BLIS Technologies

2019 Annual Report

BLIS TECHNOLOGIES LIMITED

"The 2019 financial year was one that saw Blis achieve important **milestones** in the company's journey. We achieved a maiden net profit, our products saw a significant increase in **consumer demand**, people and growth pipeline are well positioned to build on this **momentum**. 2019 was a turning point for Blis."

Contents

FY19 Highlights

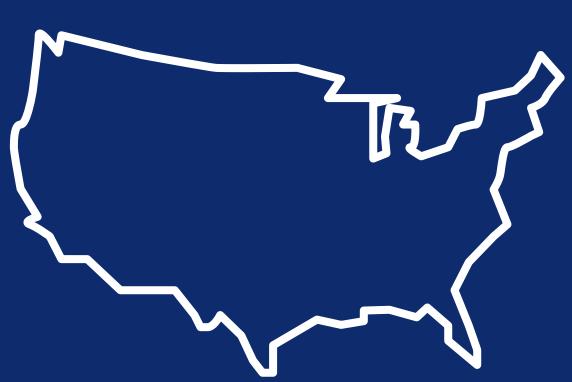
$0.4m
Maiden net profit

$0.9m
EBITDA

59%
Growth in Total Revenue (5 Year compound annual growth rate CAGR 45%)

217%
Growth in BLIS® branded finished product Revenue

153%
Increase in Asia Pacific Revenue



Launch onto the Amazon US platform

Launch into the attractive Australian Pharmacy market

BLIS M18™ US self-affirmed GRAS (April 2019, US FDA "No Objection" status)

BLIS M18™ Australia TGA approval

Value Proposition

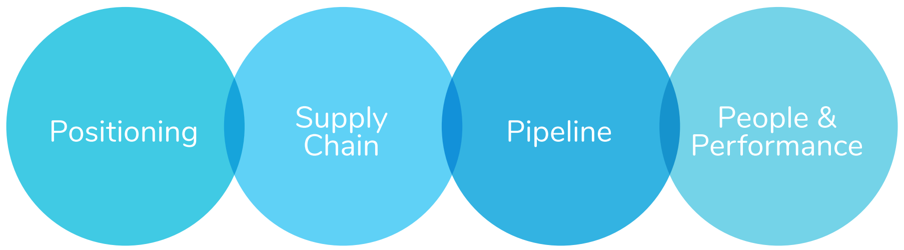
Company vision

Delivering health benefits to global consumers by unlocking the potential of the microbiome.

Value proposition

Blis Technologies is a leader in the manufacture of advanced probiotic strains that go beyond the gut. We combine innovation with a strong evidence base and the highest quality controls to deliver probiotic solutions for specific health targets.

Our strategic priorities



Our objective

Blis Technologies will become an integrated company, controlling our intellectual property and ensuring the highest quality standards throughout the supply chain.

Our current core internal functions include:

- Probiotic strain development (discovery work)
- Manufacturing of finished good solutions for selected markets
- Scientific and technical product support
- Marketing and sales channel development

Our addressable markets

Probiotics for human health beyond the gut, targeting a leadership position in:

- ENT (Ear, nose and throat)
- Oral (Teeth, gums, halitosis)
- Dermatology

Our focus is on human health supplements based on our strengths today. However, we recognise the potential for licensing opportunities beyond this including:

- Realising untapped therapeutic potential
- BLIS®-containing functional food solutions
- BLIS®-containing pet applications and animal health solutions

Our Year

2018

5th April

Appointment of new Agency partner in India

24th April

Launch of HoneyBlis® Ginger

2nd May

BLIS M18™ Self affirmed GRAS status. (April 2019 US FDA "No Objection" status)

4th May

New board member: Geoff Plunket

11th June

Launch of BLIS branded products on Amazon US platform

27th July

New board member: Dr Barry Richardson

7th September

New distribution agreement with iNova Pharmaceuticals for markets across Asia Pacific and Africa

28th September

New board member: Dr Alison Stewart

2019

27th March

Expanded launch into Australia Pharmacy channel with iNova Pharmaceuticals

29th March

BLIS M18™ Australia TGA approval as an ingredient for complementary medicines

1st April

Upgrade to market guidance

A YEAR OF SIGNIFICANT ACHIEVEMENT

Chair and CEO Report

Welcome to Blis Technologies Group[1] Annual Report for the financial year ended 31 March 2019 (FY19).

On behalf of the Board and Management team we are pleased to update you on the significant progress that has been achieved during FY19 and the momentum that we are building moving forward.

Asia Pacific
$4.1M / +153%

Europe
$3.0M / +5%

North America
$1.2M / +45%

Financial overview

This milestone year in the Company's history saw Blis Technologies' reporting a maiden net profit of $0.4m compared to a $1.0m loss in the previous financial year ended 31 March 2018 (FY18). This result represents a significant turning point for the company in line with our goal of delivering sustainable profitable growth.

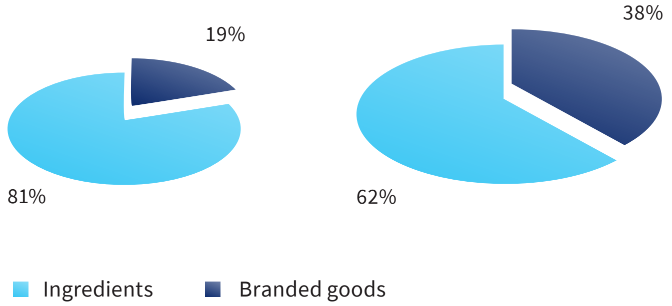
The result was driven by strong revenue growth across all territories and early evaluation milestone payments from potential commercial partners which resulted in a 57% increase in trading revenue to $8.3m. Total revenue, which included increased interest income and Callaghan Growth Grant quarterly rebates rose by 59% to $8.4m.

The benefits of increased scale combined with a continuing tight focus on costs saw the Company's operating earnings before interest expense, tax, depreciation and amortisation (EBITDA) rising to $0.9m compared to a loss of $0.4m in FY18.

BLIS® branded finished products

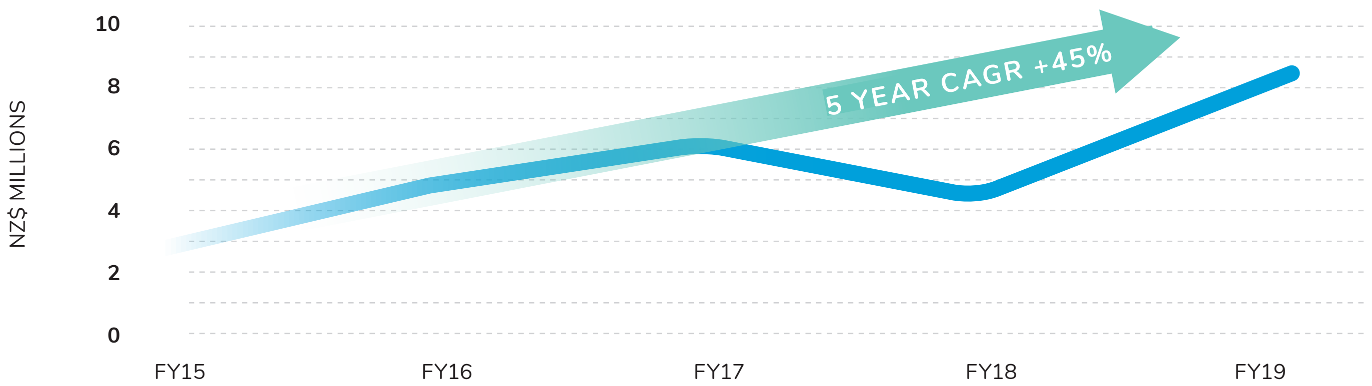
FY18
Product Revenue
$5.2M

FY19
Product Revenue
$8.1M



Product Revenue is revenue from domestic and export sales (Trading revenue less licence/evaluation revenue).

Revenue Growth Trend



[1] Blis Technologies Group consists of parent Blis Technologies Limited and wholly owned subsidiary Blis Functional Foods Limited. Refer Note 13 of the attached financial statements.

Regional performance

The significant revenue growth recorded in the 2019 financial year has been achieved on the back of securing strong partnerships with key market players. This has been fundamental to supporting continued profitable growth opportunities while operating with a modest capital base. Additionally, we continue to take a disciplined approach to balancing business development investment levels with the need to achieve earnings growth. This approach has served us well and it was particularly pleasing to see strong revenue growth across all of the territories we operate in, including New Zealand, Asia Pacific, Europe, Middle East and Africa, and North America, delivering a broader revenue base. This is further evidence that our focused efforts in these markets are beginning to bear fruit.

Asia Pacific

Revenue growth of 153% to $4.1m in FY19

Asia Pacific revenue grew significantly, driven by the extended launch into the Australian market as well as continuing growth in the New Zealand pharmacy channel, and ingredient sales in Japan.

The BLIS® product range is now available in the "listed complementary medicines" throat category in Australian pharmacies, representing a new approach to throat health and immune defence for the Australian market.

There has been widespread acceptance of the BLIS K12™ range by all key pharmacy banner groups in Australia and the more recent approval of BLIS M18™ as an ingredient for "listed complementary medicines" in April 2019 will open the way for launch planning of our dental health range into Australia with iNova Pharmaceuticals.

More information on the Australia Launch is covered on page 13.

New Zealand revenues grew by 60% in the 2019 financial year to $1.2m. Our New Zealand retail presence has continued to strengthen through our relationship with Radiant Health which was launched in March 2018. BLIS® branded products are stocked on the shelves across the network of over 900 pharmacies with high levels of support provided by our distribution partner, including promotional activity that has extended our reach to medical professionals.

The sales growth evident in our Asian market was very pleasing. In particular, strong sales growth into Japan has reinforced the potential of that market with new opportunities now under development.

Our strategy for the China market has seen us broadening our focus from establishing a China domestic presence, which continues to be challenging, to also building support for "cross boarder eCommerce" (CBEC) and Daigou channels and these will be more actively targeted in the new financial year.

The relationship with iNova Pharmaceuticals will see the next phase of our expansion into select new markets across Asia and Africa. Early evaluation of priority markets within the region has begun however timing will be dependent on market factors including regulatory requirements.

Europe/Middle East/Africa

Revenue growth of 5% to $3.0m in FY19

Steady year on year growth in this important market continues to deliver a solid return. Our distribution partner in Europe and the Middle East, Bluestone Pharma, continues to successfully implement a strategy focused on launching consistent value propositions to health professionals ensuring a broad acceptance and recognition within the medical community.

During the 2019 financial year our partner achieved new approvals for Russia and Belgium and launched BLIS K12™ products to health care professionals in these markets along with launches with new customers in Denmark, The Netherlands and the United Arab Emirates.

Other launches in this region included a new powder product targeting young children through existing customers already marketing lozenge formats.

North America

Revenue growth of 45% to $1.2m in FY19

North American revenues benefited from the USA launch of BLIS® branded products on the Amazon platform which has delivered steady growth since the launch in June 2018.

Our partner Stratum Nutrition has continued to expand the customer base through new customer launches and across a range of channels including retail, direct selling and on-line.

