2015 ANNUAL REPORT

BLIS TECHNOLOGIES LIMITED

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 MARCH 2015

CONTENTS

COMPANY DIRECTORY
AS AT 31 MARCH 2015

Company Number	DN/1042367
Issued Capital	1,102,153,565 ordinary shares
Registered Office	**BLIS Technologies Limited** 10 Birch Street Dunedin 9016
Shareholders	Listed on the New Zealand Stock Exchange Main Board
Share Registrar	**Link Market Services Limited** P O Box 384 Ashburton 7740
Directors	**P F Fennessy (Chairman)** **A P Offen (Deputy Chairman)** **VM Aris (appointed 25 July 2014)** **GS Boyd (appointed 25 July 2014)** **A J McKenzie** **B H Wallace** **C E Dawson (ceased 25 July 2014)**
Chief Executive:	**B C Richardson**
Auditors	**Deloitte** PO Box 1245 Dunedin 9016
Bankers	**Bank of New Zealand** Dunedin **Westpac Banking Corporation** Dunedin
Solicitors	**Anderson Lloyd** Private Bag 1959 Dunedin 9054 **Downie Stewart Lawyers** PO Box 1345 Dunedin 9016
Website	www.blis.co.nz
Facebook	https://www.facebook.com/BLISTechnologiesLtd?ref=ts Blis Technologies Limited

OPERATIONS REPORT
FOR THE YEAR ENDED 31 MARCH 2015

OVERVIEW

	GROUP FY 2015 $000	GROUP FY 2014 $000	Change $000
Revenue			
Australasia	685	547	138
Asia, including China	241	306	(65)
Europe	831	234	597
North America	664	106	558
Rest of the world	102	70	32
Trading revenue	2,523	1,263	1,260
Other revenue	108	59	49
Total revenue	2,631	1,322	1,309
Net deficit before depreciation, amortisation and capitalisation of costs.	(897)	(1,148)	251
Depreciation and amortisation of assets	(559)	(493)	(66)
Capitalisation of development and patent costs	83	100	(17)
Net deficit	(1,373)	(1,541)	168

The Group reports a net deficit of $1,373k (2014: $1,541k deficit) on total revenue of $2,631k (2014: $1,322k) for the twelve months to 31 March 2015 which is in line with the market guidance provided by directors on the release of the interim results in November 2014.

Trading revenue for the period increased by $1,260k (100%) with operating margins remaining robust across product lines resulting in a $251k reduction in the net deficit before depreciation, amortisation and capitalised costs when compared to the previous corresponding period. Trading revenues for the second half of the year were 34% higher than reported for the first half. The Group is expecting comparable dollar amount growth for the 2016 financial year.

Key highlights for the year include:

- 100% revenue growth over corresponding prior period
- Renegotiation of international distribution agreements
- Export approved Risk Management Programme ("RMP") Dairy, achieved for in-house production facilities
- Overcoming ingredient market access issues in the United States
- Successful clinical trials and product launches in Italy and Poland by third parties
- Launch of new products by the Company.

Key challenges for the year:

- Increased costs due to production facility set up and gaining export approval status
- Optimisation of production resources during a period of high growth
- Costs incurred in implementing international distribution changes
- Longer lead times for regulatory compliance delaying product launches by key customers
- Stronger New Zealand dollar relative to EURO and AUD.

During the year the board concluded a process that considered a number of aspects relating to the governance needs of the Company. A key recommendation of the external review process was to expand the skill-set of the Board. Following a formal process the Board was very pleased to be able to nominate Ms Veronica Aris and Mr Graeme Boyd to positions on the board. They were elected as Directors by Shareholders at the July 2014 Annual Shareholders' Meeting.

FINANCIAL

The Group reports a consolidated net deficit for the twelve months to 31 March 2015 of $1,373k (March 2014: $1,541k). This includes interest income of $108k received for the period (March 2014: $59k).

Reporting a further annual net deficit is disappointing. However, the benefits from broadening the scope of the business to include the manufacture of part-finished goods, consumer products and other food products are now beginning to flow through. The $565k net deficit recorded for the second half of the year was $243k (30%) lower than that reported for the first six months of the year.

Revenue from ingredient, consumer products and part-finished goods are all higher than for the corresponding period last year. Significantly, Europe revenues have grown $597k (255%) over the previous year and following resolution of market access issues trading revenues into the USA have increased by $558k (526%). Trading revenues for Australasia are $138k (25%) up on last year, but sales into Asia including China remain slow reflecting the long cycles for regulatory compliance and product testing, especially in China. Due to the delay in gaining RMP status for the nutritional formulation plant and longer lead times for planned product launches by key customers and despite the focus during the year on business development only minimal sales were achieved for nutritional formulations during the financial year. Revenue for the year includes contract manufacturing income of non-BLIS branded product available to the Company due to the RMP status of the production facilities.

