have attractive prospects. The Board are pleased to be able to update shareholders on future plans and strategies.

Total revenue for the 2022 financial year (FY22) was down on the prior year by $1.7m or 16% to $9.0m, resulting in an EBITDA loss of $2.1m. This compares with an EBITDA surplus of $1.0m in the prior year. Covid restrictions, stock build at the start of the pandemic by some of our US customers and a higher investment in the Unconditional Skincare Co. product had a more significant impact on the financial result than forecast at the start of FY22. A key highlight is the 47% increase in revenue from our eCommerce business compared to the prior year. The CEO Review provides a more detailed overview of this year's trading performance.

Firstly, I would like to acknowledge and thank all of our staff for their commitment and contribution over the year. It has been a challenging year for staff as they continue to adjust to the changing covid environment. It has necessitated new ways of working and connecting with customers. Throughout the pandemic, the well being of staff has been a primary focus.

Blis has a proud science heritage, building on the ground breaking research of Professor John Tagg. Based on his work and continued research and innovation we are experts in probiotics for oral health. Our research and development capabilities and product innovation continue to be a core strength of the Company. Commercialising in a global market from a NZ base remains a key focus.

To be successful, the Board recognises that we need to work with partners who can represent our Blis products and innovation in key offshore markets. Our strategic partnership, announced in July 2021 with Probi is a key part of this strategy. During FY22 Probi have concentrated on establishing production of BLIS K12™ and BLIS M18™ at their Redmond facility in the US. We expect revenue from this relationship to start during the 2023 financial year (FY23). While we expect revenue to be under $0.5m in the FY23 we expect significant revenue growth in the longer term.

Probi is well represented across key North American, European and Asia Pacific markets and will have a wider customer reach than Blis can achieve by itself.

Over FY23 our main marketing focus for the BLIS PROBIOTICS™ branded finished product range will be in the NZ and Canadian markets and onselling through the Amazon platform in the US. Our strategy is to build on the launch into the Canadian market during FY22, progressively improving our sales performance.

Unconditional Skincare Co. – while the new Live Probiotic Hydration Serum was launched during FY22 the first year's results were below expectations. The net cost of continued product development and marketing costs were $0.8m.

We have a unique offering in the skincare market in that it is the only product in the market providing improved skincare benefits from a live probotic that naturally occurs on the skin. Feedback from customers and product reviews have been excellent. We have experienced issues with bottle performance due to the formulation which has required active management. At this stage we have only launched Unconditional Skincare Co. as a direct to consumer model in NZ. We have however yet to achieve the level of market success expected. As a result the Board is currently reviewing the commercialisation strategy of this unique and innovative product.

Directors

Tony Offen joined the Board in 2009. He retires by rotation at the 2022 Annual Shareholders Meeting. Tony has decided not to seek re-election and he will retire from the Board at the conclusion of the ASM. Tony has held a number of leadership roles including being Chair, Deputy Chair and Chair of the Audit and Risk Committee. Tony has played a key role in the growth and development of the Company over the past 13 years. On behalf of the Board I would like to thank Tony for his outstanding contribution.

Two new Directors were appointed during the year. In July 2021 Tom Rönnlund, CEO of Probi AB joined the Board. Tom brings a global perspective of probiotic markets to the Board.

Following a search process Aimee McCammon joined the Board in October 2021. Aimee brings extensive marketing and governance experience. Aimee is currently CEO at Augusto Group, an independently owned hybrid creative and production company. Aimee's current governance roles include being an independent director at Flick Electric and on the Advisory Board for Pic's Peanut Butter.

Outlook

Our key focus is on managing the investment in research and development and new product development, such as our innovative skincare product, while at the same time returning to revenue growth and an EBITDA surplus as quickly as possible.

Thank you for your support during the year and we look forward to keeping shareholders informed on progress during the coming year.

Geoff Plunket
Chairman

Chief Executive's Report.

We have continued our investment in new revenue streams related to our finished product portfolio. While this has delivered growth it has not offset a disappointing result for our ingredient business that has declined in the face of uncertain market conditions and changed ordering patterns for key USA based customers.

Operational performance

Key initiatives delivered in FY22:

- Established a strategic partnership with Probi AB
- Launched BLIS PROBIOTICS™ range in Canada
- eCommerce channel growth
- Launched the Live Probiotic Hydration Serum (LPHS) under the new Unconditional Skincare Co. brand (USC)

Through FY22 we have continued our focus on developing new revenue streams that will deliver long term growth for the company. Key initiatives have included the long-term strategic partnership with Probi, launching the BLIS PROBIOTICS™ range into the Canada market and the launch of our innovative skincare product under the Unconditional Skincare Co brand.

Although we have navigated the Covid-19 pandemic well and maintained momentum across a number of initiatives, our international market development has been impacted by not being able to travel and engage with our partners and customers in these new markets. It also clear that through the initial stages of the Covid-19 pandemic several of our customers actively built inventory beyond sustained demand which resulted in a particularly poor first half year. We also saw customers tightly manage stock holdings and shift to just in time ordering patterns in response to ongoing uncertainty in the market.

R&D remains a priority, we are a company with a strong heritage of scientific innovation, and we have a promising pipeline of genuine probiotic innovation. We have made solid progress across several pipeline initiatives and in strengthening our evidence base and IP status.

Key initiatives in more detail:

Probi AB

A key highlight for the year was the formation of a long-term strategic partnership with Probi AB (PROB.STOE), a global probiotic specialist company based in Sweden, which is expected to deliver significant future growth opportunities for Blis. The relationship with Probi includes an in-depth partnership through a licensing and manufacturing agreement allowing us to increase our global market exposure by leveraging the Probi network of customers.

Since the formation of the partnership we have worked intensively on the transfer of our technology for the production of BLIS K12™ and BLIS M18™ which will underpin Probi's selling activity moving forward. During the final quarter of the year, Probi reached a major step in the technological transfer of the Blis strains, with the successful completion of a first commercial scale batch of BLIS K12™. Probi now expects to see additional new business from our Blis strains, produced at their own facility, from the second quarter of this financial year (FY23).

Additionally, we have started collaboration on R&D initiatives to combine existing technology from each company to fast track new product solutions for consumers.

Canada

We launched onto Amazon Canada platform in March 2021, then rolled out launch activity within the Canada retail channel through calendar year 2021, with above the line promotional activity kicking off in September 2021.

We experienced strong support early from retailers and banner groups for ranging our product in pharmacies and health stores, with store listings progressing ahead of our original plans. These increased listings require us to accelerate activity to drive "sell through" in stores, which is the key focus of activity for the new financial year (FY23).

Covid-19 travel restrictions prevented us from having staff in market and providing full support to our partner and retailer base through this listing phase. Fortunately, with the opening of the NZ borders from March 2022 we have been able to attend the Canada Health Foods Association (CHFA) trade show in Vancouver and directly engage with customer and distribution partners in Canada to facilitate the planning process for the next phase of our activity in this attractive market.

Skincare

FY22 has been the launch year for our new breakthrough skincare product under the Unconditional Skincare Co. brand. The Live Probiotic Hydration Serum has been selling to NZ based consumers exclusively on our own eCommerce platform www.unconditionalskin.com. We have used the NZ market as our test market to validate our product offer and marketing activity.

While the Covid-19 pandemic has proven not to be the ideal time to launch this product – original launch activity had included several trade and face to face events which were impacted by Covid restrictions – we look forward to greater opportunities to connect with consumers and influencers moving into the new financial year with several events planned to support the ongoing launch activity.

The product formulation and the BLIS Q24™ active ingredient have been well received by consumers, with positive reviews and feedback from a building customer base. This is a unique product at the forefront of innovation, and we are seeing increasing interest and awareness of the role the microbiome can play in skin health. We are encouraged by the opportunity to leverage this interest.