Following the recent GRAS "No objection" status of BLIS M18™ (achieved by BLIS K12™ in 2016) we have the potential to open new opportunities with larger consumer food and supplement companies in the US.

Working Capital

$2.3m

Net working capital position

50%

Increase on FY18

At 31 March 2019, the Company held an improved net working capital position of $2.3m, up $0.8m on FY18, greatly increasing the Company's resilience to periodic fluctuations in trading levels.

The net operating cash deficit at balance date was supported through drawings on our trade credit facility to fund the investment in product for the expanded Australian launch in April 2019. Collection of the increased year end debtor balance in April from these Australian sales has provided the means to fully repay the trade credit facility and further enhance cash balances for the year ahead.

While we are very pleased with the financial progress made to date and have been encouraged by the early results from a number of new market launch initiatives, we need to remain cognisant of the ongoing challenges within our industry. These challenges include overcoming delays in new regulatory approvals, dealing with long lead times to progress new customer initiatives, and managing growth opportunities on a limited budget. The hard work, tenacity and dedication of our team and distribution partners have enabled us to overcome many of these obstacles and this will continue as we strive to build on this momentum in the new financial year.

Progress Against Our Strategic Priorities

1. Positioning – consistency of value proposition and development of the BLIS PROBIOTICS™ brand

We are focused on being a supplier of BLIS® branded finished goods (including prominent co-branding) to ensure Blis Technologies is recognized as the source; this is a means of future-proofing the business by developing a closer relationship with customers and consumers.

Launched BLIS K12™ range into Australian Pharmacy channel with partner iNova. ✓
Launched full BLIS® Branded range on Amazon US platform. ✓
Continued to grow NZ retail and medical professional market through Radiant Health partnership. ✓
Broadened our customer base internationally with new launches in Europe and North America. ✓

2. Supply chain – ensuring quality, capacity and IP protection within our supply chain

We are the core source of knowledge about our BLIS® products, so that we will have the internal expertise and processes all through our supply chain (from the organism to fermentation to formulation to end-products, including regulatory and clinical efficacy right through to the consumer).

Established new contract manufacturer relationship with GMP Pharmaceuticals ✓
Actioned continuous improvement initiatives within Blis manufacturing ✓
Established new relationship for future offshore raw ingredient manufacture ongoing

3. Pipeline – optimising value from our IP

Our library of defined organisms provides the core resource that underpins the future of the Company. Along with this we continue to progress new product and formulation initiatives to meet the needs of consumers.

Invested in scientific services to accelerate R&D activity ongoing
IP portfolio investment – invested in broader trademark protection ongoing
Received a Callaghan Innovation Growth Grant ✓
Gained regulatory approvals BLIS K12™: Russia, Belgium ✓
Received regulatory approvals BLIS M18™: Australia TGA Listed complementary medicine, US FDA GRAS ✓
Developed BLIS Q24™ (Skin target) ongoing
Supported joint University research projects: Immunology, Food application ongoing
Launched: HoneyBlis® Ginger, Amazon USA portfolio, Australia BLIS K12™ portfolio. ✓

4. People and Performance – building internal capability and a high-performance culture

We are building a high-performance culture, ensuring we maintain the right internal capability and processes to support our growth goals.

Reviewed leadership team structure and objectives ✓
Improved performance management process. ✓
Established a staff values framework. ✓
Recruited an e-Commerce specialist (start date April 2019). ✓
Further developed our ERP system– focus on reporting ongoing
Director succession planning and recruitment ✓

A YEAR OF SIGNIFICANT ACHIEVEMENT

Strategic Priorities Commentary

Positioning

We made significant progress during FY19 towards our strategic priority of growing the contribution of our BLIS® branded finished goods. Revenue increased by 217% in this category to $3.1m, up from $1.0m in FY18. Over time, this focus will increase our brand presence and future-proof the business by enabling the Company to develop a closer relationship with our customers and consumers.

At the same time, we were able to continue the growth in our ingredient revenue which increased by 17% to $5.0m, up from $4.3m a year ago. Of note is the growth achieved in ingredient sales to North America, Japan and Europe.

The quality of our ongoing distribution agreements combined with a number of new agreements signed and implemented during the year has been a key factor in delivering the record revenue result and driving the growth in BLIS® branded products. These agreements provide access and support for the BLIS® range, extending our reach into our chosen markets. Of particular note, an exclusive distribution agreement was signed with iNova Pharmaceuticals in September 2018 covering selected markets across Asia/Pacific and Africa. This agreement has already delivered a positive financial impact through the expanded launch into the Australian Pharmacy network which took place in March 2019. Longer term we will be looking to expand into select new markets across Asia and Africa. Early evaluation of priority markets has commenced, however timing will be dependent on market factors including regulatory requirements.

In the Europe/ Middle East/ Africa region managed by our distribution partner Bluestone Pharma, we have been encouraged by the success of new launches in Belgium, the Netherlands, Denmark, Russia, and the United Arab Emirates which have served to broaden our international customer base.

In our home market, New Zealand, our ongoing relationship with Radiant Health continues to deliver positive results and has maintained ThroatGuard Pro's™ position as the No 1 selling product by value in throat lozenge category for New Zealand pharmacy.

Our BLIS® online sales have continued to deliver solid growth and in June 2018 we were pleased to successfully launch the full BLIS® branded range on the Amazon e-commerce platform in the US and we have seen consistent growth through this channel.

Supply Chain

Our continuous improvement initiatives within Blis manufacturing are focused on quality and efficiency. At our own manufacturing site in Dunedin we have delivered improvement initiatives focused on reducing overall costs and waste. These initiatives include improvements in our packaging, storage and tableting processes. We have also progressed our assessment of the requirements to upgrade our own manufacturing capability to achieve certified "Good Manufacturing Practice'" (GMP) status, which will continue to be assessed against the alternative of outsourcing manufacturing for specific markets that require certified GMP manufacture.

To provide additional depth and in-market access to high quality finished products, we have established a new contract manufacturer relationship with GMP Pharmaceuticals to support the expanded launch into the Australian market. GMP Pharmaceuticals is a well-established Australian TGA certified GMP manufacturer with a record for quality and reliability. This complements relationships our distributors have established with other contract manufacturers to service markets in Europe and North America to meet capacity and logistical needs.

To future proof our ingredient supply to meet long term growth we have made good progress with an offshore fermentation supplier, transferring the technology and know-how for future production of both BLIS K12™ and BLIS M18™.

Pipeline

Research & Development.

In April 2018 we were pleased to receive approval for a Callaghan Growth Grant which provides a 20% rebate on qualifying research and development over a three year period to March 2021. The grant is allowing us to confidently continue investing in the development of new product formats and formulations to expand the BLIS® range while also progressing new probiotic strains with commercial potential.

We are continuing to assess new products containing BLIS K12™ and during the 2019 financial year we successfully launched a new flavour variant of our HoneyBlis® product. HoneyBlis® with Ginger extract is a honey-based throat lozenge that combines the benefits of kamahi and manuka honey with oral probiotic BLIS K12™. In addition we continue to investigate innovative formats to meet specific consumer needs and this work will be built upon in the new financial year.

We are making good progress in the development of BLIS Q24™ for skin applications with core elements of our development work completed including safety assessment, defining fermentation parameters and early efficacy evaluations. Our focus at present is on formulation optimisation as a finished product for cosmetic application where there is considerable interest in the role of probiotics in overall skin health and we see attractive market potential for this unique patent protected probiotic strain in the future. Beyond the cosmetic potential of BLIS Q24™ we continue to evaluate therapeutic targets which will have longer timelines given the more rigorous regulatory requirements.

We also continue to review our extensive library of strains collected by John Tagg over his career for commercially viable candidates, with a number progressing through the assessment pipeline.

Joint Blis-Callaghan Innovation supported research projects are providing valuable insights that will contribute to future development activities. A Master's project to understand immunological responses to BLIS® probiotics was completed in September 2018 and a PhD project assessing food formats for oral probiotics is ongoing. Both projects are being undertaken at the University of Otago and we are very pleased to be able to support and benefit from this important work.

During the year there were a number of publications on both BLIS K12™ and BLIS M18™ further enhancing our evidence base[2].

We continue to focus on protecting the Company's intellectual property rights through a strong emphasis on IP portfolio management and protection. Our on-going investment in research and development is supported by patent filings, development and protection of trade secrets, regulatory approvals and trademark registrations which are all contributing towards building a stronger BLIS PROBIOTICS™ brand.

Regulatory Approvals

A number of regulatory approvals were achieved during 2019, including Australian Therapeutic Goods Administration (TGA) approval of BLIS M18™ as an ingredient for listed complementary medicines. This approval provides the opportunity to further extend the product range throughout the Australian pharmacy network.

BLIS K12™ and BLIS M18™ products received regulatory approval in Russia and Belgium and in the first quarter of the new financial year BLIS M18™ achieved a "No Objection GRAS" from the US Food and Drug Administration in April 2019.

Good progress is being made on other approval applications, with outcomes pending in India (BLIS K12™ and BLIS M18™) and Canada (upgrade of BLIS K12™ approval and new approval of BLIS M18™). While in Korea we have been working with our distribution partner on capturing the appropriate data to support a regulatory submission for BLIS K12™.

People and Performance

We are building a high-performance culture, ensuring we have the right internal capability and processes to support our growth goals. As a growing company we will continue to ensure we have access to the right skills and these may be internally or externally sourced.

To build internal capability we have worked closely with NZTE and external consultants to support us in our launch of BLIS® branded products on the Amazon US platform and continue to work with external experts to plan for greater penetration of the China cross border and Daigou market opportunities. To ensure we have sufficient internal resource to support these important new markets we have employed an e-Commerce lead who started with the company on 1 April 2019.

R&D capability has been enhanced during the year by hosting internships from various international tertiary institutions, adding value through new perspectives and expertise.

In line with our Company vision, value proposition and strategy we have increased our focus on Company values to ensure they are firmly embedded within our culture.

Along with strengthening our overall capability we have focused on developing processes to support our growing business and the complexity of our operations. To this end we continue to develop our ERP system to improve the timeliness and accuracy of reports to enable performance tracking and quality decision making.

Health and Safety

Our approach to health and safety has matured with well-established process and procedures and good engagement across the company. All staff have specific health and safety objectives and our people managers have personalised health and safety objectives relevant to their functional responsibility. Our Health and Safety Committee regularly reviews performance against annual objectives with an external H&S consultant. Staff wellness has become a greater focus of the Health and Safety Committee.

[2] Assessment of Efficacy of BLIS-Producing Probiotic K12 for the Prevention of Group A Streptococcus Pharyngitis: a Short Communication. Di Pierro F. Probiotics Antimicrob Proteins. 2019 Mar;11(1):332-334.

Use of Streptococcus salivarius K12 to reduce the incidence of pharyngo-tonsillitis and acute otitis media in children: a retrospective analysis in not-recurrent pediatric subjects.Di Pierro et al. Minerva Pediatr. 2018 Jun;70(3):240-245.

Effect of Oral Probiotic Streptococcus salivarius K12 on Group A Streptococcus Pharyngitis: A Pragmatic Trial in Schools. Doyle et al. Pediatr Infect Dis J. 2018 Jul;37(7):619-623.