Total expenses of $4,004k are $1,141k higher than for the previous year. Of the increase $617k relates to the direct costs of producing higher sales volumes. Higher overheads for the year include recruitment of additional staff, bringing the lozenge and nutritional formulation production in-house, renegotiating the Novus Stratum distribution agreement, increased governance costs due to director fee increases over the previous corresponding period and the decision by the NZ Markets Disciplinary Tribunal to impose a penalty on the Company for continuous disclosure breach under NZX listing rules.

CASH FLOWS

	FY 2015 $000	FY 2014 $000	Change $000
Operating activities			
Trading income and other revenue received	2,436	1,295	1,141
Payments to suppliers and employees	(3,531)	(2,271)	(1,260)
Net cash outflow from operating activities	(1,095)	(976)	(119)
Investing activities			
Capital expenditure (net)	(421)	(348)	(73)
Net cash outflows from investing activities	**(421)**	**(348)**	**(73)**
Financing activities			
Issue of ordinary shares during the year	-	4,227	(4,227)
Net cash inflows from financing activities	-	4,227	(4,227)
Bank balance year end	**2,146**	**3,652**	**(1,506)**

The Group recorded a net cash outflow from operating activities of $1,095k (2014: $976k).

Investment in the period totalled $421k (March 2014: $348k) reflecting the investment in the part-finished and finished goods manufacturing and nutritional formulation plant, capitalisation of patent costs and fit out of the laboratory.

There were no cash in flows from financing activities for the 2015 year. During the 2014 financial year the Group concluded a successful Share Purchase Plan and private placement of shares. The funds were sought to enable the Company to maintain its core competencies, foster its nutritional formulations business and leverage the execution of its branded ingredients strategy for advanced probiotics internationally. A net $4,227k was raised in support of the commercialisation of BLIS products in New Zealand and international markets

Aggregate cash flows for the year resulted in a decrease of $1,506k (March 2014: an increase of $2,893k) to the cash balances held as at 31 March 2015 to $2,146k (March 2014: $3,652k).

No tax was payable and no dividend will be paid on ordinary shares.

As at 31 March 2015 the Group held a net working capital position of $2,519 (March 2014: $3,753k) which the directors believe is sufficient to support its current business development strategies.

BUSINESS DEVELOPMENT STRATEGY PROGRESS

BLIS Technologies Limited was formed to commercialise BLIS (Bacteriocin-Like Inhibitory Substances) producing probiotic bacteria in consumer products targeted at oral health. BLIS K12™ and BLIS M18™ are patented oral probiotics providing advanced protection for ear, nose and throat health, halitosis (bad breath), gums and teeth health and immune support. These special strains of *Streptococcus salivarius* have been scientifically proven in oral applications.

Our business development strategy is based on five primary platforms:

1. Building dietary and food ingredient sales in North America, Europe, Australasia and Asia;
2. Developing exemplar in-market consumer products;
3. Building consumer product sales through distribution partnerships, web marketing (www.blis.co.nz) and other direct sales channels;
4. Developing long-term strategic partnerships with companies that have significant regional and global reach;
5. Obtaining regulatory approval and intellectual property protection in defined markets.

Strategy 1: Building Ingredient Sales

BLIS currently has two key ingredient distributors, Stratum Nutrition (a division of Novus Nutrition Brands Inc.) for North America and NZPR Group for China. The Company is evaluating potential distributors to assist in marketing ingredients and finished products in Europe. Providing ongoing resourcing for technical sales support, regulatory compliance guidance, clinical study support and an ingredient product development pipeline are all important components of building international ingredient sales with our distribution partners.

US-based Stratum Nutrition has been distributing BLIS ingredients in North America, Europe and Asia since 2012. Following a review of the ingredient sales and marketing strategies for BLIS K12™ and BLIS M18™ in conjunction with Stratum Nutrition a new agreement has been signed where the expertise of Stratum Nutrition will be retained to focus exclusively on North America - the US and Canada. The new arrangement is effective from 1 April 2015 and includes a Stratum Nutrition-funded clinical trial of BLIS K12™ either in North America or Canada. This trial will be an important component in growing North American sales. Clinical trials in Italy and India have consistently reinforced the efficacy of BLIS K12™ and BLIS M18™ and have been an important pillar of support for new product launches and sales growth in Europe. Following resolution of market access issues trading revenues into the USA for the current financial year have increased by $558k (526%) over the previous year, with the second half year revenues growing 57% over the first six months.