The bottle which is a cutting edge airless dual chamber format has been problematic with a portion of bottles proving to be unreliable which has impacted market development. In response to this we have increased our quality control assessments prior to product dispatch which has reduced issues experienced by customers. Our customer service team is providing immediate replacement of product should customers experience issues. Our focus in the coming year is to launch a serum only offer in an improved bottle to support the product range and reviewing our marketing strategy.

eCommerce (blis.co.nz, Amazon USA and Amazon Canada)

We continue to see growth in this channel with exposure domestically with the Blis.co.nz site and the Amazon platform in both the USA and Canada, and our USC sites. Overall, our eCommerce sales grew by 47% compared to the prior year. Moving forward we will continue building our capability both internally and through external partnerships to tap into a highly specialised channel.

China Cross Border eCommerce (CBEC)

We have recently undertaken a review of our Alibaba Tmall selling performance and our business model targeting the Chinese consumer along with the market conditions for this channel. Over time, the Tmall channel has become increasingly competitive with a proliferation of international brands fighting for market share and consumer attention. It has been our conclusion that the investment and constant resourcing this channel requires to compete is too great for us at this time and that there are alternatives to generate attractive sales through re-seller activity who utilise other platforms outside of Tmall. Moving into the new financial year we are closing our Blis Tmall site and have ended our agency relationship with RooLife and will focus on supporting selected resellers actively servicing Chinese consumers.

Ingredients

After a strong FY21 for ingredient sales, with a clear pandemic-related increase in demand, FY22 was a weaker year with a 29% decline in ingredient sales. This overall year decline was predominantly driven by the first half year decline in the US market. In the second half of the year, we have seen the market normalized to some extent and a return to a similar sales level compared with the same period in FY21.

FY22 revenue split

Finished products compared with Ingredient (Actual and percentage of total)

	FY22		FY21	
	Actual	**%**	**Actual**	**%**
Ingredients	$5,860	67%	$8,230	80%
Finished Products	$2,937	33%	$2,084	20%

Covid-19 Pandemic

The past 2 years under the shadow of the Covid-19 pandemic have created uncertainty and challenges for us and our customer base. However, as a company, we have weathered this in good shape and managed to progress many new initiatives that have been more challenging to implement particularly given travel restrictions globally and working restrictions through lockdowns.

The main Covid-19 pandemic related impacts have included:

- Increased air freight costs and challenges securing timely delivery;
- Customers business models impacted – Retail foot traffic decline and restrictions on face to face selling activity
- Our staff – Work from home practices, split production shifts and limitations on lab-based personnel, restricted travel, no tradeshow presence

Research and Development

We are pleased with the progress of our R & D activity which is focused on supporting the commercialisation of our product innovation and delivering a pipeline of future opportunity.

Our new product development priorities have included late-stage development work on a probiotic toothpaste formulation and additional skincare products based on BLIS Q24™. Along with this we continue to characterise new probiotic strain candidates from our extensive library of strains.

The establishment of an alternative supply partner of our probiotic strains BLIS K12™ and BLIS M18™ to complement supply from our long-term partner, Fonterra has been a key risk management strategy. We are pleased to have finalised a development programme with Italian probiotic fermentation supplier Sacco System SRL for supply of Dairy Free BLIS K12™ and BLIS M18™ for commercial supply in FY23. Probi have also successfully completed their first commercial scale batch of BLIS K12™ in their USA based facility.

An important part of our pipeline endeavour is the protection of our IP. We continue to enhance our patent portfolio with four new patents moving through the process of approval.

New patent activity (Pending):

- BLIS K12™ new use against respiratory infections
- New oral composition (BLIS M18™) and new topical composition (BLIS Q24™)

Underpinning our strains and product offers is a robust mix of scientific and clinical evidence. It is this evidence base covering safety, mechanism of action and clinical efficacy that differentiates us from other suppliers of probiotics and builds confidence across our customer and consumer base. Over the year there has been a broad range of publications from internal and external sources further building the strong evidence base for our probiotic strains.

Financial overview

Company revenue in FY22 was $9.0m, a decline on the prior year of 16%. With an EBITDA loss of $2.1m and a net deficit of $2.7m.

Planned revenue growth for the FY22 year was negatively impacted by the performance of the ingredients business, with ingredient revenue of $5.9m down 29% on FY21. Globally there was pressure on the probiotics market as noted in our "Probiotic supplements market update" section. This tightening of the ingredient market was also compounded by an extended ordering cycle for two key US based customers.

However, our continued focus on growing branded product revenues delivered 41% growth compared with the previous year, both eCommerce sales (+47%) and retail sales (+27%) contributing to this growth. Total revenue for the second half of FY22 improved with growth of 6% on the prior year and FY22 Q4 revenue grew by 16% delivered by both ingredient recovery and finished product growth.

Total expenses for FY22 increased over the prior year as a result of sales and marketing costs for launch activity in Canada and USC, and the impact of new hires to increase organisation capability.

Cash and cash equivalents increased during the year by $6.3m to $8.5m and working capital increased $6.6m to $10.0m. Operating cash flows of $2.3m deficit were driven by the ongoing investment in sales and marketing costs for launch activity in Canada and USC, and a decline in ingredient revenue. The issue of new shares to Probi AB in July 2021 provided $9.2m of additional capital.

Overall, the financial result is disappointing and not in line with our initial expectations at the beginning of FY22. The poor performance of ingredient sales has had a significant impact on the financial result for the year, while we continued to invest in our pipeline and new market opportunities including Canada and skincare. These initiatives remain important revenue drivers moving forward.

Regional performance

Asia Pacific (APAC)

	FY22	FY21
Ingredients	$1,202	$1,050
Finished products	$1,763	$1,399
Total revenue	**$2,965**	**$2,449**

Sales in the APAC region grew by 21% compared with the prior year. This growth was driven by solid performance of our branded finished goods sales, which grew by 26% and growth of our ingredients business in the region of 14% The NZ BLIS PROBIOTICS™ branded retail sales in NZ grew by 7% and the ordering for the winter season in FY23 looks to be more like a normal pattern after a decline during the height of lockdown in NZ last year.

Looking forward, we are encouraged by the prospects for our finished products in the region with a retail recovery, good webstore performance and Daigou opportunities targeting Chinese consumers.

Along with this we continue to actively target new ingredient opportunities in China, Japan, India and South East Asia tapping into the strong interest in probiotics within our region.

Europe together with Middle East and Africa (EMEA)

	FY22	FY21
Ingredients	$2,853	$3,101
Finished products	$4	-
Total revenue	**$2,857**	**$3,101**

Europe sales revenue, largely made up by ingredient sales declined by 8% in FY22 compared with the prior year. The Covid-19 pandemic has continued to create uncertainty in this region and has impacted the business model of a number of our established customers who have typically relied heavily on face-to-face selling with health professionals. As a result, the customer base and our distributor continue to closely manage stock levels and rely on just in time ordering to meet demand.

The recent developments with the war in Ukraine are concerning and through our distribution partner Bluestone Pharma we do have some exposure to both the Russian and Ukraine markets.

North America

	FY22	FY21
Ingredients	$1,805	$4,079
Finished products	$1,170	$685
Royalties	$168	$299
Total Revenue	**$3,143**	**$5,063**

Overall, this region saw a decline in revenue compared with the prior year of -38%.

Amazon growth and our new market Canada coming on stream delivered 71% growth in finished product sales in the region. However, this did not offset the drop in our ingredient sales in the region that had been particularly strong in FY21.

The major contributor to the ingredient revenue decline was delayed ordering by two key new customers in the US market. To date one of these customers is yet to reorder whereas the other ordered again toward the end of the financial year.

