



# Half Year Report

For the six months to 30 September 2017

**OVERVIEW**

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

The Company reports a Net Deficit of \$1,246k on revenue of \$2,072k for the six months to 30 September 2017 (**HY18**). This represents a reduction of \$1,674k from the \$428k surplus recorded for the corresponding prior period, being the six months to 30 September 2016 (**HY17**). This is below expectations.

Trading revenue for HY18 has reduced by 46% (down \$1,767k) compared to the same period last year (HY18 \$2,069k and HY17 \$3,836k). In HY17, the Company experienced sales that related to a significant stock build by our distributors in North America and Japan of BLIS M18® to support new product launches. Along with this, the Company has invested in increasing its own stock levels of raw ingredient and worked to reduce lead times of supply. This has resulted in a change in buying patterns by some of the Company's customers including a run-down in their inventories. Sales by the Company are subject to major fluctuations due to distributors' purchasing patterns. Therefore, it is purchases by users/formulators that are important; in this respect, we can report that year-on-year sales have continued to increase in our major markets in Europe and the US.

Our European business has continued to grow during HY18, albeit at a lower rate than expected due to the extended period it took for Maspex Group to complete the acquisition of two brands, ENTitis™ and ENTitis baby™ (both of which contain BLIS K12®) from Sequoia Pharma. This impacted on sales momentum and new product launch plans for the last quarter of FY17 and for HY18. Maspex is Poland's largest food company and we believe that their resources and expertise will be positive for our ongoing success in Poland. Together with our European distributor, Bluestone Pharma, we are working closely with Maspex Group who are fully behind re-establishing the sales momentum and implementing new product launches.

Key Challenges for HY18 include:

- Several customers choosing to run down stock levels through northern hemisphere summer months;
- Long lead times with new customer initiatives;
- Delays in new regulatory approvals; and
- Limited resources for targeting accelerated growth opportunities.

Key Highlights for HY18 include:

- Finalising a clear range portfolio of Blis-branded BLIS K12® and BLIS M18® finished products differentiated for specific health targets within the NZ market, and in preparation for similar launches into overseas markets;
- Blis-branded BLIS K12® Throat Lozenges are now ranked as the 2<sup>nd</sup> largest brand in NZ Pharmacy Throat Lozenge category and the fastest growing of the top 5 brands at 18% (calendar year to date compared with previous year);
- Maspex Group, a leading food and supplements company taking over the Poland product range containing BLIS K12®;
- BLIS ElitePro™ approved for the High-Performance Sport Nutrition NZ supplements programme; and
- European/ Middle East expansion with Bluestone Pharma, signing 7 new partner agreements for new launch activity and the initiation of their respective regulatory processes.

**FINANCIAL**

The Company reports a consolidated net deficit for HY18 of \$1,246k (HY17: \$428k net surplus) before tax. This includes interest income of \$3k received during HY18 (\$3k for HY17).

Australasian sales of \$484k in HY18 are \$193k lower than HY17. During the first half of the year, we have transitioned to the new portfolio of retail products in NZ which required a sell-through of old stock within the channel. We have also launched a new website for online sales and have revised selling policies which has resulted in a temporary decline in web sales. In spite of these impacts, we have seen 18% growth in sales ex pharmacy to consumers. Sales in Australia are down on HY17, but have been prone to ordering fluctuations. This is a small proportion of our overall Australasian sales as we await complementary medicine approval by the Australian Therapeutic Goods Administration.

Sales in Europe of \$1,019k provided a small 3% (\$33k) increase compared to HY17 (\$986k) despite the lost sales momentum experienced during the transition in ownership of the leading BLIS K12<sup>®</sup> based ENTitis products to Maspex Group.

Sales in Asia of \$220k show a reduction of \$716k compared to HY17 (\$936k). The main contributor to this decline has been a run-down of stock following a pipeline build for a new product launch in Japan during HY17. Slower sales than anticipated from the product launch have meant delays in further orders for that product until the initial stock build is sold down. There has been a small initial 'test' order of BLIS K12<sup>®</sup> powder stick pack product into China for a new customer launch. We continue to work with NZPR Group, our distributor for China, and Sinopharm the largest pharmaceutical company in China, to finalise regulatory and channel pathways for successful product launches.