NZPR Group, our key partner in China, has engaged Sinopharm (the largest oral health and pharmaceutical company in China) to test-market consumer products with BLIS oral probiotics. The results of the test-market and three (3) clinical trials being carried out by Sinopharm are anticipated to take some time to complete and will be important determinants when considering product launch plans. During the year the Company continued to provide technical support in anticipation of sales in the near future.

Velleja Research is now undertaking a further three clinical studies involving Otitis Media and throat infections. An additional study with Carioblis (BLIS M18™) and its effect on dental caries is being carried out. The outcome of the clinical studies are expected to support further product launches in Europe, Asia as well as the Middle East. Clinical studies in Italy are a key factor supporting growth in ingredient sales in Europe.

Tradepia, a distributor for Japan, is starting to provide a steady ingredient order flow and the sales are starting to reach meaningful levels for this market.

The reconfiguration of the Stratum distribution agreement from 1 April 2015 presents an opportunity for BLIS to become more intimately involved in its European and Asian markets.

Strategy 2: Developing In-market Consumer Products

The development and support of novel consumer products and the development of licensable intellectual property has been a key strategic investment for the Company. The development of the technology to incorporate BLIS K12™ in ice cream, yogurt, nutritional formulations and honey are all examples of this.

A key highlight for the year was gaining full export accreditation of the nutritional formulations plant by the Ministry of Primary Industries. This allows the Company to produce and export dry dairy products for human consumption from its facilities at 10 Birch Street in Dunedin. This is a significant milestone toward achieving this business strategy.

During the year the company has also completed the installation and commissioning of equipment for the production and packaging of lozenge products in blister packs and bottles. Having the in-house capacity to customise packaging with art work and finished product delivery formats improves quality control, shortens finished goods sales cycles and provides other opportunities.

The Company launched BLIS K12™ Powder for Toddlers in the New Zealand market during the year – this has been very well received in the market. The New Zealand product launch has generated interest around similar products for the European market demonstrating the benefits of being able to design, manufacture and launch products directly. Further products are being developed around BLIS M18™, yoghurt powders and nutritional formulations.

The Company will also act as a sub-contractor in the packaging of nutritional formulations for other parties to utilise any spare production capacity. The BLIS plant is currently the only one in the South Island of New Zealand approved to process probiotics for export.

Strategy 3: Building Consumer Product Sales

The Company provides products in customer-driven formats, such as ingredients, finished products (packaged or bulk), as lozenges (dietary supplements) and nutritional formulations (food products). Consumer products have been an important part of the Company strategy in New Zealand and Australia for many years with the channels to market recently complemented by our web-based offering, www.blis.co.nz.

With the re-configuration of the Stratum distribution agreement from 1 April 2015, the Company can now move more toward its goal of growing BLIS branded consumer product sales internationally. Consumer product sales will be built through developing distribution partnerships, web marketing (www.blis.co.nz) and other direct sales channels. While the web is helping build sales, more importantly, it serves a very valuable purpose of alerting potential new customers to the benefits of BLIS products.

Consumer product sales in Australasia (New Zealand and Australia) have increased 25% over the same period last year. The BLIS branded product range now includes Throat Guard Daily BLIS K12™, Travel Guard BLIS K12™, Fresh Breath Kit BLIS K12™, BLIS M18™ and BLIS K12™ Powder for Toddlers.

During the year Blue Stone Pharma ("BSP"), the distributor for Bactoblis (BLIS K12™) launched consumer products into the pharmacy channel in Europe. The product launch is going well and represents a significant portion of the growth in European consumer product sales reported for the year.

Australia holds significant potential to grow BLIS consumer product sales and the Company is currently clarifying the regulatory framework before finalising product and market positioning.

Bringing finished goods production capacity in-house, gaining RMP status, re-configuration of the global Stratum ingredient distribution agreement and making appointments for the key positions of business manager for the Asia Pacific region and new product development and nutritional formulation business are all steps the company has taken on its move to building BLIS branded consumer sales internationally.

Strategy 4: Developing Long-term Strategic Partnerships

To achieve full international potential it is important to develop long-term strategic relationships with leading consumer product and technology companies capable of conducting significant clinical trials and of providing global and regional manufacturing, supply and distribution relationships.

During the year the Company renegotiated with Stratum Nutrition (a division of Novus Nutrition Brands Inc) an exclusive distribution agreement for North America for a further five year term from 1 April 2015. The new arrangement includes a Stratum Nutrition-funded clinical trial of BLIS K12™ either in North America or Canada. The clinical trial is an important part of the strategy behind growing sales across North America.

Blue Stone Pharma has successfully launched Bactoblis (BLIS K12™) consumer products into the pharmacy channel in Europe with planning for further product launches well advanced. This relationship holds significant potential for BLIS by providing an in-market European consumer marketing resource experienced in BLIS probiotics and focused on BLIS products.