In the second half of FY22, we saw signs of the market normalising for the ingredient business with sales in line with the same period in the previous year and overall revenue for the region up 3%.

Outlook

We remain positive regarding the new revenue streams we have established and the long-term growth prospects they represent. Our priorities will be growing the Canada market, our eCommerce sales activity, and resetting our skincare strategy to capitalise on this breakthrough innovation.

The Probi strategic partnership represents a long term revenue driver and has the potential to deliver additional innovation through R&D collaboration. This relationship has started positively, and we will look to build momentum during the new financial year.

Despite ongoing market challenges globally including the Covid-19 pandemic and the war in Ukraine, we believe the ingredients business will return to growth, this will be delivered through a stabilisation of our existing customer base and the acquisition of new customers tapping into the ongoing growth potential of the probiotics market.

We are excited by the opportunities our innovative pipeline represents. Commercialisation models for these innovations will focus on partnerships to deliver scale, complementing our current core market activities.

Brian Watson
Chief Executive Officer

Spotlight on Probi.

A key highlight for the year was the formation of a long-term strategic partnership with Probi AB, a global Probiotics specialist company based in Sweden, which is expected to deliver significant growth opportunities for Blis.

The relationship with Probi includes an in-depth partnership through a licensing and manufacturing agreement, allowing us to increase our global market exposure by leveraging the Probi network to customers.

Along with this we have started collaboration on R&D initiatives combining each other's expertise to unlock new product opportunities. Initial targets will focus on combining existing technology from each company to unlock new product solutions for customers and consumers.

BLIS CEO Brian Watson

One of Probi's objectives is to grow our business through strong strategic partnerships. In Blis we found a fantastic match. Blis represents an innovative and dynamic company with a high scientific profile and long history of research. This partnerhip enables us at Probi to broaden our portfolio of scientifically validated probiotic concepts in exciting health areas and work closely with the Blis Technologies team to make these great products available to consumers around the world.

Probi CEO Tom Rönnland

Sustainability.

We continue to operate an Environment, Social and Corporate Governance (ESG) committee with representation from across the business to map out and monitor company goals and priorities. Staff engagement with this process is high.

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

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

Our focus areas and key initiatives:

Advance health and wellbeing improving access to our product range with the aim of improving the health and wellbeing of consumers.

- New market activity including the Canada launch and China Cross Border eCommerce
- 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
- Free BLIS PROBIOTICS™ product seconds for staff
- Health and Safety committee focus on safe working practices inline with government Covid-19 guidance

Be a valuable contributor to society

- Provision of high quality employment opportunities
- Supporting local businesses where practical and relevant
- We are committed to paying the Living wage
- Supply of BLIS PROBIOTICS™ to High Performance Sport NZ to support elite athletes

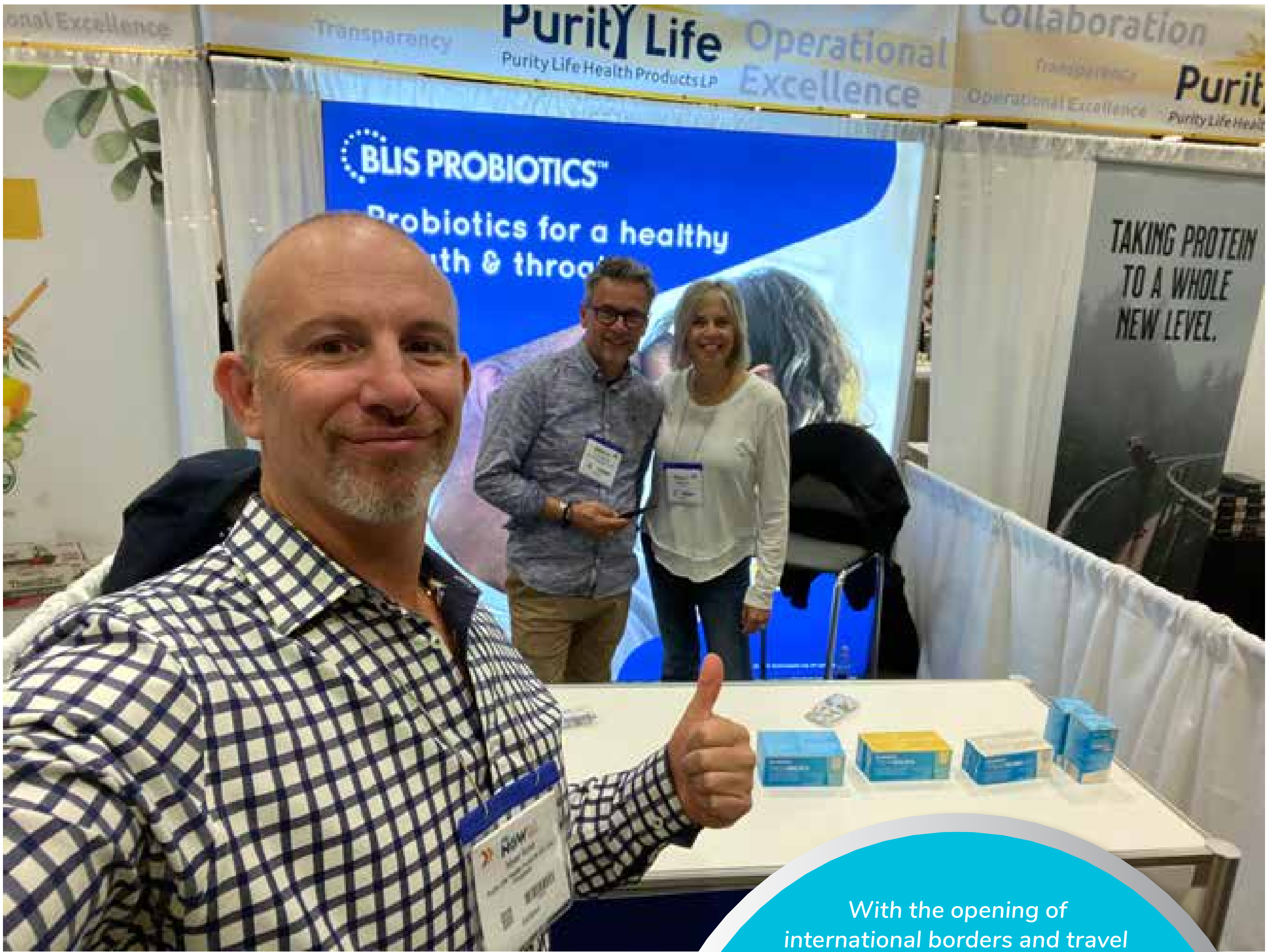
Reduce our environmental impact

- In FY21 Blis was proud to be the first NZ based laboratory to complete the international My Green Lab certification process achieving the highest level of certification. We continue to operate our lab in line with the recommendations and best practice identified from the process
- 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
- At our production site we strive to reduce waste with KPI's focused on waste reduction and a "Right first time" culture
- Recycling initiatives across our sites

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
- As an exporter of high value innovative products, we contribute to the New Zealand's future export earnings
- We actively support academic research and collaboration
- Support of interns and post graduate study
- Research activity with multiple academic units both in New Zealand and overseas

Reconnecting to the world.



With the opening of international borders and travel to and from New Zealand, Myer Rose and Frank Spiewack took the opportunity to reconnect to the world. During April 2022 they completed a valuable trip to Canada to showcase BLIS PROBIOTICS™ at the Canadian Health Food Association (CHFA) trade show - one of Canada's largest natural health food trade shows. Equally as important, the reinstatement of face-to-face visits to retail stores has enabled insights into performance, an understanding of the Canadian Natural Health retail market and perhaps most essentially, the ongoing development of key relationships.