Clinical experience of Streptococcus salivarius K12 use for the prevention of pharyngotonsillitis and respiratory infections in children. Kryuchko, T.O. & Tkachenko, O.Ya. Childs Health (Ukraine) 2018 13. 629-634.

The effect of oral probiotic consumption on the caries risk factors among high-risk caries population. Tandelilin et al. 2018, 10(3) 132-137. J. Int. Oral Health.

Book Chapter: Streptococcus- A Brief Update on the Current Taxonomic Status of the Genus. In: Lactic Acid Bacteria: Microbiological and Functional Aspects. John R. Tagg, Philip A. Wescombe, John D. F. Hale, and Jeremy P. Burton

Outlook

Our achievements during FY19 - including the Company's maiden profit - underpin a turning point for Blis Technologies.

The result is evidence of the increased resilience of the business due to broader revenue mix, increasing BLIS® branded product revenues, stronger regulatory positions, an improved working capital base and development of robust internal capabilities.

Management and the Board continue to review the Company's strategy and ensure clarity regarding the commercial focus of the Company. We remain committed to our stated purpose, our value proposition and our strategic priorities.

There remains significant international growth potential for our products and we will continue to pursue the Company's profitable growth objective through developing our relationships with partners capable of resourcing international scale for the business. Key growth opportunities for the company in FY20 include Canada, China cross border e-commerce and Daigou markets, market expansion with iNova Pharmaceuticals and expansion of our on-line sales. To facilitate this growth, we will be working with our existing distribution partners as well as targeting new relationships with partners with the right capability and resources to support our goals.

Thank You

The Board and Management would like to take this opportunity to thank all staff and directors for their enthusiasm and commitment to continuous improvement.

On behalf of everyone at Blis we would also like to thank our investors for their continued support and ongoing interest in the future of the Company.

Tony Offen
Chair

Brian Watson
Chief Executive

Spotlight on Expanded Australian Launch

The launch of the Company's expanded product range into the Australian pharmacy network took place from 1st of April 2019.

Our products are hitting the Australian shelves with strong support from our exclusive distribution partner in the Australian market. iNova Pharmaceuticals (iNova) has exceptional reach into the Australian pharmacy channel and a proven track record of establishing category leading brands in consumer health care.

iNova is launching BLIS® branded products from the BLIS K12™ based range: ThroatGuard™, ImmuneDefence™, HoneyBlis™, DailyDefence Junior™, TravelProtect™ as well as a Difflam® co-branded offer Difflam 1st Signs Defence™ into the Australian pharmacy network. The launch is being supported through a comprehensive consumer and trade marketing programme that coincides with the build-up towards the busy winter season.

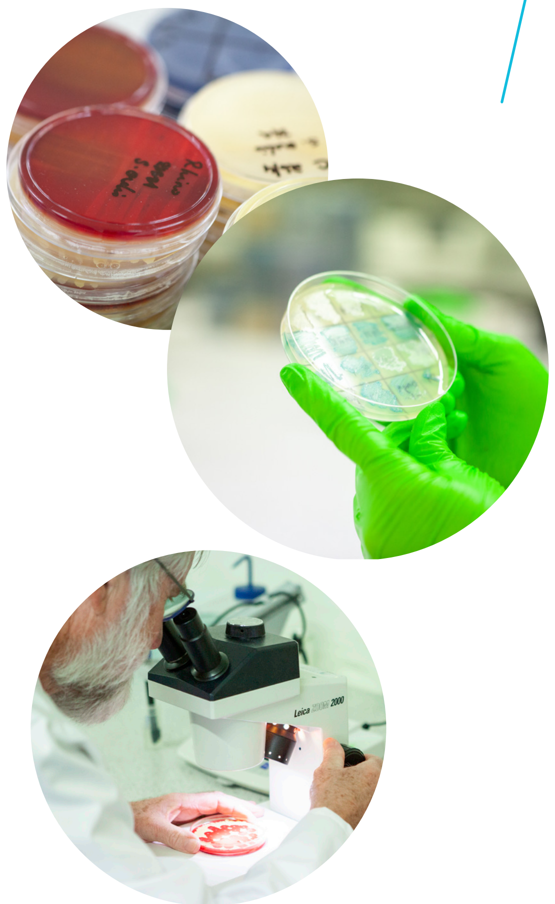
The BLIS product range is helping to solidify iNova's leadership within the throat category in Pharmacy by extending its offering to include a full continuum of products that can, not only manage sore throat pain, but also help prevent this issue occurring in the first place.

There has been widespread acceptance of the BLIS K12™ range by all key pharmacy banner groups in Australia and the more recent approval of BLIS M18™ as an ingredient for "listed complementary medicines" in April 2019 will open the way for launch planning of our BLIS M18™ Oral product range into Australia with iNova Pharmaceuticals.

Spotlight on Product Development

Pipeline

- BLIS Q24™ for skin application
- Screening of strain library collected by Prof John Tagg



New Product Development

- Launch of HoneyBlis™ Ginger
- Upgrade of Fresh Breath Kit – new packaging and mouthwash
- Australia range launch (Including co branded Difflam)
- Amazon USA range launch

available at amazon

New Regulatory Approvals

Australia

- BLIS K12™
- BLIS M18™

US FDA GRAS "No Objection"

- BLIS M18™ (BLIS K12™ previously approved)

Russia and Belgium

- BLIS K12™

Trademark Investment

Ongoing investment to protect: BLIS®, BLIS K12™, BLIS M18™ across international markets.

BLIS PROBIOTICS™

CONTAINS BLIS K12™ CONTAINS BLIS M18™ CONTAINS BLIS Q24™

Our Approach to Sustainability

Our purpose

“Develop and commercialise unique probiotics for health and wellbeing”

Our value proposition

Blis Technologies is a leader in the manufacture of advanced probiotic strains that go beyond the gut. We combine innovation with a strong evidence base and the highest quality controls to deliver probiotic solutions for specific health targets.

Our objective

Blis Technologies will become an integrated company, controlling our intellectual property and ensuring the highest quality standards throughout the supply chain.

We have a clear sense of what Blis Technologies has been established to do. Our purpose, value proposition and objective set out our direction of travel to achieve this.

We recognise that long-term, sustainable business success requires an understanding of the interconnectedness of all of the moving parts of our business and the impact we have on our stakeholders. For Blis this includes our people, customers, community, environment and our shareholders. We understand that our success will be measured in more than purely financial terms, and while our sustainability journey is in its early days, we are committed to delivering long-term positive outcomes for all of the stakeholders of our business.

This is the first year that we have documented our approach the environmental, social and governance (ESG) practices. Our early work in this area has involved reviewing the United Nations (UN) Sustainable Development Goals which provide a framework from which we will formalise our approach.

The UN Sustainable Development Goals present a way for us to see and think about our business beyond a traditional set of measures that are based on our financial and manufacturing performance. The UN Sustainable Development Goals that are relevant to Blis are:

3 GOOD HEALTH AND WELL-BEING

Our research has and will be responsible for uncovering new strains of good bacteria to ward off pathogens and promote positive health outcomes.

The efficacy of our probiotic therapies leads to improved health for our customers.

Within our business, the health, safety and well-being of our people is paramount and will continue to be an important focus.

4 QUALITY EDUCATION

The quality of our research will add to the bank of knowledge on the health effects of good bacteria strains on oral and throat health.

Our support and joint funding of ongoing research at the University of Otago will provide meaningful academic opportunities.

We will continue to provide training and development opportunities to our staff.

We regularly provide intern and post graduate opportunities for local and international students.

5 GENDER EQUALITY

Our people practices recognise the value of diversity and this is also reflected in the makeup of our Board and Management team.

Our organisational style supports a vibrant and productive work environment that encourages inclusion and engagement.

8 DECENT WORK AND ECONOMIC GROWTH

Our remuneration policies and practices are based on sound principles and contribute to our ability to attract and retain a team of appropriately skilled people.

Our financial performance will allow us to provide sustainable returns to our shareholders, the owners of our business.

Our contribution to the local economy through employment and supplier arrangements and to the wider New Zealand economy through payment of tax and generation of export revenues provides an economic benefit for New Zealand.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Our research is world-leading and provides research-backed health solutions.

We continue to look for ways to further improve societal health.

The efficacy of our probiotic therapies reduces pathogens (disease-causing bacteria) and promotes good health.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

As a business we will explore ways to reduce and recycle waste while maintaining the quality standards of our products and packaging.

Consumption instructions are shown on all product packaging and product information sheets.

Our manufacturing operates under the principles of “Good Manufacturing Practice”, and we are moving toward full accreditation of our internal manufacturing facility.

Our ESG framework is at an early stage and will continue to evolve over time. We look forward to updating you on our progress and the positive ways in which our business is contributing to a better future for our people, our society and our planet.

Board of Directors

Anthony (Tony) Offen

Chair, independent non-executive director

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

Through his Dunedin-based investment company, Tony has been a director and shareholder of private companies involved in commercial property, FMCG business sectors nationally and internationally and with investment interests requiring venture and start-up capital.

Tony holds professional memberships with the Chartered Accountants Australia and New Zealand and is a Chartered Member of the Institute of Directors. He is an elected member of the National Council for the Neurological Foundation of NZ and has served as the Council Deputy Chair and Chair of its Audit and Risk Management Committee. Tony is also an independent member of the Governance Board of Brain Research New Zealand, Centre of Research Excellence (CoRE) and holds a B.Com. (Accounting) and B.A. (Philosophy) from University of Otago.

Graeme Boyd

Deputy Chair, independent non-executive director

Graeme is based in Tauranga and has been a director of Blis Technologies Limited since July 2014. He was appointed Deputy Chair in August 2018.

Graeme joined ICI New Zealand Limited in 1971 and for over 26 years held a variety of positions across the business, including management of the Pharmaceuticals Division, culminating in the role of NZ General Manager from 1990 to 1997. He was appointed CEO of Comvita in 1998 and developed the company from a small privately-owned company to a publicly-listed company centred on marketing natural health products internationally. Graeme left Comvita in 2005 and formed a management consulting business specialising in company turnarounds, growth strategies and international marketing.

Graeme is a professional director, a Chartered Member of the Institute of Directors and holds an MSc (Chemistry) from University of Canterbury.

Geoffrey Plunket

Chair of audit committee, independent non-executive director

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

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

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

Veronica Aris

Chair of remuneration committee, independent non-executive director

Veronica is Auckland based and was appointed to the Board in July 2014 and appointed Chair of the Remuneration Committee in April 2017.

Veronica has over 20 years in senior marketing and sales roles that span the innovation, primary care consumables, pharmaceuticals, natural health care, consumer and safety product markets. She is currently the Head of Sales and Marketing for the Icehouse where she leads a team of eight, delivering innovative strategy and digital transformation to more than 5,000 ambitious owner-managers and entrepreneurs. Veronica is also currently a board member of both Altus and Clinical Advisory Services Aotearoa (CASA) and has previously been on Boards for the North Auckland Kindergarten Association and the Torbay Sailing Club.

Veronica is a Chartered Member of the Institute of Directors, holds a Chartered Marketer status from the Chartered Institute of Marketers, Bachelor of Science in Chemistry and French and a Diploma in Marketing.