For a long time now China has held significant potential for BLIS with success being dependent on gaining regulatory approvals which in the case of China is complex, expensive and changing. Maintaining strong and loyal relationships is seen as a key component to navigating new probiotic products such as BLIS to market. The relationship with NZPR Group (our China distributor) is long standing and highly valued. Following the 2013 visit to our Dunedin operations of Sinopharm, the largest pharmaceutical and oral health company in China, and subsequent visits by management to China, Sinopharm agreed to carry out three (3) clinical trials as part of its in-market testing for BLIS products intended for its Pharmacy channel. It is likely that this cycle will take some time to complete so that in the meantime NZPR Group is also working on opportunities for progressing non-pharmacy channels to market.

The Company has identified potential partners for the establishment of complementary ingredient manufacturing capabilities within Europe as part of its risk management plan for alternative supply options and also in anticipation of meeting future regional product demand on a timely and cost effectively basis.

Strategy 5: Obtaining Regulatory Approval and Intellectual Property Protection

Our strategic investment in patent protection and in trademarks provides our partners with the confidence to invest in product development and marketing. BLIS Technologies retains its leadership position in the market through strong emphasis on supporting research, along with the momentum created by the wide range of independent studies that show the benefits of BLIS K12™ and BLIS M18™ in oral health applications.

Regulatory

Regulatory activities continue to be some of the most important issues addressed by the company. Although no new approvals were obtained during the year under review, past approvals and supporting documentation have proved invaluable in addressing market access issues.

The principal scientific paper published by external researchers on the various aspects of the BLIS K12™ and BLIS M18™ strains in the previous 12 months is shown below (1 April 2014 to 31 March 2015). A full list can be obtained from the BLIS website www.blis.co.nz

Clinical trials

The Company continues to support and monitor clinical trials of its products. Locally, we have determined the success of different delivery formats with BLIS K12™.

New Zealand has major issues with rheumatic fever which can be a serious complication of streptococcal sore throat. As part of the response to this issue, a team of University of Otago researchers have received funding from the Health Research Council ("HRC") Partnership programme, which includes funding support from the HRC, Ministry of Health, Cure Kids and the Heart Foundation, to carry out a trial evaluating the effectiveness of BLIS K12™ in approximately 1,500 at-risk New Zealand children. While there is strong evidence for the potential efficacy of the strain, the requirements of a trial of this magnitude are complex and the costs very significant. As this is an independent study, the Company is not directly involved, but is responsible for providing the BLIS K12™ to be used in the trials. The project has commenced in collaboration with schools that are actively involved in the Government-funded swab and treat intervention for rheumatic fever. The trial is projected to be completed by mid-2015 with final reporting during 2016.

Internationally, the three clinical trials, using BLIS K12™, carried out by Velleja Research in Italy demonstrated the effectiveness of BLIS K12™ in reducing the frequency of streptococcal sore throats in both adults and children as well as demonstrating the clinical benefits of BLIS K12™ in reducing Otitis Media in children. One clinical trial is now being carried out by Velleja Research examining the benefits of BLIS M18™ in reducing dental caries in children. Sinopharm has now commenced three (3) clinical trials.

Stratum Nutrition will fund a clinical trial of BLIS K12™ either in North America or Canada.

The Company is pleased to continue supporting The Salvation Army with its BLIS K12 Throat Guard Daily and BLIS M18.

STAFF

Full-time staff numbers are currently 15 (11 in 2014). For the coming year further staff appointments are expected to be made with technical production, product compliance and quality control expertise.

The Company recognised resourcing requirements in the light of new product developments and a shift to in-house manufacturing. The Board identified a need for more managerial support and therefore Mr Tony Offen, the Deputy Chair, was seconded in a part time executive role effective from September. Mr Offen's secondment which is not expected to continue beyond the 2016 financial year has allowed the Chief Executive to focus on sales and key distributor and customer relationships in particular and plan for additional resourcing of the business.

OUTLOOK

The immediate focus for the Company is to move to profitable operations. This will only be achieved by careful management of resources through a period of accelerated production growth. Sales growth is expected to be generated from ingredient sales into North America with Stratum Nutrition, the active pursuit of finished product sales into Europe and consumer product sales in Asia and our local Australasian market both directly and with our distributor partners. Website product sales and focus on educating consumers on the benefits of BLIS oral probiotics remain high priorities and will grow awareness of BLIS oral probiotics.

Accordingly, provided the pipeline of planned product launches and sales activities continue, our expectations are for trading revenue to increase by a similar dollar amount to that achieved in the current year.