UltraBLIS
CONTAINS BLIS
K12
Probiotic immune support for optimal performance
DIETARY SUPPLEMENT
40 lozenges
5.5billion CFU/Loz
Peppermint Flavour
BLIS PROBIOTICS

Board of Directors.

Geoffrey (Geoff) Plunket

Chair, Independent non-executive director

Member of Audit and Risk Committee and Remuneration Committee

Geoff is currently a Dunedin based Professional Director and has been a director of Blis Technologies Limited since May 2018 and and took over the role of Chair in July 2021. He has also previously held the role of Deputy Chair and Chair of the Audit and Risk Committee.

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 is also an independent Director on the Ports of Auckland and North Otago Irrigation.

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

Antony (Tony) Balfour

Deputy Chair, Independent non-executive director

Member of Remuneration committee

Tony was appointed to the Board in 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.

Amelia (Aimee) McCammon

Independent non-executive director

Aimee McCammon is CEO NZ of Augusto Group, an entertainment, advertising and technology company. She is an experienced strategist and brand builder with deep knowledge of consumer marketing. Her brand experience spans an array of New Zealand's power brands including Whittaker's, Toyota, Lotto, Tourism NZ and 42 Below.

Aimee was General Manager of Peter Jackson's Park Road Post Production for three years, leading a world class team of Oscar winning creatives alongside digital and film laboratories. Over the past decade she has also held senior management roles at Assignment Group and Trade Me, following a successful career with the Saatchi & Saatchi network that spanned Wellington, Auckland and New York.

Aimee has a Bachelor of Commerce from Auckland University, and has completed leadership training at the Omnicom University in Shanghai. She is an independent director of Flick Electric, and an advisory board member for Pic's Peanut Butter.

Board of Directors.

Anthony (Tony) Offen

Independent non-executive director

Chair of Audit and Risk Committee

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

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.

Dr Barry Richardson

Independent non-executive director

Member of Audit and Risk 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. He is currently a director of CertusBio Limited.

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. He was awarded the JC Andrews award for distinction in Food Science and Technology in 2003.

Tom Rönnlund

Non-executive director

Tom Rönnlund is currently the CEO of Probi AB, a world leading Swedish listed biotechnology company and substantial product holder of Blis Technologies. He holds a Master's degree in Business Administration and Economics from Stockholm University.

Before joining Probi AB in January 2019, Tom served as CEO of Navamedic ASA, a listed Norwegian pharma and medtech company. Tom has more than 20 years experience working in the healthcare industry, and has held several positions in sales, marketing and general management at IQVIA and in international biopharmaceutical companies such as Bristol-Myers Squibb and Eli Lilly.

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 25 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.

Frank Spiewack

Commercial Director
BA

Frank joined Blis Technologies in November 2019 and 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.

Jennifer Walker

eCommerce and Marketing Director
BA, MBA

Jennifer started in February 2022 having extensive global marketing experience within consumer and wellness sectors in both start-ups and larger corporates. Jennifer has a strong experience base across eCommerce, brand and retail marketing, having worked for international brands such as Puma and corporates focused on the health and wellness sector.

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 30 May 2022.

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 (Whistle-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 FY22 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 the 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 23.

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 six. The number may increase to seven from time to time to allow for director succession. 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, 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 2022, six of the seven 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 19 - 21 of this report. The profiles include information on the year of appointment, skills, experience and background of each Director.

As at 31 March 2022 the Board comprises seven directors. Six are independent Directors and all are non-executive members. Geoff Plunket is the Chair of Blis and is an independent Director. Tony Balfour is Deputy Chair. Tony Offen is the Chair of the Audit and Risk Committee. Alison Stewart is the Chair of the Remuneration Committee. Aimee McCammon, Barry Richardson and Tom Rönnlund 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 pages 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	3	3	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 2022 are included in the Director Disclosures section on pages 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 2022		31 March 2021	
Position	**Female**	**Male**	**Female**	**Male**
Director	2 (29%)	5 (71%)	1 (20%)	4 (80%)
Executives*	1 (20%)	4 (80%)	1 (20%)	4 (80%)
Employees**	15 (43%)	20 (57%)	14 (48%)	15 (52%)

**CEO and leadership team*
***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.

Attendance at meetings

The table below sets out Director attendance at Board and Committee meetings during the year ended 31 March 2022.

	Board	Audit & Risk Committee
G Plunket	11	14
A Balfour	11	-
A McCammon*	6	-
A Offen	11	14
Dr B Richardson	11	14
T Rönnlund**	8	-
Dr A Stewart	11	-

**A McCammon appointed 21 October 2021*
***T Rönnlund appointed 22 July 2021*

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 Tony Offen (Chair), Geoff Plunket and Barry Richardson. All members are independent directors. Tony Offen is a member of Chartered Accountants Australia and New Zealand and is a chartered 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 14 occasions during FY22. The agenda items for each meeting generally relate to capital structure, financial governance, external financial reporting, external audit, internal control review, risk management, compliance, and insurance.

Meeting Attendance

The CEO and CFO 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 Technology Officer, Commercial Director and Marketing and eCommerce Director (the 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 Alison Stewart (Chair), Tony Balfour and Geoff Plunket. All committee members are independent Directors.

Management only attends Remuneration Committee meetings by invitation, as and when appropriate and necessary.

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

From FY23 the Remuneration Committee is to be renamed the People and Performance Committee, with a wider focus for performance management than solely remuneration.

Nomination Committee

Given the size and composition of the Board, the 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.

Disclosure Committee

The Board has established a Disclosure Committee to oversee the Company's compliance with its continuous disclosure requirements under New Zealand law and the NZX listing Rules.

The Disclosure Committee comprises the Board Chair, Chair of the Audit and Risk Committee, Chief Executive Officer and Chief Financial Officer.

Committees

The Board has no Committees other than an Audit and Risk Committee, Remuneration Committee and Disclosure 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 both a Market 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 (and otherwise as and when needed) 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 FY22.

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 15-16.

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 2023 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 members 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 2021 to 31 March 2022 the allocation of the fee pool was as follows:

	Board	Audit and Risk Committee	Remuneration Committee
Chair	$85,000	$10,000	$7,000
Deputy Chair	$55,000	N/A	N/A
Member	$45,000	$7,000	$3,000

For the period 1 April 2021 to 31 July 2021 the allocation of the 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

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 2021 to 31 March 2022 were as follows:

	Board	Audit and Risk Committee	Remuneration Committee	Total
G Plunket	76,667	-	-	76,667
A Balfour	51,667	-	3,000	54,667
A McCammon*	19,960	-	-	19,960
A Offen	60,000	6,667	-	66,667
Dr B Richardson	45,000	7,000	-	52,000
T Rönnlund**	30,000	-	-	30,000
Dr A Stewart	45,000	-	6,667	51,667

**A McCammon appointed 21 October 2021*

***T Rönnlund appointed 22 July 2021*

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 2022, the CEO received $324,158 (2021: $328,944) 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 of 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 2022 there were four nominated executives in the STI scheme (31 March 2021: four).