Dr Barry Richardson

Independent non-executive director

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

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

Dr Alison Stewart

Independent non-executive director

Alison is Christchurch based and was appointed to the Board in August 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 at Lincoln University, NZ and was elected a Companion of the NZ Order of Merit in 2011 for her contributions to biology.

Executive Team

Brian Watson

Chief Executive Officer (CEO)
BCom (Marketing), BPhEd

Brian was appointed CEO of Blis Technologies in February 2016. He joined Blis following senior management roles with Fonterra and within the pharmaceutical industry in New Zealand and overseas. Brian's career has focused on general management, marketing and sales across healthcare, nutraceutical and nutrition industries.

Brian has a track record of successfully launching global brands into new markets and leading change within organisations.

Richard Wingham

Chief Financial Officer (CFO)
CA, BCom (Accounting)

Richard was appointed to the role of CFO for Blis Technologies in November 2017. Richard is a Chartered Accountant with over 20 years experience, including various senior finance roles across the dairy FMCG, construction and health sectors.

His skills cross over manufacturing, project management, information technology and strategic planning.

Dr John Hale

Chief Technology Officer (CTO)
PhD

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

Dr Hale joined Blis Technologies in 2011 and leads the Scientific Services team.

Julie Curphey

Chief Marketing Officer (CMO)
MBA, BCApSc (Food Science)

Julie joined Blis Technologies in September 2016 as Chief Marketing Officer. Prior to this she spent 18 years working internationally in the FMCG and pharmaceutical industries in various leadership roles including market research, marketing, operations and change management.

Julie returned to NZ in 2014 to take up the CMO role at Dunedin company ADInstruments.

Statement of Corporate Governance

The Board and Management of Blis Technologies 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 still being developed and will be reported on next year. 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 Main Board Listing Rules (NZX Listing Rules). The Board regularly reviews and assesses Blis' governance structures and processes to ensure that they are consistent with best practice.

Blis will transition to the new NZX Listing Rules with effect from 1 July 2019. Accordingly, this Corporate Governance Statement has been prepared in accordance with the NZX Code that was published in 2017.

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 (the 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 27 May 2019.

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."

RECOMMENDATION 1.1

The Board should document minimum standards of ethical behaviour to which the issuer's directors and employees are expected to adhere (a code of ethics).

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 (Whistleblower) 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 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 ("NZX Rules"). The personal interests of the Director and their family must not be allowed to prevail over those of the Company and its shareholders generally.

No breaches of the Code of Ethics were identified during FY19 and no matters were raised under the Protected Disclosures (Whistleblower) Policy.

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

RECOMMENDATION 1.2

An issuer should have a financial product dealing policy which applies to employees and directors.

Share trading by Company Directors and Employees

The Board has implemented formal procedures to handle trading in the Company's securities by Directors, employees and advisers of the Company. The full procedures are outlined in its 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, Chief Executive Officer (CEO) or the Chief Financial Officer (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."

RECOMMENDATION 2.1

The board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.

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 primary responsibilities of the Board include:

- Ensuring that the Company purpose and goals are clearly established, and that 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.

Statement of Corporate Governance *(continued)*

RECOMMENDATION 2.2

Every issuer should have a procedure for the nomination and appointment of Directors to the board.

Director nomination and appointment

The Board as a whole is involved with recommending candidates to act as Directors to shareholders. When considering candidates for nomination, the Board will consider, amongst other things, the individual's experience, qualifications and skills in comparison to the experience, qualifications and skills of other Directors, whether that individual is "independent" and whether that individual would be able to work effectively with other Directors. A thorough check of the candidate and his or her background is undertaken and shareholders are provided with all material information that is relevant to the decision on whether to elect or re-elect a Director.

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

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

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

The Board has determined that to operate effectively and to meet its responsibilities it requires competencies in disciplines including executive leadership and strategy, governance, 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 2019 the Board has a majority of independent directors. Director independence is considered on a case-by-case basis (in accordance with the NZX Listing Rules) and is monitored on an ongoing basis.

RECOMMENDATION 2.3

An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.

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.

RECOMMENDATION 2.4 AND 2.8

Every issuer should disclose information about each Director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests.

The Chair and the CEO should be different people.

Board of Directors

Director profiles are shown at pages 18–19 of this report. The profiles include information on the year of appointment, skills, experience and background of each Director.

All six Directors are non-executive and independent members of the Board. Tony Offen is the Chair of Blis. Graeme Boyd is Deputy Chair. Geoff Plunket is the Chair of the Audit and Risk Committee. Veronica Aris is the Chair of the Remuneration Committee. Dr Barry Richardson and Dr Alison Stewart 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 executive officer of the Company and do not have a 'Disqualifying Relationship' (as defined in the NZX Listing Rules).

The Company does not require Directors to hold shares in the Company but actively encourages them to do so. Directors' share interests are disclosed at page 32.

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	2	1

Interests Register

The Board maintains an Interests Register. 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 Interests Register for the year ended 31 March 2019 are included in the Director Disclosures section on page 33.

RECOMMENDATION 2.5

An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the Board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.

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 for a company our size is currently under development.

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

	31 March 2019		31 March 2018	
Position	Female	Male	Female	Male
Director	2 (33%)	4 (67%)	1 (20%)	4 (80%)
Executives^	1 (25%)	3 (75%)	1 (25%)	3 (75%)
All employees	11 (52%)	10 (48%)	11 (55%)	9 (45%)

^ CEO and direct reports to the CEO

RECOMMENDATION 2.6

Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.

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.

RECOMMENDATION 2.7

The Board should have a procedure to regularly assess director, board and committee performance.

Board Performance Evaluation

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

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

Principle 3 – Board Committees

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

Board Committees

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

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

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

Blis also has a Scientific Advisory Group ("SAG") that provides an independent source of advice to the Board and Management. SAG members have been selected based on significant contribution to their chosen field and have complementary skillsets to those involved in the Company's research and development endeavours. A charter sets out the SAG purpose and mandate. The SAG did not meet during the year.

Attendance at Meetings

The table below sets out Director attendance at Board and Committee meetings during the year ended 31 March 2019.

	Board	Audit and Risk Committee	Remuneration Committee
Veronica Aris	9		4
Graeme Boyd	10	2	4
Anthony Offen	10	7	4
Geoff Plunket*	10	6	
Barry Richardson*	8	5	
Dr Alison Stewart*	6		
Peter Fennessy*	2		
Alan McKenzie*	2	2	

* Geoff Plunket was appointed on 4 May 2018
Barry Richardson was appointed on 27 July 2018
Dr Stewart was appointed on 28 September 2018
Peter Fennessy retired on 27 July 2018
Alan McKenzie retired on 27 July 2018

RECOMMENDATION 3.1

An issuer's Audit Committee should operate under a written charter. Membership on the Audit Committee should be majority independent and comprise solely of non-executive Directors of the issuer. The Chair of the Audit Committee should not also be the Chair of the Board.

Audit and 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 the Audit and Risk Committee charter.

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 the Board must not be the Chair of the Audit and Risk Committee. The current members of the Audit and Risk Committee are Geoffrey Plunket (Chair), Tony Offen (Board Chair) and Barry Richardson. All members are independent directors. Geoffrey Plunket is a Fellow of Chartered Accountants Australia and New Zealand and a Member of the Institute of Directors

The Board considers the recommendations of the Audit and Risk Committee and advice of external auditors and other external advisors on the operational and financial risks that face the Company. The Board ensures that recommendations made by the Audit and Risk Committee, external auditors and other external advisers are investigated and, where considered necessary, action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

Given the size of the Company, an internal audit function is not considered necessary.

The Audit and Risk Committee met on seven occasions during FY19. The agenda items for each meeting generally relate to financial governance, external financial reporting, external audit, internal audit, risk management, compliance and insurance.

RECOMMENDATION 3.2

Employees should only attend Audit and Risk Committee meetings at the invitation of the Audit and Risk Committee.

Meeting Attendance

The CEO and CFO are regularly invited to attend Audit and Risk Committee meetings as observers, when appropriate.

RECOMMENDATION 3.3

An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee.

Remuneration Committee

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

The terms of reference for this committee are set out in its charter which is available in the Investor Centre.

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 Veronica Aris (Chair), Graeme Boyd and Tony Offen (Board Chair). All committee members are independent Directors.

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

The Remuneration Committee met four times during the year.

RECOMMENDATION 3.4

An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.

Nomination Committee

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

RECOMMENDATION 3.5

An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.

Committees

The Board has no Committees other than an Audit and Risk Committee and Remuneration Committee. The Scientific Advisory Group is not a Board committee. The members and attendance of the Audit and Risk Committee and Remuneration Committee are set out earlier under Principle 3.

RECOMMENDATION 3.6

The Board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communications between insiders and the bidder. It should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover 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.”

RECOMMENDATION 4.1

An issuer’s board should have a written continuous disclosure policy.

Shareholder Communications and Market Disclosure

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

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

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

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

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

All non-promotional information intended to be made public, whether or not it is believed to be material information, must be reviewed by the CEO and Chair prior to release. In the case of financial information, the Audit and Risk Committee Chair, must also review the information prior to issue.

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

RECOMMENDATION 4.2

An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.

Governance Policies and Charters

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

RECOMMENDATION 4.3

Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering material exposure to environmental, economic and social sustainability risks and other key risks. It should explain how it plans to manage those risks and how operational or non financial targets are measured.

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 FY19.

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 36 to 59. 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 has commenced on consideration of a suitable sustainability-reporting framework. The project is in its early stages and will involve preparing a series of financial and non-financial targets for reporting on an ongoing basis. An overview of the Company’s sustainability programme is set out at pages 16 to 17.

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 $265,000 per annum in 2017. Subject to external review, an increase of the director fee pool will likely be proposed at the 2020 Annual Shareholders Meeting.

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

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

Each non-executive Director receives a fee for services as a Director of the Company and an additional fee is also paid to the Chair, and each Chair 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 April 2018 to 31 March 2019 the allocation of the fee pool was as follows:

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

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 2018 to 31 March 2019 were as follows:

Director	Board	Audit Committee	Remuneration Committee	Total Remuneration
V Aris	$35,000		$4,000	$39,000
G Boyd *(Deputy Chair)*	$41,667			$41,667
A Offen *(Chair)*	$66,000			$66,000
G Plunket	$32,083	$6,667		$38,750
B Richardson	$23,333			$23,333
A Stewart	$20,419			$20,419
A McKenzie *(retired 27/7/18)*	$11,667	$3,333		$15,000
P Fennessy *(retired 27/7/18)*	$15,000			$15,000

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 and a short term incentive (STI). The STI performance incentive is "at-risk" and is directly linked to both the performance of the Company and to each individual's performance while promoting the Company's long-term success.

Fixed remuneration includes all benefits, allowances and deductions.

(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 2019, the CEO received $286,007 (2018: $278,100) 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 at a level so as to provide sufficient incentive to the executive to achieve the targets such that the cost to the Company is flexible and in-line with the trading outcome for the year.

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

In determining the amount to be allocated, the Remuneration Committee considers the performance against the targets.

For the financial year ended 31 March 2019 there was one nominated Executive in the STI scheme, the CEO, the same as in the prior year.