Peter Fennessy
Chairman

Barry Richardson
Chief Executive Officer

[1] BLIS M18/ India: Scariya, L et al (2015). Int J Pharm Bio Sci 6(1): 242 – 250 “Probiotics in Periodontal Therapy”

DIRECTORS’ REPORT

FOR THE YEAR ENDED 31 MARCH 2015

STATEMENT OF AFFAIRS OF THE COMPANY AND GROUP

The results of operations for the year and the financial position of the Company are detailed in the accompanying financial statements.

PRINCIPAL ACTIVITIES

The principal activities of the Company are research, development and commercialisation of healthcare products based on strains of bacteria that produce Bacteriocin Like Inhibitory Substances (BLIS), the supply of healthcare ingredients and the manufacture of part and finished goods and other food products for sale in domestic and international markets.

DIVIDEND

The Directors recommend that no dividend be paid.

AUDITORS

It is proposed that the auditors, Deloitte, continue in office in accordance with Section 200(1) of the Companies Act 1993.

PARTICULARS OF NOTICES OR STATEMENTS GIVEN TO OR APPROVED BY THE BOARD

Interests register

Directors have declared interest in the following transactions with the Group during the year:

- Mr C E Dawson disclosed his interests through his role as Chief Executive of Otago Innovation Limited, a wholly-owned subsidiary of the University of Otago. University of Otago has been involved in commercial transactions with the Company, the terms of which the other directors considered fair and reasonable to the Company and its existing shareholders.
- Mr A P Offen disclosed his interests through his role as Director of Edinburgh Equity Ltd. Edinburgh Equity Ltd has been involved in providing executive services with the Company, the terms of which the other directors considered fair and reasonable to the Company and its existing shareholders.

Directors’ remuneration	**Year ended 31 March 2015**
Directors’ remuneration is as follows:	$
V Aris	13,333
G Boyd	13,333
C E Dawson	6,667
P F Fennessy	40,000
A J McKenzie	20,000
A P Offen	28,750
B H Wallace	22,917

– Mr C E Dawson ceased to hold office as a Director of the Company during the accounting period ending 31 March 2015.

DIRECTORS’ LOANS

There were no loans from the Company to Directors.

USE OF COMPANY INFORMATION

The Board received no notices during the year from directors requesting to use the Company information received in their capacity as directors which would not have been otherwise available to them.

EMPLOYEES' REMUNERATION

Employees receiving remuneration or benefits exceeding $100,000 were as follows:

Remuneration $	Year ended 31 March 2015	Year ended 31 March 2014
110,000 – 120,000	1	1
120,001 – 130,000	-	-
210,000 – 220,000	-	-
270,001 – 280,000	1	1

DONATIONS

Donations of products were made by the Group during the year ended 31 March 2015. The retail value of the products donated totalled $8,328 (2014: $15,814).

DIRECTORS

The persons holding office as Directors of the Company as at 31 March 2015 are set out below. C E Dawson ceased to hold office as a Director of the Company during the accounting period ending 31 March 2015:

P F Fennessy (Chairman)

Peter Fennessy is a consultant, and a Director of AbacusBio Limited (Dunedin), a privately-held consultancy and venture development business with its major focus in the agricultural sector. Peter has been a director of BLIS Technologies Ltd since 2000 and Chairman since 2006; he is also a director of a number of private companies in the areas of technology and agribusiness.

A P Offen (Deputy Chairman)

Mr Offen has been a director of BLIS Technologies Limited since May 2009 and is the current Deputy Chair. Through his Dunedin-based investment company, Edinburgh Securities Limited, is a director and shareholder of private companies successfully operating in a number of business areas including commercial and industrial property, FMCG business sectors nationally and internationally as well as investment interests requiring venture and start-up capital. Mr Offen holds professional memberships with the NZ Institute of Chartered Accountants and the NZ Institute of Directors, is an elected member of the National Council for the Neurological Foundation of NZ and is Chairman of its investment committee. Mr Offen is also a 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.

V M Aris

Veronica Aris has over 17 years of sales and marketing experience with the healthcare industry having held numerous senior roles across many industry sectors, including primary care consumables, pharmaceutical, natural health care supplements and consumer products for companies such as Sanofi-Synthelabo, Pfizer, Abbott Laboratories, EBOS and Brand Developers within the United Kingdom, Australia and New Zealand markets. She has expertise in the areas of pharma product launches, brand management, marketing, salesand regulatory affairs, as well as social media sales strategies.

Originally from the UK, Veronica holds a BSc in chemistry and French and a DipM in marketing.

She is a Board Member of North Harbour Softball, a Member of the Institute of Directors and holds Chartered Marketer status from the Chartered Institute of Marketers.

G S Boyd

Graeme joined ICI New Zealand Limited in 1971 and 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. He is currently an independent director of Allied Industrial Engineering Limited, Blokart International Limited and Chairman of Phytomed Medicinal Herbs Limited.