STI Scheme payments relating to the financial year ended 31 March 2022 are delivered as a taxable cash bonus and are payable on completion of the annual audited financial statements. The total accrual for FY22 for all nominated executives in the STI Scheme is $nil (FY21: $125,145). The actual amount paid for FY22 was $132,200 (FY21: $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 10 September 2021, the Company granted performance share rights (PSRs) to the executive. The previous PSR issue occurred on 21 December 2020. 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
FY22					
324,158	11,181	335,339	48,000	12,404	395,743
FY21					
328,944	12,653	341,597	93,000	3,773	438,370

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

***LTI includes PSRs awarded to the CEO during the financial year. In the 2021 financial year 1,023,000 PSRs were granted (2021: 1,033,000). PSRs granted in 2021 will vest, if the performance criteria are met, in the 2024 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 FY22 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 FY21	Not Achieved
50% based on non-financial targets FY21	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 2021 to 31 March 2022 are shown below:

Remuneration Banding	Number of Employees FY22	FY21
100,001 – 110,000	3	2
110,001 – 120,000	1	1
120,001 – 130,000	1	-
130,001 – 140,000	3	-
160,001 – 170,000	-	1
180,001 – 190,000	1	-
200,001 – 210,000	1	-
210,001 – 220,000	-	1
240,001 – 250,000	1	1
380,001 – 390,000	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 four 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 contract 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 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. These are complemented by trademarks, trade secrets and specialist know how. 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 of 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 failure at our New Zealand based supplier.
Cyber security and data protection	Cyber security attack results in disruption to operations and data breach.	Independent review of control mechanisms is undertaken.
Competitor activity	Increasing demand for probiotics may see greater pricing competition from established and new competitors. Competition may also come from other products with similar health benefits.	The Company's market position is based on a reputation for quality and scientific support for our unique strains. Innovation and development complement this market position.

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; and
- 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 its 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 reinvestment 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 2022:

Name of Director	Number of Equity Securities in which a relevant interest is held by a director		
G Plunket	Ordinary	800,000	(a)
A Balfour	-	-	
A McCammon	-	-	
A Offen	Ordinary	31,157,388	(b)
Dr B Richardson	Ordinary	17,903,624	(c)
T Rönnlund	Ordinary	166,148,034	(d)
Dr A Stewart	Ordinary	350,000	(e)

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

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

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

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

(d) The number of equity securities in which Mr T Rönnlund holds a non-beneficial interest includes 166,148,034 held by Probi AB. Mr T Rönnlund is the Chief Executive of Probi AB.

(e) 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

The following 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 2022 as entered in the interests register of the Company:

Name of Director	Transaction	No. of Shares	Price per share	Date of acquisition/disposal
T Rönnlund	Issue of ordinary shares to Probi AB	166,148,034	5.53 cents	8 July 2021

Disclosures of Interest by Directors

Name of Director	Organisation	Active Interests
G Plunket	North Otago Irrigation Company Limited	Director
	Orokonui Foundation Trust	Trustee
	Orokonui Ecosanctuary Limited	Director
	Otago Natural History Trust	Trustee
	Ports of Auckland Limited	Director

A Balfour	Bottom Right-Hand Corner Limited	Director/Shareholder
	Les Mills International Limited	Director/Shareholder
	Little Stream Water Company Limited	Director/Shareholder
	Pioneer Energy Limited	Director
	The Warehouse Group Limited	Director
	Wakatipu High School	Trustee
	RealNZ Limited (and its wholly owned subsidiaries)	Director
A McCammon	Augusto Limited	Chief Executive New Zealand
	Flick Electric Limited	Director
	Pic's Peanut Butter Advisory Board	Director
	Scarborough Wright Trustee Limited	Director
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
Dr B Richardson	CertusBio	Director/Shareholder
	Otago Classic Spares Limited	Director/Shareholder
	Zircon Services Limited	Director/Shareholder
T Rönnlund	Bonnier Business Press AB (Sweden)	Director
	Bonnier Healthcare Sweden AB (Sweden)	Director
	International ProBiotics Association (Europe)	Director
	Probi AB	Chief Executive
	Vital Nutrients Holdings LLC (USA)	Director
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
	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 Company 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 (which includes Blis Technologies LImited and its subsidiary, Blis Functional Foods Limited). 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 2022 (2021: 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 2022.

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 2022 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:

Geoff Plunket
Chairman
30 May 2022

Tony Offen
Director
30 May 2022

5 Year Trend.

	2022 ($000)	2021 ($000)	2020 ($000)	2019 ($000)	2018 ($000)
Revenue	**8,965**	**10,613**	**10,642**	**8,239**	**5,285**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(2,061)	975	2,119	922	(427)
Depreciation and amortisation	654	406	513	525	610
Net interest (revenue)/ expense	(8)	5	4	16	5
Net profit after tax (NPAT)	(2,707)	564	1,602	381	(1,042)
Net debt	35	83	128	829	290
Shareholder's Equity	12,149	5,662	5,056	3,421	3,007
Total assets	14,141	7,806	7,058	5,201	3,888
Current assets	11,451	5,146	5,746	3,966	2,260
Current liabilities	1,478	1,812	1,642	1,651	712
Working capital	9,973	3,334	4,104	2,315	1,548
Net tangible assets (NTA)[1]	9,999	3,473	4,311	2,856	2,164
Cash generated from operations	(2,305)	589	3,197	(583)	118
Number of shares on issue ('000)	1,273,802	1,107,654	1,107,654	1,107,654	1,107,654
Earnings per share (EPS) – basic (cents)	(0.22)	0.05	0.14	0.03	(0.09)
Share price at 31 March	0.04	0.06	0.06	0.02	0.02
NTA per share (cents)	0.78	0.31	0.39	0.26	0.20
Cash conversion ratio[2]	111.8%	60.3%	150.9%	(63.2%)	(27.6%)
Return on shareholders' equity[3]	(22.3%)	10.0%	31.7%	11.1%	(34.7%)
Return on assets[4]	(24.7%)	7.7%	26.2%	8.7%	(24.7%)
Gearing ratio[5]	0.3%	1.4%	2.5%	19.5%	8.8%
EBIT to revenue ratio	(30.3%)	5.4%	15.1%	4.8%	(19.6%)
Current assets to current liabilities (times)	7.7	2.8	3.5	2.4	3.2

% CHANGE ON PRIOR YEAR

	2022	2021	2020	2019	2018
Revenue	(15.5%)	(0.3%)	29.2%	55.9%	(19.2%)
EBITDA	(311.4%)	(54.0%)	129.8%	315.9%	(173.6%)
NPAT	(580.0%)	(64.8%)	320.5%	136.6%	(4,241.7%)
EPS	(540.2%)	(64.8%)	320.5%	136.6%	(4,241.7%)

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 2022

Consolidated Statement of Comprehensive Income.

For the year ended 31 March 2022

	Notes	2022 ($000)	2021 ($000)
REVENUES			
Revenue	2 (a)	8,965	10,613
Other income	2 (b)	488	226
Total Revenue and Other Income		**9,453**	**10,839**
EXPENSES			
Distribution expenses		263	257
Marketing expenses		3,436	2,533
Occupancy expenses		70	66
Employee benefits		3,594	2,566
Raw materials and consumables		1,925	1,877
Operating expenses		2,827	2,950
Finance expenses		45	26
Total Expenses	**2 (c)**	**12,160**	**10,275**
SURPLUS / (DEFICIT) BEFORE TAX	**2, 4, 5**	**(2,707)**	**564**
Income tax expense	3	-	-
SURPLUS / (DEFICIT) FOR THE PERIOD		**(2,707)**	**564**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**(2,707)**	**564**
Earnings / (deficit) per Share:			
Basic (cents per ordinary share)	15	(0.22)	0.05
Diluted (cents per ordinary share)	15	(0.22)	0.05

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 2022

	Notes	Share Capital ($000)	Retained earnings/ (deficit) ($000)	Share Based Payment Equity Reserve ($000)	Total attributable to Group ($000)
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 reserves	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**
OPENING EQUITY – 1 APRIL 2021		**37,469**	**(31,830)**	**23**	**5,662**
Surplus / (deficit) for the year		-	(2,707)	-	(2,707)
Other comprehensive income		-	-	-	-
Total comprehensive Income		**-**	**(2,707)**	**-**	**(2,707)**
Equity contributions and distributions					
Share capital issued		9,188	-	-	9,188
Capital raising costs paid		(54)	-	-	(54)
CEO share option equity reserves	15,16	46	-	(13)	33
Employee performance rights plan reserve	16	-	-	27	27
		9,180	**-**	**14**	**9,194**
CLOSING EQUITY – 31 MARCH 2022		**46,649**	**(34,537)**	**37**	**12,149**