STI Scheme payments relating to the financial year ended 31 March 2019 are delivered as a taxable cash bonus and are payable on completion of the annual audited financial statements. The total accrual for FY19 for all nominated executives in the STI Scheme is $85,605 being 100% of the total pool for the year. The actual amount paid for FY18 was $nil.

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.

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 FY19 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:

CEO remuneration

FY19

Salary and fees	Taxable benefits*	Subtotal	STI paid FY19 for FY18 performance	Total remuneration
$286,008	$6,864	$292,872	$0	292,872

FY18

Salary and fees	Taxable benefits*	Subtotal	STI paid FY18 for FY17 performance	Total remuneration
$278,100	$8,731	$286,831	$0	$286,831

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

Performance Measures	Percent Achieved
50% based on financial revenue and profitability targets	100%
50% based on non-financial targets	100%

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 2018 to 31 March 2019 are shown below:

Amount of Remuneration	Employees
$150,001 - $160,000	1
$180,001 - $190,000	2
$280,001 - $290,000	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."

RECOMMENDATION 6.1

An issuer should have a risk management framework for its business and the issuer's Board should receive and review regular reports. A framework should also be put in place to manage any existing risks and to report the material risks facing the business and how these are being managed.

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 the 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.

RECOMMENDATION 6.2

An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.

Health and Safety

Overall responsibility for health and safety - and 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 and safety.

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 and safety matters;
- Be responsible and accountable for health and safety compliance;
- Promote and role-model high workplace health and safety standards; and
- Ensure business objectives are complementary to health and safety 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.

Principle 7 – Auditors

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

RECOMMENDATION 7.1 AND 7.2

The board should establish a framework for the issuer's relationship with its external auditors.

The external auditor should attend the issuer's annual meeting to answer questions from shareholders in relation to the audit.

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;

Statement of Corporate Governance *(continued)*

- The auditor is required to report to the Audit and Risk Committee annually on matters pertaining to their independence; and
- The Blis auditor will be required to rotate the lead audit partner in accordance with accepted governance standards.

The Auditor Independence Policy is available in the Investor Centre.

The effectiveness, performance and independence of the external auditors is reviewed by the Audit and Risk Committee. The auditor is regularly invited to meet with the Committee including without Management present.

Deloitte Limited is the Company's current external auditor. Heidi Rautjoki has been the audit engagement partner since 2018.

Fees paid to Deloitte Limited are included in Note 4 of the Notes to the financial statements. A total of $65,000 was paid to Deloitte Limited for audit-related services. All non-audit services require approval by the Audit and Risk Committee.

The auditor has been invited to attend the Annual Shareholders' Meeting and will be available to answer shareholder questions.

RECOMMENDATION 7.3

Internal audit functions should be disclosed.

Internal audit

Given the size of the Company, an internal audit function is not considered necessary.

Principle 8 – Shareholder Relations

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

RECOMMENDATION 8.1

An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.

Shareholder 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 and interim reports, NZX releases, governance policies and charters and a variety of corporate information is posted onto the Company's website.

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

The Company has a Shareholder Meetings page in the Investor Centre on its website. Documents relating to meetings are available.

Shareholder meetings will be held at a time and location to encourage participation in person by shareholders. Annual meetings to date have been held at a venue in Dunedin, reflecting the head office location for the Company. The speeches and slides are lodged with NZX prior to the start of the meeting. Shareholders may raise matters for discussion at the Annual Shareholders' Meeting either in person or by emailing the Company with a question to be asked.

RECOMMENDATION 8.2

An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.

Electronic Communications

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

RECOMMENDATION 8.3

Shareholders should have the right to vote on major decisions which may change the nature of the company in which they are invested in.

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.

RECOMMENDATION 8.4

Each person who invests money in a company should have one vote per share of the company they own equally with other shareholders.

Voting

Blis conducts voting at its Annual Shareholder Meetings by way of poll. Each share carries one vote.

RECOMMENDATION 8.5

The board should ensure that the annual shareholders notice of meeting is posted on the issuer's website as soon as possible and at least 28 days prior to the meeting.

Notice of Meeting

The Notice of Meeting will be lodged with NZX at least 28 days prior to the meeting and will be available on the Shareholder Meetings page in the Investor Centre.

Directors' Interests

Directors' Shareholdings

The following table sets out, for the purposes of the disclosures required under Listing Rule 10.4.5 (c) of the NZX Main Board Listing Rules, the relevant interests of Directors and associated persons of the Directors in equity securities of the Company as at 31 March 2019:

Name of Director		Number of Equity Securities in which a relevant interest is held by the Director	
A P Offen	Ordinary	31,157,388	(a)
G S Boyd	Ordinary	800,000	(b)
B Richardson	Ordinary	17,903,624	(c)

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

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

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

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

Directors' Share Dealings

During the year, no Directors (or associated entities in which the Directors have relevant interests) aquired/(disposed) of equity securities in the Group.

Disclosures of Interest by Directors

No disclosures were made of interests in transactions under s140(1) of the Companies Act 1993.
Directors have made general disclosures of interests in accordance with s140(2) of the Companies Act 1993.

Person	Organisation	Active Interests
Dr. Alison Stewart	Arable Food Industry Council	Executive committee member
	Foundation for Arable Research	Chief Executive
	Foundation for Arable Research Australia	Director
	Good Farming Practice	Governance Group Member
	MBIE Maximizing the value of irrigation	Industry Advisory Group Chair
	MfE Measure and Manage diffused nutrient losses from arable crops	Governance Council Chair
	MPI Pea Weevil Management	Governance Council member
	Pastoral Industry Forage Strategy	Implementation Group member
	Seed Industry Research Centre	Advisory Board member
Dr. Barry Richardson	Barry Richardson Enterprises Limited	Director
	CertusBio Limited	Director
	CNS Biotechnology Limited	Director
	Zircon Services Limited	Director
Geoffrey Plunket	North Otago Irrigation Company Limited	Director
	Orokonui Ecosanctuary Ltd	Director
Graeme Boyd	Boyd Insight Limited	Director

Person	Organisation	Active Interests
Tony Offen	Barrio Developments Limited	Director
	Brain Research New Zealand	Director
	Capital Apartment Holdings Limited	Director
	Closing Capital Limited	Director
	Edinburgh Equity Limited	Director
	Edinburgh Nominee Limited	Director
	Edinburgh Securities Limited	Director
	Kawarau Holdings Limited	Director
	Maidstone Land & Buildings Limited	Director
	Mill Park Estate Limited	Director
	Neurological Foundation	Council Member
	Offen Nominee Limited	Director
	Plaza Funds Management Limited	Director
	Taieri Investments Limited	Director
	Taieri Property Limited	Director
Veronica Aris	Clinical Advisory Services Aotearoa	Director
	Elevator Group	Director

Directors' Interests *(continued)*

Use of Company Information

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

Indemnities and Insurance

Pursuant to section 162 of the Companies Act 1993 and its Constitution the Company has entered into deeds of indemnity, with the Directors of the Group to indemnify them to the maximum extent permitted by law, against all liabilities which they may incur in the performance of their duties as Directors of any company within the Group. Insurance cover extends to Directors and officers for the expenses of defending legal proceedings and the cost of damages incurred. Specifically excluded are proven criminal liability and fines and penalties other than those pecuniary penalties which are legally insurable. In accordance with commercial practice, the insurance contract prohibits further disclosure of the terms of the policy. All Directors who voted in favour of authorising the insurance certified that in their opinion, the cost of the insurance is fair to the Company.

Donations

There were no donations made by the Company during the year ended 31 March 2019 (2018: 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 2019.

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 2019 and the results of its operations and cash flows for the year ended on that date

The Directors consider the financial statements of the Group have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

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

Tony Offen	Graeme Boyd
Chairman	Director
27th of May 2019	27th of May 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 $'000	2018 $'000
REVENUES			
Revenue	2a	8,400	5,285
Interest received		6	3
		8,406	5,288
LESS			
Distribution expenses		120	87
Marketing expenses		787	402
Occupancy expenses		164	156
Employee benefits		2,074	2,251
Raw materials and consumables		2,305	1,354
Operating expenses		2,553	2,072
Finance expenses		22	8
	2b	8,025	6,330
SURPLUS / (DEFICIT) BEFORE TAX	2b, 4, 5	381	(1,042)
Income tax expense	3	-	-
SURPLUS / (DEFICIT) FOR THE YEAR		381	(1,042)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/ (DEFICIT) FOR THE YEAR		381	(1,042)
Surplus / (deficit) for the year is attributable to:			
Equity holders of the parent		381	(1,042)
		381	(1,042)
Comprehensive income for the year is attributable to:			
Equity holders of the parent		381	(1,042)
		381	(1,042)
Earnings / (Deficit) per Share:			
Basic (cents per share)	14	0.03	(0.09)
Diluted (cents per share)	14	0.03	(0.09)
Net tangible assets per Share:			
Basic (cents per share)	14	0.26	0.20
Diluted (cents per share)	14	0.26	0.20

Consolidated Statement of Changes in Equity

For The Year Ended 31 March 2019

	Notes	Share capital $'000	Retained earnings/ (Deficit) $'000	Share Option Equity Reserve $'000	Total attributable to Group $'000
OPENING EQUITY - 1 APRIL 2017		37,298	(33,335)	54	4,017
Surplus/ (deficit) for the year		-	(1,042)	-	(1,042)
Other comprehensive income		-	-	-	-
Total comprehensive income		-	(1,042)	-	(1,042)
Equity contributions and distributions					
Share Option Equity Reserve	14	40	-	(8)	32
CLOSING EQUITY - 31 MARCH 2018		37,338	(34,377)	46	3,007
Surplus/ (deficit) for the year		-	381	-	381
Other comprehensive income		-	-	-	-
Total comprehensive income		-	381	-	381
Equity contributions and distributions					
Share Option Equity Reserve	14	42	-	(9)	33
CLOSING EQUITY - 31 MARCH 2019		37,380	(33,996)	37	3,421

Consolidated Balance Sheet

For the Year Ended 31 March 2019

	Notes	2019	2018
		$'000	$'000
ASSETS			
CURRENT ASSETS			
Cash and short term deposits	6	924	1,059
Trade and other receivables	7	2,372	694
Prepayments		220	89
Inventory	8	371	343
NZX Bond	6	75	75
Foreign exchange contracts	20(e)	4	-
		3,966	2,260
LESS CURRENT LIABILITIES			
Trade and other payables	11	929	581
Contract liability		22	-
Current borrowings	12	700	121
Foreign exchange contracts	20(e)	-	10
		1,651	712
WORKING CAPITAL		2,315	1,548
NON CURRENT ASSETS			
Property, plant and equipment	9	669	785
Finite life intangible assets	10	566	843
		1,235	1,628
NON CURRENT LIABILITIES			
Non-current borrowings	12	129	169
NET ASSETS		3,421	3,007
OWNERS EQUITY			
Share capital	14	37,380	37,338
Share option equity reserve	15	37	46
Retained earnings/ (deficits)		(33,996)	(34,377)
TOTAL EQUITY		3,421	3,007

Consolidated Statement of Cash Flows

For the Year Ended 31 March 2019

	Notes	2019	2018
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from/ (applied to):			
Receipts from customers		6,771	5,734
Interest received		6	3
Payments to suppliers and employees		(7,338)	(5,611)
Finance costs		(22)	(8)
Net cash inflow/ (outflow) from operating activities	19	(583)	118
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from /(applied to):			
Capitalised Intangible costs	10	(55)	(121)
Purchase of property, plant and equipment	9	(75)	(355)
Net cash inflow (outflow) from investing activities		(130)	(476)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from/ (applied to):			
Drawdown of borrowings		579	290
Repayment of borrowings		(40)	0
Repayment of share option		33	32
Net cash inflow/ (outflow) from financing activities		572	322
Net increase/(decrease) in cash held		(141)	(36)
Add cash and short term deposits at start of year		1,059	1,065
Foreign exchange differences		6	30
Balance at end of year		924	1,059
COMPRISED OF:			
Cash and short term deposits		924	1,059
		924	1,059

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended 31 March 2019

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 27th May 2019.