Graeme has also been a member of the Institute of Directors since 2004 and is a fully accredited professional director.

A J McKenzie

Alan is a Dunedin-based business adviser with over 35 years experience as a Chartered Accountant working in New Zealand and overseas, in both public practice and industry. He has worked with numerous businesses ranging from new ventures requiring day to day input, to substantial multi-national companies. His focus is advising clients regarding structuring business investment, financing, and related taxation issues. He is a Fellow Chartered Director of the Institute of Directors and a director of several client-owned businesses and investment groups, operating within New Zealand and internationally. He is a Trustee for several private family groups and local charitable organisations.

B H Wallace (Audit Committee Chairman)

Bevan Wallace joined the Board of Directors at BLIS Technologies in 2008. He is a former chartered accountant, a Fellow of the Institute of Financial Professionals New Zealand (Inc), and a member of the Institute of Directors and the Law and Economics Association of New Zealand (Inc.). Bevan is Chairman of Efficient Market Services Limited, operator of the unlisted share trading platform and provides value-based strategic advice though his consultancy Morgan Wallace Limited. He holds a Master of Commerce with First Class Honours in Economics and Accountancy (University of Canterbury).

SHARE DEALING

During the year the Directors (or the associated entity in which the Director has a relevant interest) did not acquire or dispose of equity securities in the Group.

BLIS FUNCTIONAL FOODS LIMITED

The Company has a wholly-owned subsidiary called BLIS Functional Foods Limited which was incorporated on 28 February 2011. The status of the subsidiary since March 2013 is that it is non-trading. The directors of this subsidiary as at 31 March 2015 are Anthony Offen and Barry Richardson (the CEO of the Company).

DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

The Directors of BLIS Technologies Limited are pleased to present to shareholders the financial statements for BLIS Technologies Limited Group for the year ended 31 March 2015.

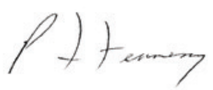
The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Group as at 31 March 2015 and the results of its operations and cash flows for the year ended 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 1993.

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:



Anthony Offen
Director

Peter Fennessy
Director

22rd day of May 2015

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

GROUP	Notes	2015 $'000	2014 $'000
REVENUES			
Trading revenue	2a	2,523	1,263
Interest received		108	59
		2,631	1,322
LESS			
Distribution expenses		14	21
Marketing expenses		66	48
Occupancy expenses		149	148
Operating expenses		3,322	2,203
Other expenses		453	443
		4,004	2,863
SURPLUS/(DEFICIT) BEFORE TAX	2b, 4, 5	**(1,373)**	**(1,541)**
Income tax expense	3	-	-
SURPLUS/(DEFICIT) FOR THE YEAR		**(1,373)**	**(1,541)**
Surplus/(Deficit) for the year is attributable to:			
Equity holders of the parent		(1,373)	(1,541)
		(1,373)	(1,541)
Earnings per share:			
Basic (cents per share)	14	(0.12)	(0.18)
Diluted (cents per share)	14	(0.12)	(0.18)

The accompanying notes form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015

GROUP	Notes	2015 $'000	2014 $'000
Surplus/(Deficit) for the year		(1,373)	(1,541)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/ (DEFICIT) FOR THE YEAR		(1,373)	(1,541)

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

GROUP	Notes $'000	Share capital $'000	Retained earnings $'000	Total attributable to Group $'000
OPENING EQUITY - 1 APRIL 2013		**33,071**	**(29,581)**	**3,490**
Surplus/(Deficit) for the year		-	(1,541)	(1,541)
Other comprehensive income		-	-	-
Total comprehensive income		**-**	**(1,541)**	**(1,541)**
Equity contributions and distributions				
Issue of share capital	14	4,227	-	4,227
CLOSING EQUITY - 31 MARCH 2014		**37,298**	**(31,122)**	**6,176**
Surplus/(Deficit) for the year		-	(1,373)	(1,373)
Other comprehensive income		-	-	-
Total comprehensive income		**-**	**(1,373)**	**(1,373)**
CLOSING EQUITY - 31 MARCH 2015		**37,298**	**(32,495)**	**4,803**

The accompanying notes form part of these financial statements.