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 2022

	Notes	2022 ($000)	2021 ($000)
ASSETS			
CURRENT ASSETS			
Cash and short term deposits	6	8,519	2,187
Trade and other receivables	7	1,751	1,572
Prepayments		298	308
Inventory	8	782	1,004
NZX Bond	6	75	75
Foreign exchange contracts	22 (e)	26	-
TOTAL CURRENT ASSETS		**11,451**	**5,146**
NON CURRENT ASSETS			
Property, plant and equipment	9	540	471
Finite life intangible assets	10	1,455	1,711
Right-of-use assets	11	695	478
TOTAL NON CURRENT ASSETS		**2,690**	**2,660**
TOTAL ASSETS		**14,141**	**7,806**
LIABILITIES			
LESS CURRENT LIABILITIES			
Trade and other payables	12	1,238	1,549
Current borrowings	13	35	46
Lease liabilities	11	205	200
Foreign exchange contracts	22 (e)	-	17
TOTAL CURRENT LIABILITIES		**1,478**	**1,812**
NON CURRENT LIABILITIES			
Non current borrowings	13	-	37
Lease liabilities	11	514	295
TOTAL NON CURRENT LIABILITIES		**514**	**332**
TOTAL LIABILITIES		**1,992**	**2,144**
NET ASSETS		**12,149**	**5,662**
OWNERS EQUITY			
Share capital	15	46,649	37,469
Retained earnings / (deficits)		(34,537)	(31,830)
Share based payment equity reserves	16	37	23
TOTAL EQUITY		**12,149**	**5,662**

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 2022

	Notes	2022 ($000)	2021 ($000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from / (applied to):			
Receipts from customers		9,141	10,853
Interest received		53	22
Payments to suppliers and employees		(11,454)	(10,260)
Finance costs		(45)	(26)
Net cash inflow / (outflow) from operating activities	**21**	**(2,305)**	**589**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from / (applied to):			
Purchase of intangible assets	10	(49)	(1,443)
Purchase of property, plant and equipment	9	(213)	(96)
Sale of property, plant and equipment	9	-	56
Net cash inflow / (outflow) from investing activities		**(262)**	**(1,483)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from / (applied to):			
Repayment of borrowings		(48)	(45)
Repayment of lease liabilities	11	(198)	(127)
Proceeds from share capital issued	15	9,188	-
Capital raising costs paid	15	(54)	-
Receipt of share option		33	33
Net cash inflow / (outflow) from financing activities		**8,921**	**(139)**
Net Increase / (Decrease) in cash held		**6,354**	**(1,033)**
Add cash and short-term deposits at start of period		2,187	3,214
Foreign exchange differences		(22)	6
Balance at end of period		**8,519**	**2,187**
COMPRISED OF:			
Cash and short-term deposits		8,519	2,187
		8,519	**2,187**

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.

For the year ended 31 March 2022

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 30th May 2022.

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 2022 and 31 March 2021.

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 2022 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 Canadian Dollar (CAD) denominated bank account, 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 statement of comprehensive income 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	**2022** $'000	**2021** $'000
Revenue consists of the following items:		
Point in time recognition:		
Sale of goods – domestic sales		
Finished goods	1,596	1,115
Ingredients	84	27
Sale of goods – export sales		
Finished goods	1,341	969
Ingredients	5,776	8,203
Over time recognition:		
Right to access	168	299
	8,965	**10,613**

(b) Other Income		
Grant income	435	201
Other income	-	3
Interest income	53	22
	488	**226**

(c) Expenses		
This includes the following specific expenses:		
Amortisation of finite life intangible assets **(note 10)**	289	122
Depreciation of property, plant and equipment **(note 9)**	144	137
Depreciation of right of use assets **(note 11)**	205	134
Director's fees	352	298
Employee benefits	3,468	2,941
Employee benefits capitalised	-	(469)
Employee performance rights	27	10
(Gain) / loss on disposal of property, plant and equipment **(note 9)**	-	(1)
(Gain) / loss on fair value of derivatives	84	17
Loss on disposal of intangibles **(note 10)**	16	14
Operating lease payment	1	5
Other operating expenses	1,546	1,799
Post-employment benefits	99	84
Provision for inventory write-off **(note 8)**	277	-
Research and development expense	191	445

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:

	2022 $'000	2021 $'000
Net surplus before tax	(2,707)	564
Income tax expense calculated at 28%	(758)	158
Non-deductible items	101	86
Temporary differences excluding tax losses not recognised	57	(46)
Tax losses (recognised)/not recognised	600	(198)
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 $4,954,677 (2021: $4,302,366). The unrecognised deferred tax asset arises in relation to temporary differences of $365,522 (2021: $298,930) and gross tax losses of $16,389,840 (2021: $14,297,985) with a tax effect of $4,589,155 (2021: $4,003,436). 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

	2022 $'000	2021 $'000
Audit of the financial statements	100	85
Other assurance	2	1
	102	**86**

The auditor of Blis Technologies Limited is Deloitte Limited.

5. KEY MANAGEMENT PERSONNEL COMPENSATION

	2022 $'000	2021 $'000
Short term employee benefits	1,160	1,234
Long term employee benefits	34	37
Share based payments	27	10
	1,221	**1,281**

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. The estimate of the number of PSR's for which non market based conditions are expected to be satisfied is revised at each reporting date, with any cumulative catch-up adjustment recognised in profit or loss. When any PSRs are exercised, the amount in the share based equity payment reserve relating to those instruments is transferred to share capital as consideration of one option per share. When any PSRs are cancelled, 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 and 2021 Performance Share Rights Plan. There were no Employee share based schemes prior to December 2020.

i) Performance share rights plan

Under the 2020 and 2021 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 of the most recent balance date at grant date 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:

	2022	2021
Number of options outstanding		
As at beginning of the year	2,674,000	-
Granted during the year	3,270,000	2,674,000
Exercised during the year	-	-
Lapsed during the year	(1,097,000)	-
As at end of the year	**4,847,000**	**2,674,000**
Exercisable at year end	-	-
Number of employees	4	4
Weighted average exercise price	$0.08	$0.08
Weighted average remaining contractual life (months)	26	33
Fair value of rights granted during the year	104,640	106,960
Fair value of rights granted during the year ($ per share)	0.03	0.04

The Options outstanding at 31 March 2022 had an exercise price in the range of $0.07 - $0.08 (2021: $0.08).

The weighted average exercise price for options lapsed during the year was $0.08 (2021: Nil).

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

	2022	2021
Share price at grant date	$0.07	$0.08
Contractual life (years)	4	4
Exercise price	$0.07	$0.08
Dividend yield	0%	0%
Expected volatility (i)	70-75%	70-75%
Risk free rate	1.28%	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.

	2022 $'000	2021 $'000
Cash	2,519	1,487
Short-term deposits	6,000	700
	8,519	**2,187**
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.

	2022 $'000	2021 $'000
Trade receivables	1,689	1,474
Allowance for expected credit losses (note 22 g)	(2)	(2)
GST receivable	64	100
	1,751	**1,572**

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. INVENTORY

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.

	2022 $'000	2021 $'000
Raw materials	589	666
Finished goods	470	338
Provision for write off	(277)	-
	782	**1,004**

At balance date $276,507 (2021: Nil) was recognised as an expense in respect of write-downs to inventory to net realisable value.