North American ingredients sales is where the greatest impact is seen with a \$863k decrease in sales during HY18 compared with sales in HY17 (\$1,173k) due to a change in buying patterns and the run-down of stock levels over the northern hemisphere summer. It is important to note that the underlying sales from our distributor to their customer base remains strong with Blis K12 sales above HY17. Blis M18 sales are down by 10% compared with HY17, as sales were impacted by stock-build associated with new products. Looking forward, we have seen recent confirmation of new product launch plans which are indicative of a recovery in the second half of the FY18.

Total expenses of \$3,318k in HY18 are \$93k lower than in HY17 (\$3,411k). Overall this reflects lower operating costs due to reduced sales and cost controls in place. During HY18, a key initiative has been to increase investment in business development activity particularly marketing, regulatory, and business development to support longer-term growth opportunities. We are making good progress in opening new markets and driving greater consistency in the value proposition that is commercialised within markets along with ensuring recognition of the BLIS brand across our markets. This will provide the Company with longer term value and a higher share of profit margins as we get closer to our ultimate customer. No tax was payable and no dividend will be paid.

Net consolidated cash outflow from operating activities in HY18 was \$545k (HY17: \$690k cash inflow).

Investment in HY18 totalled \$80k (HY17: \$152k) reflecting further investment in finished goods manufacturing and capitalisation of patent costs.

As at 30 September 2017, the Company held a net working capital position of \$1,220k (HY17 \$2,510k) which the directors believe is sufficient to support its current business.

## **BUSINESS DEVELOPMENT STRATEGY PROGRESS**

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

We are world leaders in the commercial applications of these commensal probiotic bacteriocin-producing microbes used to enhance Oral Health.

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

### ***Positioning:***

We are moving our focus towards being a supplier of BLIS<sup>™</sup>-branded finished goods (including prominent co-branding) to help ensure that the Company is recognised as the source. This is based on our increased understanding of the customer value proposition and supported by credible clinical data. At the same time, branded ingredient sales will be actively managed recognising this important revenue stream. Progress during HY18 included:

- Completing revisions to the NZ portfolio and preparation for this range to be launched into other international markets. The portfolio now includes:
  - ThroatGuard Pro<sup>™</sup> – extra-strength BLIS K12<sup>®</sup> protection for the mouth and throat.
  - DailyDefence<sup>™</sup> – BLIS K12<sup>®</sup> lozenges for adults and powder for young children helping to support the natural immune system in the mouth and throat.
  - HoneyBlis<sup>®</sup> – Lozenges with BLIS K12<sup>®</sup> and NZ honey (Kamahi and Manuka honey) to soothe and protect the throat.

- Fresh Breath Kit® – BLIS K12® Lozenges plus a specially-formulated mouth wash and tongue scraper to treat halitosis and maintain fresh breath.
  - TravelProtect™ – BLIS K12® based regimen for immunity protection when travelling.
  - ElitePro™ - Developed in collaboration with High Performance Sport NZ; this is a BLIS K12® regimen to provide immunity support for the travelling athlete; it is World Anti-Doping Agency (WADA) approved.
  - ToothGuard™ and ToothGuard Junior™ - high dose BLIS M18® for healthy teeth and gums.
- Lodging an Australian Therapeutic Goods Administration (TGA) complementary medicine application in preparation for product portfolio launch in Australia.
  - Repositioning of the website to increase international e-commerce sales and social media educational activity.
  - Testing market activity for a finished product powder for China.
  - New distribution relationships for the dental channel and the broader health professionals channel in NZ as models that can be replicated in other markets internationally.