BALANCE SHEET

AS AT 31 MARCH 2015

GROUP	Notes	2015 $'000	2014 $'000
ASSETS			
CURRENT ASSETS			
Cash and short-term deposits	6	2,146	3,652
Accounts receivable	7	464	235
Prepayments		73	45
Inventory	8	282	106
		2,965	4,038
LESS CURRENT LIABILITIES			
Accounts payable	12	446	285
		446	285
WORKING CAPITAL		2,519	3,753
NON-CURRENT ASSETS			
Property, plant and equipment	10	616	375
Finite life intangible assets	11	1,668	2,048
		2,284	2,423
NET ASSETS		4,803	6,176
OWNERS' EQUITY			
Share capital	14	37,298	37,298
Retained earnings/(deficits)		(32,495)	(31,122)
TOTAL EQUITY		4,803	6,176

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

GROUP	Notes	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from/(applied to):			
Receipts from customers		2,331	1,253
Interest received		105	42
Payments to suppliers and employees		(3,531)	(2,271)
Net cash inflow/(outflow) from operating activities	20	(1,095)	(976)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from/(applied to):			
Sale of property, plant and equipment		5	2
Capitalised patent costs		(83)	(100)
Purchase of property, plant and equipment		(343)	(250)
Net cash inflow/(outflow) from investing activities		(421)	(348)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from/(applied to):			
Issue of ordinary shares		-	4,227
Net cash inflow/(outflow) from financing activities		-	4,227
Net increase/(decrease) in cash held		(1,516)	2,903
Add cash and short-term deposits at start of year		3,652	759
Foreign exchange differences		10	(10)
Balance at end of year		2,146	3,652
COMPRISED OF:			
Cash and short-term deposits		2,146	3,652
		2,146	3,652

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

1. SUMMARY OF ACCOUNTING POLICIES

REPORTING ENTITY

BLIS Technologies Limited (the “Company”) is a profit-oriented entity incorporated and domiciled in New Zealand and is registered under the Companies Act 1993. The principal activity of the Company is developing healthcare products based on strains of bacteria that produce Bacteriocin-Like Inhibitory Substances (BLIS).

The financial statements represented are those for the Blis Technologies Limited Group. In previous annual financial statements the Company has reported the financial activities of both the Parent (as a separate reporting entity) and Group within the annual report. This year due to changes in regulatory requirements the disclosure of Parent activities is no longer mandatory, the Company has therefore taken the option of presenting Group financial activities only.

BLIS Technologies Limited is a FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013 and its financial statements comply with these acts. The Company is listed on the New Zealand Stock Exchange Main Board.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (“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 approved by the Board of Directors on 22 May 2015.

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.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of NZ IFRS management is 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.

KEY SOURCES OF ESTIMATION UNCERTAINTY AND KEY JUDGEMENTS

Judgements made by management 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 are disclosed, where applicable, in the relevant notes to the financial statements.

Key sources of estimation uncertainty and key judgements include:

- Estimating the remaining useful life of intangible assets. If the useful life does not reflect the actual consumption of the benefits of the assets, the Directors could be over or under estimating the amortisation charge required as an expense in the income statement. Refer Note 11.
- If the product groupings to which the development expenditure relate are not economically viable in the future the development expenditure asset could be overstated. Refer Note 11.
- 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 intangible assets is required. Determining the recoverable amounts of goodwill and 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 11 for sensitivities and assumptions used.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be measurable under the circumstances.

The Board has determined it is inappropriate to capitalise any further development costs on products which are now in commercial production as the Group focus moves further towards in-market support of its proprietary probiotic strains.

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation and presentation of the financial statements are set out below. 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 Group Income Statement 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.

PROPERTY, PLANT AND EQUIPMENT

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	1 - 13 years
Plant and equipment	1 - 28 years

INTANGIBLE ASSETS

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 Company 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 18 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 three 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 eight 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. A reversal of an impairment loss is recognised as income immediately unless the asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

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.

Other income

Grant income is recognised when the Group has met all of the requirements established by the grant. Grant income that is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future required costs are recognised as income of the period in which it becomes receivable.

Foreign exchange

In the course of normal trading activities, the Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Accounts receivable, Accounts payable 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.

TAXATION

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.

INVENTORIES

Inventories are valued 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.

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.

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.

a) Cash and short-term deposits

Cash and short term deposits comprise cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

b) Accounts receivable

Accounts receivable are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. 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.

c) Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received.

d) Other financial liabilities

Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest/dividend expense recognised on an effective interest basis.

e) Accounts payable

Accounts 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, annual leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provision 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.

STATEMENT OF CASH FLOW

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 income statement.

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.

NEW FINANCIAL REPORTING STANDARDS EFFECTIVE IN THE REPORTING PERIOD

The accounting policies adopted are consistent with those of the previous financial year. No new Accounting Standards that became effective for the current year were applicable to the Group for the year ended 31 March 2015.

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 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 9 – FINANCIAL INSTRUMENTS (effective date from 1 January 2018)

NZ IFRS 9 Financial Instruments was finalised and issued during the year and replaces *NZ IAS 39 Financial Instruments: Recognition and Measurement*.

The new standard includes a new classification and measurement regime for financial instruments, amendments to hedge accounting and changes in determining and measuring impairment of financial assets.

Management have yet to fully assess the impact these standards are likely to have on the financial statements of the Group.