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.

The accounting policies set out below have been applied in preparing the consolidated financial statements for the year ended 31 March 2019.

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:

- If the product groupings to which the development expenditure relate are not economically viable in the future the development expenditure asset could be overstated.
- 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's tax losses is dependent on generating future taxable profits. No deferred tax asset has been recognised as at 31 March 2019 but this position will be reviewed in future periods as the Group demonstrates a consistent track record of profitable Group results. The Group's ability to utilise tax losses is explained in Note 3.
- The Directors have considered the validity of the going concern assumption. Refer to "Going Concern" at the end of Note 1 for judgements relating to this assessment.

Significant Accounting Policies

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

These policies have been consistently applied unless otherwise stated.

Basis of Consolidation

The Group financial statements incorporate the financial statements of the Company and all entities controlled by the Company (its subsidiaries) that comprise the Group, being Blis Technologies Limited (the parent entity) and its subsidiary Blis Functional Foods Limited. Control is obtained when the Company has power over the investee, is exposed to or has rights to variable returns from its investment, and has the ability to use its power to affect returns. Consistent accounting policies are employed in the preparation and presentation of the group financial statements.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Foreign Exchange

In the course of normal trading activities, the Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Transactions in currencies other than the New Zealand dollar are recognised at the rate of exchange prevailing on the dates of the transactions. Trade and other receivables, trade and other payables, the Euro denominated bank account and the United States Dollar (USD) denominated bank account balances are translated at the exchange rates prevailing at the end of each reporting period as sourced from the Reserve Bank of New Zealand. Exchange differences are recognised in the income statement in the period in which they occur.

Goods and Services Tax (GST)

All items in the balance sheet are stated exclusive of GST, with the exception of receivables and payables, which include GST. All items in the income statement are stated exclusive of GST.

The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

New NZ IFRS Standards effective in the reporting period

All mandatory new or amended accounting standards were adopted in the current year. These include: NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers and related amendments. None had a material impact on these financial statements.

All other accounting policies adopted are consistent with those of the previous financial year.

Impact of initial application of NZ IFRS 9 Financial Instruments

In the current year, the Group has applied NZ IFRS 9 Financial Instruments and the related consequential amendments to other NZ IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. In accordance with the transition provisions of NZ IFRS 9 the Group has not restated comparatives.

All recognised financial assets that are within the scope of NZ IFRS 9 are required to be measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Cash, short term deposits and trade and other receivables were previously classified as 'loans and receivables' and measured at amortised cost. In accordance with NZ IFRS 9, these are initially recognised at fair value and subsequently measured at amortised cost.

Foreign exchange contracts continue to be recognised as fair value through the profit and loss.

Adoption of NZ IFRS 9 Financial Instruments from 1 April 2018 has not resulted in material adjustments to the amount recognised in the financial statements. There was no change to the measurement basis of financial assets other than the introduction of an expected credit loss model for determining the loss allowance on trade and other receivables.

In relation to the impairment of financial assets, NZ IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under NZ IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

NZ IFRS 9 requires a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit loss (ECL) for trade and other receivables that do not contain a significant financing component. The Group has applied the simplified model.

No adjustment to the loss allowance was recognised on application of NZ IFRS 9.

Financial liabilities continue to be measured at amortised cost using the effective interest rate.

Impact of initial application of NZ IFRS 15 Revenue from contracts with customers

In the current year, the Group has applied NZ IFRS 15 Revenue from Contracts with Customers which is effective for an annual period that begins on or after 1 January 2018. NZ IFRS 15 introduced a 5 step approach to revenue recognition. Far more prescriptive guidance has been added in NZ IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

In accordance with the transition provisions of NZ IFRS 15 adopting the modified retrospective approach the Group has not restated comparatives.

NZ IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in NZ IFRS 15 to describe such balances.

The Group's accounting policies for its revenue streams are disclosed in detail in note 2 below. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of NZ IFRS 15 has had minimal impact on the net financial position and/or net financial performance of the Group. The adoption of NZ IFRS 15 has however impacted the presentation of certain line items. Below is a comparison of the financial statement line items that are presented differently under the current and previous accounting standards:

	2019 NZ IAS 18 $'000	2019 NZ IFRS 15 Adjustments $'000	2019 NZ IFRS 15 $'000
Sale of goods – domestic sales			
Finished Goods	1,230	(43)*	1,187
Ingredients	39	-	39
Sale of goods – export sales			
Finished Goods	1,943	(9)*	1,934
Ingredients	4,953	-	4,953
Right to access	148	(22)**	126
Grant Revenue	115	-	115
Other Revenue	46	-	46
	8,474	(74)	8,400
Cost of goods sold			
Rebates	52	(52)*	-
Trade payable and other	929	(31)*	898
Rebate liabilities	-	31*	31
Contract liabilities	-	22**	22
	929	22	951

*Rebates are now offset against revenue, where these were treated as a cost of goods sold under NZ IAS 18, the consequential liability at year end is separately disclosed from Trade payables.

**NZ IFRS 15 requires a material right to be recognised as a separate performance obligation where the customer has the right to extend the access period at a discounted price. The material right is estimated based on the likelihood of the customer exercising the option. The material right is recognised as a contract liability.

New NZ IFRS Standards and Interpretations Issued but not yet adopted

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

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

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

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

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

NZ IFRS 16 contains guidance on identification, recognition, measurement, presentation, and disclosure of leases by lessees and lessors.

Management has completed an initial high-level impact assessment of NZ IFRS 16 on the Group. The new standard will result in recognition of right-of-use assets and lease liabilities for those leases disclosed in note 16 (b).

The lease payments are currently recognised in operating expenses. In future the expense will be recorded as amortisation on the right to use asset and interest cost on the lease liability. The net impact on surplus / (deficit) before tax is expected to be immaterial.

Going Concern

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

The Group has recorded a net surplus of $381k (2018: deficit $1,042k) for the year ended 31 March 2019.

The Directors believe the going concern assumption is valid, reaching such a conclusion after having regard to the circumstances which they consider reasonably likely to affect the Group during the period of one year from the date these financials statements are approved.

Specifically, the Group held cash reserves of $924k and working capital of $2,315k as at 31 March 2019 which is considered sufficient to meet its working capital requirements for at least 12 months from the date these financial statements are approved. The Group continues to invest in regulatory approvals, new product launches and assess the upgrading of plant to a fully accredited "Good Manufacturing Practice" (GMP) status as part of the Group's growth strategy.

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

The Directors believe that there is no material uncertainty in respect of the Group ability to continue as a going concern for the period assessed above due to the level of its current cash holdings and ability to generate operating cash flows. Nevertheless, in the event it fails to achieve planned profitability the Group may not be able to continue as a going concern.

If the Group were unable to continue as a going concern, and pay debts as, and when, they become due and payable, adjustments to the carrying value of assets would have to be made to reflect the situation. In such circumstances, assets may need to be realised and liabilities extinguished, other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. This situation would likely impact, in particular, on the carrying value of plant and equipment and Intangible assets.

These financial statements do not include any adjustments relating to the classification and recoverability of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

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 Revenue

Grant revenue is recognised when the Group has met all of the requirements established by the grant. Grant revenue 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 Revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(a) Revenue

	2019 $'000	2018 $'000
Revenue consists of the following items:		
Point in time recognition:		
Sale of goods – domestic sales		
Finished Goods	1,187	765
Ingredients	39	-
Sale of goods – export sales		
Finished Goods	1,934	221
Ingredients	4,953	4,256
Grant revenue	115	-
Other revenue	46	43
Over time recognition:		
Right to access	126	-
	8,400	5,285

The transaction price at 31 March 2019 allocated to unsatisfied (or partially unsatisfied) performance obligations related to contracts with a duration beyond one year is set out below:

	2019 $'000	2018 $'000
Right to access (contract liability)	22	-

The Group expects to satisfy the above performance obligations during the year ending 31 March 2020.

For other revenue streams the original expected duration of the contract is less than one year and therefore the Group has elected not to disclose the transaction price allocated to unsatisfied performance obligations.

Notes to and Forming Part of the Consolidated Financial Statements *(continued)*

(b) Expenses

	2019 $'000	2018 $'000
Directors' fees	259	135
Other operating expenses	1,673	1,218
Amortisation of finite life intangible assets (Note 10)	333	395
Operating leases - minimum lease payments (i)	86	109
Depreciation of property, plant and equipment (Note 9)	192	215

(i) Operating lease rentals include rental streams associated with the laboratory utilised by the development team and administration and buildings leased at Glasgow Street and the Birch Street production facility.

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 Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(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:

	2019 $'000	2018 $'000
Net surplus before tax	381	(1,042)
Income tax expense calculated at 28%	107	(292)
Non-deductible items	73	74
Temporary differences excluding tax losses not recognised	(42)	(36)
Tax losses (recognised)/ not recognised	(138)	254
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 $5,183,474 (2018: $5,508,274). The unrecognised deferred tax asset arises in relation to temporary differences of $336,836 (2018: $359,593) and gross tax losses of $17,309,415 (2018: $17,802,431) with a tax effect of $4,846,638 (2018: $4,984,681). 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). The availability of these tax losses to apply against future income is contingent upon maintaining a minimum level of shareholder continuity and is therefore highly uncertain.

4. REMUNERATION OF AUDITORS

	2019 $'000	2018 $'000
Audit of the financial statements	65	60
Additional fees relating to 2017 audit	-	20
	65	80

The auditor of Blis Technologies Limited is Deloitte Limited.

5. KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation of the Chief Executive Officer and other senior management, being the key management personnel of the entity, is set out below:

	2019 $'000	2018 $'000
Short-term employee and contractor benefits	902	1,228
	902	1,228

6. CASH AND SHORT TERM DEPOSITS

Policy

Cash & 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.

	2019 $'000	2018 $'000
Cash	924	1,059
	924	1,059

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.

	2019 $'000	2018 $'000
NZX Bond	75	75
	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.

	2019 $'000	2018 $'000
Trade receivables	2,303	678
Allowance for expected credit losses (note 20g)	(8)	-
Goods and services tax (GST) receivable	77	16
	2,372	694

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 and other receivables approximates its fair value.