### ***Supply Chain:***

Developing internal expertise and processes as a means of managing the supply chain is a critical aspect in controlling key facets of the business. Quality control is a focus to ensure delivery of a safe and efficacious product. We see the Company as the core source of knowledge about our BLIS™ products. In line with this priority, during HY18, we have:

- Developed plans for our manufacturing site to work towards GMP accreditation.
- Initiated technology transfer activity with overseas fermentation specialists to meet international capacity needs in the long term.
- Ordered a new tablet press to meet capacity and quality requirements and align with GMP requirements.

### ***Product Pipeline:***

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

- Continuing NPD to further enhance our portfolio – output has included Travel Protect, Tooth Guard and Tooth Guard Junior, Daily Defence and Daily Defence Junior
- Undertaking intensive development activity related to the patented BLIS Q24™, the skin probiotic strain in our pipeline.
- Characterising Latent IP – this represents key BLIS Intellectual Property (IP) which we have identified as having potential value outside of our core business focus, or IP that we have not commercialised because of a lack of the required resources.

### **REGULATORY**

We have initiated a study in South Korea to meet long-term regulatory needs, including support of claims.

A Therapeutic Goods Administration (TGA) application was lodged in Australia for use of BLIS K12® in finished goods as a listed complimentary medicine. This will allow us to fully access the second-fastest growing probiotic supplement market globally and the 6<sup>th</sup> largest by current value. Advice to date indicates we are making good progress towards obtaining TGA approval.

### **CLINICAL TRIALS**

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

One clinical trial has been published by independent researchers during the period:

- Trials in patients with chronic periodontitis (gum disease) have shown that treatment with BLIS probiotic resulted in significant improvement in clinical and microbial endpoints compared with an untreated group<sup>1</sup>.

## OUTLOOK

While performance in HY18 is below expectations, the Board anticipates an improvement in the second half of the financial year ending 31 March 2018. Contributors to this improvement include a move into the peak sales period for BLIS K12<sup>®</sup> based products over the northern hemisphere winter, new market and new customer launches in several markets and a return to normal ordering patterns following a correction in stock holding within the supply chain. Along with this, the investment in revising the BLIS<sup>®</sup> finished product portfolio and upgrading our marketing collateral, including our on-line presence has put us in a stronger position to progress plans for finished product launches into key new markets.



Tony Offen  
Chairman



Brian Watson  
Chief Executive

20<sup>th</sup> day of November 2017

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<sup>1</sup> Mani A *et al* Experiment Dent Sci 2017;6(1):6-13 Efficacy of Oral Probiotics as an adjunct to scaling and root planning in nonsurgical treatment of generalized chronic periodontal patients. A clinico-microbiological study.

BLIS TECHNOLOGIES LIMITED

**CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT**

For the 6 Months Ended 30 September 2017

|  | Notes | 6 mths<br>30 Sep 17<br>(Unaudited)<br>\$'000s | 6 mths<br>30 Sep 16<br>(Unaudited)<br>\$'000s | 12 mths<br>31 Mar 17<br>(Audited)<br>\$'000s |
|--|-------|---|---|--|
| <b>REVENUES</b>                                    |       |   |   |  |
| Trading revenue                                    | 6.3   | 2,069   | 3,836   | 6,543  |
| Interest received                                  |       | 3   | 3   | 4  |
|  |       | <u>2,072</u>                                  | <u>3,839</u>                                  | <u>6,547</u>                                 |
| <b>LESS</b>  |       |   |   |  |
| Distribution expenses                              |       | 42  | 23  | 64   |
| Marketing expenses                                 |       | 330   | 31  | 94   |
| Occupancy expenses                                 |       | 98  | 85  | 161  |
| Operating expenses                                 |       | 2,553   | 3,065   | 5,848  |
| Finance expenses                                   |       | 1   | -   | -  |
| Other expenses                                     |       | 294   | 207   | 404  |
|  |       | <u>3,318</u>                                  | <u>3,411</u>                                  | <u>6,571</u>                                 |
| <b>SURPLUS / (DEFICIT) BEFORE TAX</b>              |       | (1,246)                                       | 428   | (24)   |
| Income tax expense                                 |       | -   | -   | -  |
|  |       | <u>(1,246)</u>                                | <u>428</u>                                    | <u>(24)</u>                                  |
| <b>SURPLUS / (DEFICIT) FOR THE PERIOD</b>          |       | <u>(1,246)</u>                                | <u>428</u>                                    | <u>(24)</u>                                  |
| Surplus/(deficit) for the period is attributed to: |       |   |   |  |
| Equity holders of the parent                       |       | (1,246)                                       | 428   | (24)   |
|  |       | <u>(1,246)</u>                                | <u>428</u>                                    | <u>(24)</u>                                  |
| <b>Earnings per Share:</b>                         |       |   |   |  |
| Basic (cents per ordinary share)                   |       | (0.11)  | 0.04  | (0.00)                                       |
| Diluted (cents per ordinary share)                 |       | (0.11)  | 0.04  | (0.00)                                       |