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

2022

	Cost 1 April 2021 $'000	Additions/ Transfers $'000	Disposals $'000	Cost 31 March 2022 $'000	Accumulated depreciation 1 April 2021 $'000	Depreciation expense $'000	Accumulated depreciation reversed on disposal $'000	Transfer $'000	Accumulated depreciation 31 March 2022 $'000	Book Value 31 March 2022 $'000
Leasehold improvements	364	-	-	364	(320)	(5)	-	-	(325)	39
Furniture and fittings	130	48	-	178	(107)	(12)	-	-	(119)	59
Plant and equipment	1,518	165	-	1,683	(1,114)	(127)	-	-	(1,241)	442
	2,012	**213**	**-**	**2,225**	**(1,541)**	**(144)**	**-**	**-**	**(1,685)**	**540**

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**

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 10 to 20 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Website

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

Internally generated Intangible Assets – Capitalised 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.

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.

2022	Trademarks $'000	Patents $'000	Capitalised development $'000	IT, website development and software $'000	Total $'000
Gross Carrying Amount					
Balance at 1 April 2021	206	1,164	4,169	400	5,939
Additions	6	43	-	-	49
Disposals	-	(16)	-	-	(16)
Balance at 31 March 2022	212	1,191	4,169	400	5,972
Accumulated amortisation and impairment					
Balance at 1 April 2021	26	900	3,115	187	4,228
Amortisation expense	21	60	137	71	289
Balance at 31 March 2022	47	960	3,252	258	4,517
Net Book Value at 31 March 2022	**165**	**231**	**917**	**142**	**1,455**

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**

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 (2021: 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 sales growth rates.

Annual sales growth rates have increased from previous assessments reflecting the decline in actual sales in 2022 compared to 2021 due to the impacts of COVID-19, and assumptions around the post COVID-19 recovery of sales to existing customers, alongside forecast growth in existing and emerging markets.

Key assumptions used in the value-in-use calculation are:

- Annual sales growth rate of between 12% - 30% (2021: 15% - 19%)
- Contribution margins of 70% - 83% (2021: 73% – 75%)
- Pre-tax discount rate of 18.36% (2021: 16.45% pre tax)
- Terminal growth rate of 2% (2021: 2%)

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

- Reducing sales growth for emerging markets and new customers by 30% 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 product development and patent 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 statement of comprehensive income.

Right-of-use assets

2022	**Properties $’000**	**Office Equipment $’000**	**Total $’000**
As at 1 April 2021	437	41	478
Additions	422	-	422
Terminations	-	-	-
Depreciation expense	(195)	(10)	(205)
Depreciation write back on terminations	-	-	-
Net Book Value as at 31 March 2022	**664**	**31**	**695**

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**

Lease Liabilities – Maturity Analysis	2022 $'000	2021 $'000
Less than one year	205	200
Between one and five years	427	184
More than five years	87	111
	719	495
Current	205	200
Non-Current	514	295
Total	**719**	**495**

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 2022.

	2022 $'000	2021 $'000
Amounts Recognised in consolidated statement of comprehensive income:		
Depreciation of right-of-use assets	205	134
Interest expense on lease liabilities	36	23
Expense relating to short-term leases	1	2
Expense relating to low value assets	-	3

The total cash outflow for leases in 2022 was $235,254 (2021: $148,461).

The incremental borrowing rate applied on properties was 6% (2021: 6%) and office equipment 6% (2021: 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.

2022	Opening balance at 1 April 2021 $'000	Non-cash changes[1] $'000	Recognised on acquisition $'000	Non-financing cash flows $'000	Financing cash flow $'000	Closing balance at 31 March 2022 $'000
Lease liabilities	495	422	-	-	(198)	719
	495	**422**	**-**	**-**	**(198)**	**719**

2021	Opening balance at 1 April 2020 $'000	Non-cash changes[1] $'000	Recognised on acquisition $'000	Non-financing cash flows $'000	Financing cash flow $'000	Closing balance at 31 March 2021 $'000
Lease liabilities	351	271	-	-	(127)	495
	351	**271**	**-**	**-**	**(127)**	**495**

(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 Payables

Trade payables 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.

	2022 $'000	2021 $'000
Trade payable	1,053	1,246
Employee entitlements	185	303
	1,238	**1,549**

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.

	2022 $'000	2021 $'000
Asset finance	35	83
Total borrowings	**35**	**83**

	2022 $'000	2021 $'000
Current borrowings	35	46
Non-current borrowings	-	37
Total borrowings	**35**	**83**

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 5.89% - 6.87% (2021: 5.86% - 6.49%).

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 5.70% (2021: 4.48%). 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
	2022	**2021**		
Blis Functional Foods Limited	100%	100%	31 March	Non-trading

15. SHARE CAPITAL AND EARNINGS PER SHARE

	2022		2021	
	No. of shares	**$'000**	**No. of shares**	**$'000**
Balance at the beginning of the year (fully paid)	1,107,653,565	37,469	1,107,653,565	37,424
Share capital issued	166,148,034	9,188	-	-
Capital raising costs paid	-	(54)	-	-
Shares pursuant to the CEO share plan	-	46	-	45
Balance at the end of the year	**1,273,801,599**	**46,649**	**1,107,653,565**	**37,469**

All 1,273,801,559 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	**2022**	**2021**
Profit attributable to members of the Company used in calculating basic and diluted EPS ($'000)	(2,707)	564
Weighted average number of ordinary shares ('000) for basic EPS	1,229,982	1,107,654
Effect of dilution due to performance rights	-	-
Weighted average number of ordinary shares ('000) for diluted EPS	1,229,982	1,107,654
Earnings per share		
Basic EPS (cents)	(0.22)	0.05
Diluted EPS (Cents)	(0.22)	0.05

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

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.

	2022 $'000	2021 $'000
Balance at the beginning of the year	23	26
Repayment of CEO share option equity reserve	(13)	(13)
Expense recognised in relation to employee performance rights plan reserve	27	10
Balance at end of the year	**37**	**23**

17. RELATED PARTY TRANSACTIONS

During the year, Blis Products were sold to the following related parties (excluding web sales).

Associate entity	Director	2022	2021
Probi AB	T Rönnlund	$3,900	-

Blis during the year entered into a licence and supply agreement which grants Probi rights to manufacture and sell BLIS K12™ and BLIS M18™. There were nil transactions during the year (2021: nil).

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 fifth and final tranche of shares in March 2022 (Fourth instalment November 2020 $32,900, 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 2022 there is no capital expenditure commitments (2021: $nil)

19. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no material contingent assets or contingent liabilities at 31 March 2022 (2021: $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

	2022 $'000	**2021** $'000
The Group's revenues from its major products and services were as follows:		
BLIS products	8,965	10,613
Non-core business	488	226
Total Revenue and Other Income	**9,453**	**10,839**

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	
	2022 $'000	**2021** $'000	**2022** $'000	**2021** $'000
New Zealand	1,539	1,148	2,690	2,660
Asia Pacific (excl. NZ)	1,426	1,301	-	-
EMEA	2,857	3,101	-	-
North America	3,143	5,063	-	-
Total revenue	**8,965**	**10,613**	**2,690**	**2,660**
Grant revenue	435	201	-	-
Other revenue	-	3	-	-
Interest revenue	53	22	-	-
Total revenue & other income	**9,453**	**10,839**	**2,690**	**2,660**

Included in revenue are revenues of $2,822k, $1,775k and $909k (2021: $4,038k and $3,084k) which arose from sales to the Group's three largest customers (2021: two).

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.