8. INVENTORIES

Policy

Inventories are stated at the lower of cost and net realisable value. Cost is determined using average cost. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Inventories

	2019 $'000	2018 $'000
Raw Materials	277	283
Finished Goods	94	60
	371	343

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

Property, Plant and Equipment

	Cost 1 April 2018	Additions/ Transfers	Disposals	Cost 31 March 2019	Accumulated depreciation 1 April 2018	Depreciation expense	Accumulated depreciation reversed on disposal	Transfer	Accumulated depreciation 31 March 2019	Book Value 31 March 2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$000	$'000	$'000
Leasehold Improvements	343	24	-	367	(304)	(10)	-	-	(314)	53
Furniture and Fittings	92	6	-	98	(73)	(23)	-	-	(96)	2
Plant and Equipment	1,622	45	-	1,667	(894)	(159)	-	-	(1,053)	614
Total Property, Plant and Equipment	2,057	75	-	2,132	(1,271)	(192)	-	-	(1,463)	669

	Cost 1 April 2017	Additions/ Transfers	Disposals	Cost 31 March 2018	Accumulated depreciation 1 April 2017	Depreciation expense	Accumulated depreciation reversed on disposal	Transfer	Accumulated depreciation 31 March 2018	Book Value 31 March 2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$000	$'000	$'000
Leasehold Improvements	342	1	-	343	(244)	(60)	-	-	(304)	38
Furniture and Fittings	90	2	-	92	(70)	(3)	-	-	(73)	19
Plant and Equipment	1,270	352	-	1,622	(742)	(152)	-	-	(894)	728
Total Property, Plant and Equipment	1,702	355	-	2,057	(1,056)	(215)	-	-	(1,271)	785

10. FINITE LIFE INTANGIBLE ASSETS

Policy

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisations are charged on a straight-line basis over their estimated useful lives. The estimated useful lives, residual values and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intellectual Property

The cost of intellectual property is written off until such time as it becomes clear that future economic benefits attributable to that expenditure will flow to the Group and there is sufficient evidence to support the probability of the expenditure generating sufficient future economic benefits.

Intellectual property including patents, trademarks and licenses are considered finite life intangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful life of the intangible asset being 8 to 20 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Website

Following the initial 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.

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

	Trademarks $'000	Patents $'000	Capitalised Development $'000	IT, Website Development and Software $'000	Total $'000
Gross Carrying Amount					
Balance at 1 April 2018	-	1,064	3,115	182	4,361
Additions	47	8	-	-	55
Balance at 31 March 2019	47	1,072	3,115	182	4,416
Accumulated amortisation and impairment					
Balance at 1 April 2018	-	553	2,849	115	3,519
Amortisation expense	3	136	149	45	333
Balance at 31 March 2019	3	689	2,998	160	3,850
Net Book Value at 31 March 2019	**44**	**383**	**117**	**22**	**566**
Gross Carrying Amount					
Balance at 1 April 2017	-	966	3,115	159	4,240
Additions	-	98	-	23	121
Balance at 31 March 2018	-	1,064	3,115	182	4,361
Accumulated amortisation and impairment					
Balance at 1 April 2017	-	444	2,607	70	3,123
Amortisation expense	-	109	242	45	395
Balance at 31 March 2018	-	553	2,849	115	3,519
Net Book Value at 31 March 2018	**-**	**511**	**266**	**67**	**843**

No impairment losses have been recorded in the current year (2018: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.

For the purposes of preparing these accounts, the Board reviewed the intangible assets and have determined that there is no impairment of any intangible assets.

The calculation of the recoverable amounts has been determined based on a value in use calculation that uses cash flow projections based on the financial forecasts prepared by management covering a five year period.

The recoverable amount calculations are most sensitive to assumptions regarding growth rate, contribution margins and the required rate of return. Annual sales growth rate of between 0% - 6% (2018: 0% - 31%), and contribution margins pre-personnel costs of 73% (2018: 77%) and a pre-tax discount rate of 17.4% (2018: 12.5% post tax) have been applied in these projections. Cash flows beyond the five year period have been extrapolated using a steady 2.5% (2018: 2.5%) growth rate. 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. TRADE AND OTHER PAYABLES

Policy

Trade Payables

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

Employee Benefits

Provision is made for benefits accruing to employees in respects of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Refund Liabilities

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

	2019 $'000	2018 $'000
Trade payables	674	429
Employee entitlements	224	152
Refund liabilities	31	-
	929	581

12. 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.

	2019 $'000	2018 $'000
Asset Finance	171	161
Insurance Premium Funding	85	81
Trade Credit Loan	573	-
Total Borrowings	829	290
Current Borrowings	700	121
Non-Current Borrowings	129	169
Total Borrowings	829	290

Facilities

Current borrowings include a trade credit loan facility with the Bank of New Zealand that has a base limit of $550,000. A temporary limit increase of the facility to $900,000 was in place at balance date to assist with the Australian finished goods launch and the limit reduces to the base approved limit on 30 April 2019 to align with the receipt of the trade receivable. The effective interest rate of the trade credit loans is between 6.4% - 7.48% (2018: nil).

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 6.04% (2018: 5.96%). 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.

13. INVESTMENT IN SUBSIDIARY

Subsidiary	Percentage Held 2019	Percentage Held 2018	Balance Date	Principal Activity
Blis Functional Foods Limited	100%	100%	31 March	Non-trading

14. SHARE CAPITAL

	2019 No. of Shares	2019 $'000	2018 No. of Shares	2018 $'000
Balance at the beginning of the year (fully paid)	1,107,653,565	37,338	1,107,653,565	37,298
Shares issued pursuant to CEO Share plan	-	42	-	40
Balance at the end of the year	1,107,653,565	37,380	1,107,653,565	37,338

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

On 2 June 2016, 5,500,000 shares were issued to Mr Brian Watson, Chief Executive of the Company. The shares were issued at a price of $0.0299 per share. Details of this transaction is shown in note 15.

Policy

Equity Instruments

Equity instruments issued by the Group are recorded at the proceeds received other than in respect to the CEO share plan refer Note 15.

	2019 Cents per Share	2018 Cents per Share
Basic earnings (deficit) per share	0.03	(0.09)

The earnings and weighted average number of ordinary outstanding shares used in the calculation of basic earnings per share are as follows:

	$'000	$'000
Net earnings (deficit)	381	(1,042)
	No.	No.
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,107,653,565	1,107,653,565

	2019 Cents per Share	2018 Cents per Share
Diluted earnings (deficit) per share	0.03	(0.09)

The earnings and weighted average number of outstanding ordinary shares used in the calculation of diluted earnings per share are as follows:

	$'000	$'000
Net earnings (deficit)	381	(1,042)
	No.	No.
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,107,653,565	1,107,653,565

	2019 Cents per Share	2018 Cents per Share
Net tangible assets/(liabilities) per share at year end	0.26	0.20

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

	$'000	$'000
Net tangible assets	2,855	2,164
	No.	No.
Number of ordinary shares held at 31 March 2019	1,107,653,565	1,107,653,565

Net tangible assets

As at 31 March 2019 the net tangible asset per share was 0.26 cents (2018: 0.20 cents).

	2019 $'000	2018 $'000
Total assets	5,202	3,888
Less intangible assets	(566)	(843)
Less total liabilities	(1,780)	(881)
Net tangible assets	**2,856**	**2,164**
Number of shares outstanding ('000)	1,107,654	1,107,654
Net tangible assets per share (cents)	**0.26**	**0.20**

15. RELATED PARTY TRANSACTIONS

In the prior financial year consulting services were provided by Mr P F Fennessy through AbacusBio Ltd with payments for these services amounted to $5,500 and $Nil owing at 31 March. In the current year no services were provided by AbacusBio Ltd.

Also in the prior year Mr T J Mepham, the Chief Financial Officer of the Group until October 2017, provided professional consulting services to the Group through Rautaki Advisory. Payments for these services amounted to $28,624. In the current year no services were provided by Rautaki Advisory.

During the year, BLIS products were sold to the following related parties (excluding web sales):

Associated Entity	**Director**	**2019**	**2018**
P F Fennessy	P F Fennessy	$293	$1,089
Edinburgh Securities Ltd	A P Offen	$0	$104
A J McKenzie	A J McKenzie	$0	$141

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

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 Brian Watson, the Chief Executive Officer (CEO) 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 1st December 2017 and 1st December 2018 payments were made.

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. For accounting treatment only, the Directors have accepted that the appropriate approach consistent with the relevant accounting standard is to treat the entire arrangement as a share option.

Accordingly, the Company took independent professional advice and received an opinion as to the quantum of the expense to bring to bear. The Company was advised that 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 required under NZ IFRS 2.

As a result of the charge to the Income Statement, a CEO Share Option Reserve was created in the Consolidated Balance Sheet. Accordingly there is no effect on total equity, in treating the option value as an expense. Upon receipt of each of the scheduled loan repayments the notional option value associated with each tranche will be transferred from the CEO Share Plan Reserve to Share Capital and the amount of each loan repayment will be 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 second tranche of shares in November 2018 (1st 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

	Options 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	1.5 years	2.5 years	3.5 years	4.5 years	5.5 years
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

16. COMMITMENTS FOR EXPENDITURE

(a) Capital Expenditure Commitments

As at 31 March 2019 there is no capital expenditure commitments (2018: $39k).

(b) Lease Commitments

Non-cancellable operating lease commitments are as follows:

	2019 $'000	2018 $'000
Less than 1 year	90	89
1 - 5 years	229	273
Longer than 5 years	157	183

17. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no material contingent assets or contingent liabilities at 31 March 2019 (2018: $Nil).

18. SEGMENTAL REPORTING

18.1 Operating Segments

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

18.2 Revenue from major products and services

	2019 $'000	2018 $'000
The Group's revenues from its major products and services were as follows:		
BLIS products	8,285	5,242
Non-core business	121	46
Total Revenue	8,406	5,288

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

18.3 Information about geographical areas

The Group operates in 3 principal geographical areas; Asia Pacific, Europe Middle East and Africa and North America.

The Group's revenue from external customers and information about its assets by geographical location (of the customer) are detailed below:

Trading Revenue

	2019 $'000	2018 $'000	2019 $'000	2018 $'000
	Revenue from External Customers		Non-current Assets	
New Zealand	1,226	765	1,235	1,628
Asia Pacific (excl NZ)	2,866	851	-	-
Europe, Middle East & Africa	2,971	2,828	-	-
North America	1,222	841	-	-
Total Trading Revenue	8,285	5,285	1,235	1,628
Interest received	6	3	-	-
Grant revenue	115	-	-	-
Total Revenue	8,406	5,288	1,235	1,628

Included in revenue are revenues of $2,945k, $1,652k and $991k (2018: $2,797k, $834k and $589k) which arose from sales to the Group's three largest customers.

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

19. RECONCILIATION OF NET DEFICIT WITH CASH FLOWS 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.

	2019 $'000	2018 $'000
Net Surplus /(Deficit) for the year	381	(1,042)
Adjustments for non-cash items:		
Amortisation of capitalised product development costs	149	242
Amortisation of patents	136	109
Amortisation of trademarks	3	-
Amortisation of website development	45	45
Depreciation	192	215
Foreign exchange loss/(gain)	(5)	(30)
Loss /(Gain) on fair value of Foreign Exchange Contracts	(4)	-
	897	(461)
Movements in working capital		
Trade and other receivables	(1,682)	456
Prepayments	(132)	8
Inventories	(28)	6
Trade payable and contract liability	362	109
	(1,480)	579
Net cash inflow/ (outflow) from operating activities	(583)	118

20. 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 option equity reserve 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 2018.