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

For the 6 Months Ended 30 September 2017

|  | <b>6 mths</b>      | <b>6 mths</b>      | <b>12 mths</b>   |
|--|--------------------|--------------------|------------------|
| <b>Notes</b>   | <b>30 Sep 17</b>   | <b>30 Sep 16</b>   | <b>31 Mar 17</b> |
|  | <b>(Unaudited)</b> | <b>(Unaudited)</b> | <b>(Audited)</b> |
|  | <b>\$'000s</b>     | <b>\$'000s</b>     | <b>\$'000s</b>   |
| Surplus/(deficit) for the period                           | (1,246)            | 428                | (24)             |
| Other comprehensive income                                 | -                  | -                  | -                |
| <b>Total Comprehensive Income/(Deficit) for the Period</b> | <b>(1,246)</b>     | <b>428</b>         | <b>(24)</b>      |

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

|   |              |              |              |
|---|--------------|--------------|--------------|
| <b>EQUITY AT BEGINNING OF THE PERIOD</b>            | 4,017        | 3,987        | 3,987        |
| Total comprehensive income (deficit) for the period | (1,246)      | 428          | (24)         |
| Issue of share capital                              | -            | 164          | -            |
| Share option equity reserve                         | -            | -            | 54           |
| <b>EQUITY AT END OF PERIOD</b>                      | <b>2,771</b> | <b>4,579</b> | <b>4,017</b> |

BLIS TECHNOLOGIES LIMITED

**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET**

As at 30 September 2017

|                                 | Notes | 30 Sep 17<br>(Unaudited)<br>\$'000s | 30 Sep 16<br>(Unaudited)<br>\$'000s | 31 Mar 17<br>(Audited)<br>\$'000s |
|---------------------------------|-------|-------------------------------------|-------------------------------------|-----------------------------------|
| <b>CURRENT ASSETS</b>           |       |                                     |                                     |                                   |
| Cash and short term deposits    |       | 526                                 | 1,750                               | 1,140                             |
| Accounts receivable             |       | 808                                 | 791                                 | 1,150                             |
| Prepayments                     |       | 46                                  | 43                                  | 97                                |
| Inventory                       |       | 281                                 | 370                                 | 349                               |
|                                 |       | <u>1,661</u>                        | <u>2,954</u>                        | <u>2,736</u>                      |
| <b>LESS CURRENT LIABILITIES</b> |       |                                     |                                     |                                   |
| Accounts payable                |       | 435                                 | 438                                 | 476                               |
| Income in advance               |       | 1                                   | 6                                   | -                                 |
| Foreign exchange contracts      |       | 5                                   | -                                   | 7                                 |
|                                 |       | <u>441</u>                          | <u>444</u>                          | <u>483</u>                        |
| <b>WORKING CAPITAL</b>          |       | <b>1,220</b>                        | <b>2,510</b>                        | <b>2,253</b>                      |
| <b>NON CURRENT ASSETS</b>       |       |                                     |                                     |                                   |
| Property, plant and equipment   |       | 570                                 | 728                                 | 646                               |
| Finite life intangible assets   |       | 981                                 | 1,177                               | 1,118                             |
| Related party advance           | 3     | -                                   | 164                                 | -                                 |
|                                 |       | <u>1,551</u>                        | <u>2,069</u>                        | <u>1,764</u>                      |
| <b>NET ASSETS</b>               |       | <u>2,771</u>                        | <u>4,579</u>                        | <u>4,017</u>                      |
| <b>OWNERS' EQUITY</b>           |       |                                     |                                     |                                   |
| Share capital                   | 3     | 37,298                              | 37,462                              | 37,298                            |
| Share option equity reserve     |       | 54                                  | -                                   | 54                                |
| Retained earnings/(deficits)    |       | (34,581)                            | (32,883)                            | (33,335)                          |
| <b>TOTAL EQUITY</b>             |       | <u>2,771</u>                        | <u>4,579</u>                        | <u>4,017</u>                      |