	2022 $'000	2021 $'000
Net surplus /(Deficit) for the year	(2,707)	564
Adjustments for non-cash items:		
Amortisation	289	122
Depreciation property, plant and equipment	144	137
Depreciation right of use assets	205	134
Foreign exchange loss / (gain)	(105)	(14)
ECL provision	-	-
PSR Expense	27	10
Loss /(gain) on fair value of foreign exchange contracts	84	17
Loss on disposal of intangible assets	16	14
Loss /(gain) on disposal of fixed assets	-	(1)
	(2,047)	**983**
Movements in working capital		
Trade and other receivables	(179)	2
Prepayments	10	(106)
Inventories	222	(319)
Trade and other payable	(311)	29
	(258)	**(394)**
Net cash inflow/ (outflow) from operating activities	**(2,305)**	**589**

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 2021.

(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:

	2022 $'000	2021 $'000
Euro	104	105
United States dollar	114	422
Canadian dollar	7	6

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)	
	2022	2021	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Euro								
Less than 1 year	0.5901	-	433	-	458	-	25	-
USD								
Less than 1 year	-	0.7135	-	718	-	701	-	(17)
CAD								
Less than 1 year	0.8404	-	23	-	24	-	1	-
			456	**718**	**482**	**701**	**26**	**(17)**

The above tables express foreign currency amounts in New Zealand dollar equivalents using the exchange rates at 31 March 2022 and 31 March 2021. The rates applied at 31 March 2022 were:

	2022	2021
EUR	0.6238	0.5943
USD	0.6963	0.6966
CAD	0.8687	-

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%	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Surplus / (deficit) before tax	(23)	(97)	85	32

(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.

	2022 $'000	2021 $'000
Cash and short term deposits	8,519	2,187
NZX bond	75	75
Trade receivables (net of loss allowance)	1,687	1,472
GST receivable	64	100
	10,345	**3,834**

Ageing receivables breakdown

2022

	Gross amounts receivable $'000	Allowance for expected credit losses $'000	Net balance $'000
Current	905	-	905
0 – 30 days (past due)	750	-	750
31 – 60 days (past due)	5	-	5
Greater than 60 days (past due)	29	(2)	27
Total past due	784	(2)	782
Total trade receivables	**1,689**	**(2)**	**1,687**

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**

At 31 March 2022, trade receivable includes amounts of $266k, $181k and $860k (2021: $434k, $224k and $381k) due from the Group's three largest receivables (2021: three). 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 2022 the facility was not drawn down (2021: Nil).

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

Liquidity and interest risk tables

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

2022

	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	-	1,053	-	-	-	-	-	1,053
Borrowings	5.70%	36	-	-	-	-	-	36
Lease liabilities	6.00%	242	242	177	30	30	95	816
Total		**1,331**	**242**	**177**	**30**	**30**	**95**	**1,905**

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**

(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 (2021: nil).

Additional Stock Exchange Information.

For the year ended 31 March 2022

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

As at 31 March 2022 the total number of issued ordinary shares in the Company was 1,273,801,599.

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 2022 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 2022	% of issued share capital
Leveraged Equities Finance	182,171,130	14.30%
Probi	166,148,034	13.04%

2. Spread of security holders at 31 March 2022 - Ordinary shares

	Number of security holders	Percentage of security holders	Percentage of shares held
1 - 50,000	1,433	51.98%	2.42%
50,001 - 100,000	467	16.94%	2.86%
100,001 - 150,000	184	6.67%	1.85%
150,001 - 200,000	146	5.29%	2.11%
200,001 - 300,000	138	5.01%	2.75%
300,001-500,000	151	5.48%	4.96%
500,001 - 1,000,000	107	3.88%	6.40%
1,000,001 - 5,000,000	98	3.55%	16.99%
5,000,001 and above	33	1.20%	59.66%
	2,757	**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 2022 are listed below.

Top 20 shareholders	Number of issued ordinary shares	Percentage issued
Leveraged Equities Finance	182,171,130	14.30%
Probi AB	166,148,034	13.04%
New Zealand Depository Nominee	48,342,090	3.80%
Mingchun Qiu	26,895,482	2.11%
Zhaoyi Li	25,000,000	1.96%
Mark Alexander Stevens & Wendy Joanne Stevens & W M C Trustees Limited	24,094,577	1.89%
Asia Pacific Partners Limited	21,850,878	1.72%
New Zealand Central Securities	18,164,563	1.43%
Barry Charles Richardson & Joy Vera Richardson	17,903,625	1.41%
Hui Ai Adriana Tong & Morlan Tong	16,878,179	1.33%
FNZ Custodians Limited	15,659,912	1.23%
Stephen Patrick Ward & Julie Patricia Ward & James Michael Ward	15,307,128	1.20%
Phaben Holdings Limited	15,243,436	1.20%
Custodial Services Limited	14,793,350	1.16%
Caroline Robyn Ball & Christopher John Thomson Bush	11,857,968	0.93%
Jennbring Fruit Ltd	11,800,000	0.93%
Anthony Paul Offen & Bilinda Jane Offen & Downie Stewart Trustee Limited	11,157,388	0.88%
Richard Mark Keenan	10,037,308	0.79%
Bilinda Jane Offen	10,000,000	0.79%
Circada Limited	10,000,000	0.79%
	673,305,048	**52.86%**

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 2021 to 31 March 2022 and NZX did not exercise any powers under listing Rule 9.9.3 during that period.

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 2022, 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 2022, 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's financial statements as a whole to be $130,000.

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
Impairment of intangible assets The Group's ability to generate revenue is linked to capitalised development costs in respect of ingredients for the Group's products. These are included in the balance sheet as internally generated intangible assets. The total carrying value of intangible assets at 31 March 2022 is $1.455m as shown in the Consolidated Balance Sheet and note 10, of which $0.917m relates to capitalised internally developed intangible assets. The carrying value of intangible assets is particularly judgemental given its dependency on forecasts of revenue growth. The impairment of intangible assets is a key audit matter due to the significant increase in internally developed intangible assets in the prior year, alongside a decline in operating results in the current year. This increases the significance and complexity of audit work required to assess the reasonableness of management's judgements and estimates involved in determining revenue forecasts used by the Group to assess the recoverable amount of these assets. If the Group is unable to produce sustainable operating cashflows, this affects the carrying value of its key intangible assets. Disclosure of the Group's impairment assessment is contained in note 10.	Our procedures focused on evaluating the appropriateness of the significant judgements and assumptions that relate to revenue forecasts and operating cash flows included in the impairment model. Our procedures included, amongst others: • Obtaining the Group's impairment model and gaining an understanding of key assumptions and judgements underlying the model. • Assessing the integrity of the value in use calculation, including the mathematical accuracy of the underlying model. • Assessing compliance of the impairment model with the requirements of NZ IAS 36. • Assessing the impairment model for consistency with the prior year and determining whether any significant changes to the model were appropriate. • Challenging the reasonableness of the key assumptions including those driving the cash flows underpinning the analysis, by: o Comparing historical budget forecasts against actual results. o Comparing forecast growth to business plans approved by the Board. o Engaging an internal valuation expert to assess the appropriateness of the impairment model and benchmark the Group's discount rate by comparing to an independently developed discount rate using publicly available market data for similar entities. Performing sensitivity analysis on the model by varying key assumptions such as revenue growth and discount rate assumptions to assess the impact on forecasted cashflows.

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
30 May 2022

Company Directory.

For the year ended 31 March 2022

Company number
1042367

Issued capital
1,273,801,599 Ordinary Shares

Registered office
Blis Technologies Limited
Ground Floor, 442 Moray Place, Dunedin Central
Dunedin 9016

Shareholders
Listed on the NZX

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

Directors
G Plunket
A Balfour
A McCammon (appointed 21 October 2021)
A Offen
Dr B Richardson
T Rönnlund (appointed 22 July 2021)
Dr A Stewart

Chief executive
B 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/BLISProbioticsNZ
www.facebook.com/unconditionalskin

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

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