(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:

	2019 $'000	2018 $'000
Euro	2	61
Australian Dollar	0	27
United States Dollar	2	357

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)	
	2019	2018	2019	2018	2019	2018	2019	2018
			$'000	$'000	$'000	$'000	$'000	$'000
Euro								
Less than 1 year	0.5848	0.5850	3	510	3	512	0	(2)
USD								
Less than 1 year	0.6764	0.7203	537	1,381	541	1,389	4	(8)
			540	1,891	544	1,901	4	(10)

The aforementioned tables express foreign currency amounts in New Zealand dollar equivalents using the exchange rates at 31 March 2019 and 31 March 2018. The rates applied at 31 March 2019 were:

None	AU$ (2018: AU$0.9409)
NZ$1:0.6073	EU$ (2018: EU$0.5850)
NZ$1:0.6817	US$ (2018: US$0.7203)

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.

(f) Other Price Risk

The Group is not exposed to substantial other price risk arising from financial instruments.

Notes to and Forming Part of the Consolidated Financial Statements *(continued)*

(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 incurs credit risk from trade receivables and transactions with financial institutions. 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 and counterparty risk with the bank in relation to the outstanding forward exchange contracts. 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.

The maximum exposures to credit risk at balance date are:

	2019 $'000	2018 $'000
Cash and short term deposits	924	1,059
NZX Bond	75	75
Trade receivable	2,295	678
GST Receivable	77	16
	3,371	1,828

Ageing Receivables Breakdown

2019	Gross amounts receivable	Allowance for Expected Credit Losses	Net Balance
Ageing analysis of trade receivables	$'000	$'000	$'000
Current	2,007	-	2,007
0 - 30 days (past due)	141	-	141
31 - 60 days (past due)	73	-	73
Greater than 60 days (past due)	82	(8)	74
Total past due	296	(8)	288
Total of trade receivables	2,303	(8)	2,295

2018	Gross amounts receivable	Allowance for Expected Credit Losses	Net Balance
Ageing analysis of trade receivables	$'000	$'000	$'000
Current	636	-	636
0 - 30 days (past due)	28	-	28
31 - 60 days (past due)	0	-	0
Greater than 60 days (past due)	14	-	14
Total past due	42	-	42
Total of trade receivables	678	-	678

At 31 March 2019, trade receivables includes an amount of $1,047k (2018: $238k) due from one customer and $276k from another customer (2018: $151k from another customer). 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. The Group does not require any collateral or security to support financial instruments.

(h) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group also has approved trade funding facilities with a base limit of up to $550k (temporary limit increased to 30 April 2019 to assist with Australian finished goods launch of $900k) which are linked to customer specific limits. As at 31 March 2019 the facility was drawn down $573k, this is included in Current Borrowings.

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

Liquidity and Interest Risk Tables

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

2019	Weighted Average Effective Interest Rate %	Less than 1 year $'000	1–2 years $'000	2–3 years $'000	3–4 years $'000	4–5 years $'000	5+ years $'000	Interest $'000	Total $'000
Financial assets at amortised cost:									
Cash and short term deposits	0.48	924	-	-	-	-	-	-	924
NZX Bond	2.15	75	-	-	-	-	-	-	75
Trade receivable	-	2,295	-	-	-	-	-	-	2,295
GST receivable	-	77	-	-	-	-	-	-	77
Total		3,371	-	-	-	-	-	-	3,371
Financial liabilities at amortised cost:									
Trade payable	-	929	-	-	-	-	-	-	929
Contract Liability	-	22	-	-	-	-	-	-	22
Borrowings	6.91	700	44	47	38	-	-	22	851
Total		1,651	44	47	38	-	-	22	1,802

2018	Weighted Average Effective Interest Rate %	Less than 1 year $'000	1–2 years $'000	2–3 years $'000	3–4 years $'000	4–5 years $'000	5+ years $'000	Interest $'000	Total $'000
Financial assets at amortised cost:									
Cash and short term deposits	0.26	1,059	-	-	-	-	-	-	1,059
NZX Bond	0.5	75	-	-	-	-	-	-	75
Trade receivable	-	678	-	-	-	-	-	-	678
GST receivable	-	16	-	-	-	-	-	-	16
Total		1,828	-	-	-	-	-	-	1,828
Financial liabilities at amortised cost:									
Trade payable	-	581	-	-	-	-	-	-	581
Borrowings	7.11	121	42	44	47	37	-	41	322
Total		702	42	44	47	37	-	41	913

(i) Sensitivity Analysis

The Group is exposed to foreign currency risk arising from sales denominated in currencies other than the Group's functional currency, arising from normal trading activities.

The majority of foreign currency related exposures relate to trade receivables. The Group is mainly exposed to the Australian Dollar, the Euro and the United States Dollar.

Exposures to movements in these foreign currency rates are not considered material at balance date. The year-end exposure (and sensitivity to foreign currency rate movements at this time) does not reflect the risk and exposure during the course of the year. The Group's sensitivity to foreign currency rate movements increased during the year due to an increased proportion of export sales.

Exposure to movement in floating interest rates in respect of cash on deposit and borrowings is not considered material at balance date.

(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.

21. EVENTS AFTER BALANCE DATE

There were no significant events after balance date (2018: none).

Additional Stock Exchange Information

For the Year Ended 31 March 2019

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

As at 31 March 2019 the total number of issued ordinary shares in the Company was 1,107,653,565.

1. Substantial Product Holders

The following substantial product holder information is given pursuant to section 293 of the Financial Markets Conduct Act 2013. These substantial product holders are shareholders that have a relevant interest in 5% or more of the ordinary shares in the Company. As at 31 March 2019 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 Holdee	Shareholding As at 31 March 2019	% of Issued Share Capital
Combes Investment Management Limited	167,602,926	15.131%
Sir Eion Sinclair Edgar	79,570,895	7.220%
Wen Yi (UOB Kay Hian Limited)	75,670,169	6.830%
Roger Norman Macassey & Murray Graham Valentine as Trustees of E S Edgar Trust	65,103,460	5.907%

2. Spread of Security Holders at 31 March 2019 - Ordinary Shares

	Number of security holders	Percentage of security holders	Percentage of shares held
1 - 50,000	669	38.56%	1.66%
50,001 - 100,000	339	19.54%	2.40%
100,001 - 150,000	136	7.84%	1.59%
150,001 - 200,000	108	6.22%	1.82%
200,001 - 300,000	107	6.17%	2.53%
300,001-500,000	133	7.67%	4.91%
500,001 - 1,000,000	112	6.46%	7.39%
1,000,001 - 5,000,000	105	6.05%	20.17%
5,000,001 and above	26	1.50%	57.52%
	1,735	**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 2019 are listed below.

Top 20 Shareholders	Number of Issued Ordinary Shares	Percentage Issued
Leveraged Equities Finance Limited	172,155,529	15.54%
Wen Yi (UOB Kay Hian Limited)	75,670,169	6.83%
Xu Qi Wu & Yao Hong Shen	46,370,689	4.19%
Mingchun Qiu	39,000,000	3.52%
Edinburgh Equity Limited	31,157,388	2.81%
Hui Ai Adriana Tong & Morlan Tong	28,966,032	2.62%
Michael Herbert Bird	28,000,000	2.53%
Stephen Patrick Ward, Julie Patricia Ward & James Michael Ward	25,174,672	2.27%
New Zealand Central Securities Depository Limited	24,167,652	2.18%
Mark Alexander Stevens & Wendy Joanne Stevens	24,094,577	2.18%
Asia Pacific Partners Limited	21,850,878	1.97%
Custodial Services Limited	22,338,553	2.02%
Custodial Services Limited	17,155,689	1.55%
Richard Mark Keenan	10,590,000	0.96%
Lisa Cherie Van Kampen	7,500,000	0.68%
Graeme Alan Hoy	6,698,181	0.60%
Colin John Wilson & Glenys Ann Wilson	6,400,000	0.58%
Caroline Rose Allum	6,042,204	0.55%
Vivienne Louise Cowan	6,000,263	0.54%
Peter Francis Fennessy & Mary Elizabeth Fennessy	5,798,182	0.52%
TOTAL	**605,130,658**	**54.60%**

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 2018 to 31 March 2019.

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 2019, 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 36 to 59, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, 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 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Audit materiality

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

We determined materiality for the Group financial statements as a whole to be $90,000 (2018:$80,000).

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 and patents in respect of ingredients for the Group's products. These are included in the balance sheet as intangible assets. The total carrying value of intangible assets at 31 March 2019 is $0.566m as shown in the Consolidated Balance Sheet and note 10, of which $0.5m relates to capitalised development costs and patents. The carrying value of intangible assets is particularly judgemental given its dependency on forecasts of revenue growth, contribution margins and required rate of return. We included impairment of intangible assets as a key audit matter because if the Group is unable to generate revenue growth and produce sustainable operating cashflows, this affects the carrying value of its key intangible assets.	Our procedures focused on evaluating the appropriateness of the 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 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: ○ Comparing historical budget forecasts against actual results. ○ Comparing forecast growth to business plans approved by the Board. ○ Engaging an internal valuation expert to benchmark the discount rate against companies of a similar nature. • Performing sensitivity analysis on revenue growth assumptions to assess the impact on forecasted cashflows.
Going Concern The financial statements have been prepared on a going concern basis as discussed in note 1. Historically, the Group has been loss making, and has raised capital and taken out borrowings to fund costs during an extended growth phase. Accumulated losses shown in the Consolidated Balance Sheet totalled $34m as at 31 March 2019. We included the going concern assumption as a key audit matter as it relies on existing cash reserves and revenue growth generating sufficient cashflows to cover necessary expenditure.	In assessing the appropriateness of the going concern assumption used in preparing the financial statements, our procedures included, amongst others: • Assessing the cash flow requirements of the Group over 14 months from 31 March 2019 based on budgets and forecasts. • Understanding what forecast expenditure is committed and what could be considered discretionary. • Considering the liquidity of existing assets on the balance sheet. • Considering the terms of the bank loan and trade finance facilities and the amount available for drawdown. • Considering potential downside scenarios and the resultant impact on available funds.

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
27 May 2019

Company Directory

Company Number	1042367
Issued Capital	1,107,653,565 Ordinary Shares
Registered Office	Blis Technologies Limited 81 Glasgow Street, South Dunedin Dunedin 9012
Shareholders	Listed on the NZX Main Board
Share Registrar	Link Market Services Limited Deloitte Centre, 80 Queen Street Auckland
Directors	A P Offen G S Boyd V M Aris G Plunket B Richardson A Stewart
Chief Executive	B D Watson
Auditors	Deloitte Limited P O Box 1245 Dunedin
Bankers	Bank of New Zealand Dunedin
Solicitors	Anderson Lloyd Private Bag 1959 Dunedin 9054 Downie Stewart Lawyers P O Box 1345 Dunedin 9054 Goldsmith Law PO Box 40 Dunedin 9054
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Facebook	https://www.facebook.com/BLISTechnologiesLtd/

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