Tony Offen  
Chairman



Brian Watson  
Chief Executive Officer

These Financial Statements have been authorised for issue 20<sup>th</sup> September 2017



**BLIS TECHNOLOGIES LIMITED**

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASHFLOWS**

For the 6 Months Ended 30 September 2017

|   | Note | 6 mths<br>30 Sep 17<br>(Unaudited)<br>\$'000s | 6 mths<br>30 Sep 16<br>(Unaudited)<br>\$'000s | 12 mths<br>31 Mar 17<br>(Audited)<br>\$'000s |
|---|------|---|---|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |      |   |   |  |
| <b>Cash was provided from (applied to):</b>                 |      |   |   |  |
| Receipts from customers                                     |      | 2,410   | 4,252   | 6,570  |
| Interest received   |      | 3   | 3   | 4  |
| Payments to suppliers and employees                         |      | (2,958)                                       | (3,565)                                       | (6,330)                                      |
|   |      | <hr/>   | <hr/>   | <hr/>  |
| <b>Net cash inflow/ (outflow) from operating activities</b> | 2    | (545)   | 690   | 244  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |      |   |   |  |
| <b>Cash was provided from (applied to):</b>                 |      |   |   |  |
| Capitalised intangible costs                                |      | (54)  | (41)  | (179)  |
| Purchase of property, plant and equipment                   |      | (26)  | (111)   | (136)  |
|   |      | <hr/>   | <hr/>   | <hr/>  |
| <b>Net cash inflow (outflow) from investing activities</b>  |      | (80)  | (152)   | (315)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |      |   |   |  |
| <b>Net cash inflow (outflow) from financing activities</b>  |      | -   | -   | -  |
|   |      | <hr/>   | <hr/>   | <hr/>  |
| Net increase/ (decrease) in cash held                       |      | (625)   | 538   | (71)   |
| Add cash and short term deposits at start of period         |      | 1,140   | 1,209   | 1,209  |
| Foreign exchange differences                                |      | 11  | 3   | 2  |
|   |      | <hr/>   | <hr/>   | <hr/>  |
| <b>Balance at end of period</b>                             |      | 526   | 1,750   | 1,140  |
|   |      | <hr/> <hr/>                                   | <hr/> <hr/>                                   | <hr/> <hr/>                                  |
| <b>COMPRISED OF:</b>  |      |   |   |  |
| Cash and short term deposits                                |      | 526   | 1,750   | 1,140  |
|   |      | <hr/>   | <hr/>   | <hr/>  |
| Total   |      | 526   | 1,750   | 1,140  |
|   |      | <hr/> <hr/>                                   | <hr/> <hr/>                                   | <hr/> <hr/>                                  |

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the 6 Months Ended 30 September 2017

**1. SUMMARY OF ACCOUNTING POLICIES**

**Statement of Compliance**

The unaudited condensed interim consolidated financial statements presented are those of Blis Technologies Limited and its non-trading subsidiary Blis Functional Foods Limited (**Group**). The principal activity of Blis Technologies Limited (referred to as **Blis** or the **Company**) is developing healthcare products based on strains of bacteria that produce Bacteriocin-Like Inhibitory Substances (BLIS). The Company is a profit oriented entity, registered in New Zealand under the Companies Act 1993. The Company is a "FMC Reporting Entity" for the purposes of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013 and its annual financial statements comply with these Acts.

The unaudited interim financial statements are prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP) and comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for interim financial statements (NZ IAS 34). The interim financial statements should be read in conjunction with the Group annual report for the year ended 31 March 2017.

**Basis of Preparation**

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The financial statements are presented in thousands of New Zealand dollars.

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

The same accounting policies and methods of computation are followed in these interim financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 March 2017.

## **NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

### **Going Concern**

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

The Group has recorded a net deficit of \$1,246k for HY18 (HY17: surplus \$428k).

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 \$526k as at 30 September 2017 which is considered sufficient to meet its working capital requirements. The Company is investing in a new tablet press and has finance in place to fund this. It is also upgrading the plant to a fully-accredited "Good Manufacturing Practice" (GMP) status, regulatory approvals and new product launches as part of the Company's growth strategy. Depending on progress, the Company may consider options to support its growth and may seek additional capital by way of a placement and/or share plan.

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 interim financial statements.

The Directors believe that there is no material uncertainty in respect of the Group's 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

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the 6 Months Ended 30 September 2017

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

|  | 6 mths<br>30 Sep 17<br>(Unaudited)<br>\$'000s | 6 mths<br>30 Sep 16<br>(Unaudited)<br>\$'000s | 12 mths<br>31 Mar 17<br>(Audited)<br>\$'000s |
|--|---|---|--|
| <b>NET SURPLUS/ (DEFICIT) FOR THE PERIOD</b>               | (1,246)                                       | 428   | (24)   |
| <b>Adjustments for non-cash items:</b>                     |   |   |  |
| Depreciation   | 102   | 96  | 204  |
| Amortisation of capitalised product development costs      | 120   | 166   | 313  |
| Amortisation of patents                                    | 48  | 41  | 91   |
| Amortisation of website development                        | 23  | 4   | 1  |
| CEO share plan costs                                       | -   | -   | 54   |
| Foreign exchange loss/(gain)                               | (11)  | (3)   | (2)  |
| Loss/(Gain) on fair value of foreign exchange contracts    | (2)   | -   | 7  |
| Loss/(Gain) on disposal of fixed asset                     | -   | -   | 2  |
|  | <u>(966)</u>                                  | <u>304</u>                                    | <u>646</u>                                   |
| <b>Movement in working capital</b>                         |   |   |  |
| Accounts receivable  | 342   | 416   | 57   |
| Prepayments  | 51  | 13  | (41)   |
| Accounts payable and income in advance                     | (40)  | (429)   | (397)  |
| Inventories  | 68  | (42)  | (21)   |
|  | <u>421</u>                                    | <u>(42)</u>                                   | <u>(402)</u>                                 |
| <b>NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES</b> | <b><u>(545)</u></b>                           | <b><u>690</u></b>                             | <b><u>244</u></b>                            |

### 3. SHARE CAPITAL - ORDINARY SHARES

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

### NUMBER OF SHARES ON ISSUE (000'S)

|                                       |                  |                  |                  |
|---------------------------------------|------------------|------------------|------------------|
| <b>Balance at beginning of period</b> | 1,107,654        | 1,102,154        | 1,102,154        |
| Issue of shares                       | -                | 5,500            | 5,500            |
| <b>Balance at end of period</b>       | <u>1,107,654</u> | <u>1,107,654</u> | <u>1,107,654</u> |

## NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS

For the 6 Months Ended 30 September 2017

| Net tangible assets                          | 6 mths<br>30 Sep 17<br>(Unaudited)<br>\$'000s | 6 mths<br>30 Sep 16<br>(Unaudited)<br>\$'000s | 12 mths<br>31 Mar 17<br>(Audited)<br>\$'000s |
|--|---|---|--|
| Total assets                                 | 3,212   | 5,023   | 4,500  |
| Less intangible assets                       | (981)   | (1,177)                                       | (1,118)                                      |
| Less total liabilities                       | (441)   | (444)   | (483)  |
| <b>Net tangible assets</b>                   | <b>1,790</b>                                  | <b>3,402</b>                                  | <b>2,899</b>                                 |
| Number of shares outstanding ('000)          | 1,107,654                                     | 1,107,654                                     | 1,107,654                                    |
| <b>Net tangible assets per share (cents)</b> | <b>0.16</b>                                   | <b>0.31</b>                                   | <b>0.26</b>                                  |

## 4. CAPITAL COMMITMENTS, CONTINGENT LIABILITIES

The budgeted capital commitments as at 30 September 2017 were \$260,000 (30 September 2016: \$110,000). This relates to the purchase of a new tablet press.

## 5. INVESTMENT IN SUBSIDIARY

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

## 6. SEGMENTAL REPORTING

## 6.1 Adoption of NZ IFRS 8 Operating Segments

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

## 6.2 Revenue from major products and services

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

|                   | 6 mths<br>30 Sep 17<br>(Unaudited)<br>\$'000s | 6 mths<br>30 Sep 16<br>(Unaudited)<br>\$'000s | 12 mths<br>31 Mar 17<br>(Audited)<br>\$'000s |
|-------------------|---|---|--|
| BLIS™ products    | 2,047   | 3,711   | 6,325  |
| Non-core business | 25  | 128   | 222  |
| Total revenue     | <u>2,072</u>                                  | <u>3,839</u>                                  | <u>6,547</u>                                 |

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

**NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS**

For the 6 Months Ended 30 September 2017

**6.3 Information about geographical areas**

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

|                              | Revenue from external customer's                |   |   | Non-current assets                       |  |   |
|------------------------------|---|---|---|--|--|---|
|                              | 6 mths 30 Sept<br>2017<br>(Unaudited)<br>\$'000 | 6 mths 30 Sept<br>2016<br>(Unaudited)<br>\$'000 | 12 mths<br>2017<br>31 Mar 17<br>(Audited)<br>\$'000 | 30 Sept<br>2017<br>(Unaudited)<br>\$'000 | 30 Sept<br>2016<br>(Unaudited)<br>\$'000 | 12 mths<br>2017<br>31 Mar 17<br>(Audited) |
| <b>Trading Revenue</b>       |   |   |   |  |  |   |
| Australasia                  | 484   | 677   | 1,092   | 1,551                                    | 2,069                                    | 1,764                                     |
| North America                | 310   | 1,173   | 1,682   | -  | -  | -   |
| Asia                         | 220   | 936   | 1,322   | -  | -  | -   |
| Europe                       | 1,019   | 986   | 2,316   | -  | -  | -   |
| Rest of World                | 36  | 64  | 124   | -  | -  | -   |
| <b>Total Trading Revenue</b> | <b>2,069</b>                                    | <b>3,836</b>                                    | <b>6,536</b>  |  |  |   |
| Interest received            | 3   | 3   | 4   |  |  |   |
| Grant Revenue                | -   | -   | 7   |  |  |   |
| <b>Total Revenue</b>         | <b>2,072</b>                                    | <b>3,839</b>                                    | <b>6,547</b>  | <b>1,551</b>                             | <b>2,069</b>                             | <b>1,764</b>                              |

Revenues for the 6 months to 30 September 2017 include \$1,019k, \$347k and \$310k, which arose from sales to the Group's three largest customers.

Revenues for the 6 months to 30 September 2016 include \$1,173k, \$974k and \$846k, which arose from sales to the Group's three largest customers.

Revenues for year ended 31 March 2017 include \$2,285k, \$1,671k and \$1,153, which arose from sales to the Group's three largest customers.

**7. SUBSEQUENT EVENTS**

There were no subsequent events of note post 30 September 2017.

**8. ADDITIONAL STOCK EXCHANGE INFORMATION**

Refer to the half year preliminary announcement.