NZ IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS (effective date from 1 January 2017)

The new standard establishes principles for reporting about the nature, amount, timing and uncertainty of revenue arising from an entity's contracts with customers. It prescribes when an entity will recognise revenue, how much revenue to recognise, and what disclosures to make about revenue.

The core principle of the Standard is to recognise revenue for the amount of consideration due to an entity in exchange for the goods and services provided to the customer. This is done following a five step process:

Step 1: Identify the contract with the customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of an asset to a customer. This may be at a point in time (typically for goods), or over time (typically for services).

Based on the short-period of the average revenue contract entered into by the Group, the new standard is not expected to have a significant impact on the timing of current revenue recognition. However the Directors are still conducting further analysis of the impact of this new standard.

2. SURPLUS/(DEFICIT) FROM OPERATIONS

GROUP	2015 $'000	2014 $'000
(a) Trading revenue		
Trading revenue consists of the following items:		
Sale of goods – domestic sales	651	494
Sale of goods – export sales	1,872	769
	2,523	1,263
(b) Operating profit/(deficit) before tax and finance costs		
This includes the following specific expenses:		
Employee benefits	982	878
Directors' fees	145	60
Cost of goods sold	1,156	539
Business operating expenses	922	662
Amortisation of finite life intangible assets (note 11)	463	468
Operating leases – minimum lease payments (i)	11	15
Depreciation of property, plant and equipment (note 10)	96	24

(i) Operating lease rentals include rental streams associated with the laboratory utilised by the development team and administration.

3. INCOME TAXES

(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:

	2015	2014
Deficit before tax	(1,373)	(1,541)
Income tax expense (benefit) calculated at 28%	(384)	(432)
Non-deductible items	135	129
Temporary differences excluding tax losses not recognised (14)	(41)	
Tax losses not recognised	263	344
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 unrecognised deferred income tax assets in relation to temporary differences of $503,609 (2014: $517,159). Furthermore, the Group has unrecognised deferred income tax assets of up to $4,795,365 (2014: $4,532,320) in respect of tax losses amounting to up to $17,126,302 (2014: $16,186,858) that 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

GROUP	2015 $'000	2014 $'000
Audit of the financial statements – current year	33	33
Audit related and other assurance services	2	29
Tax compliance services	-	30
	35	92

The auditor of BLIS Technologies Limited is Deloitte.

Audit related and other assurance services include technical assistance with accounting matters and share register audits.

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:

Short-term employee benefits	480	389
	480	389

6. CASH AND SHORT-TERM DEPOSITS

Cash	720	194
Short-term deposits (i)	1,426	3,458
	2,146	3,652

(i) Short-term deposits
Short-term deposits include $75,000 held in a bank account as a bond for the New Zealand Stock Exchange.

The carrying amount of cash and cash equivalents approximates their fair value.

7. ACCOUNTS RECEIVABLE

Accounts receivable	413	212
Accrued interest	3	17
Goods and Services Tax (GST) receivable	48	6
	464	235

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

8. INVENTORIES

GROUP	2015 $'000	2014 $'000
Raw materials	262	98
Work in progress	-	4
Finished goods	20	4
	282	106

No inventories have been pledged as security over borrowings and other liabilities.

10. PROPERTY, PLANT & EQUIPMENT – GROUP

2015

	Cost 1 April 2014	Additions/ Transfers	Disposals	Cost 31 March 2015	Accumulated depreciation 1 April 2014	Depreciation expense	Accumulated depreciation reversed on disposal	Transfer	Accumulated depreciation 31 March 2015	Book value 31 March 2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$000	$'000	$'000
Leasehold improvements	142	111	5	248	(119)	(22)	-	-	(141)	107
Furniture and fittings	71	-	-	70	(66)	-	-	-	(66)	4
Plant and equipment	816	232	-	1,048	(469)	(74)	-	-	(543)	505
Total property, plant and equipment	1,029	343	5	1,366	(654)	(96)	-	-	(750)	616

2014

	Cost 1 April 2013	Additions/ Transfers	Disposals	Cost 31 March 2014	Accumulated depreciation 1 April 2013	Depreciation expense	Accumulated depreciation reversed on disposal	Transfer	Accumulated depreciation 31 March 2014	Book value 31 March 2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$000	$'000	$'000
Leasehold improvements	116	25	-	142	(116)	(3)	-	-	(119)	23
Furniture and fittings	71	-	-	71	(65)	(1)	-	-	(66)	5
Plant and equipment	606	225	15	816	(448)	(21)	-	-	(469)	347
Total property, plant and equipment	793	250	15	1,029	(629)	(25)	-	-	(654)	375

11. FINITE LIFE INTANGIBLE ASSETS

	Patents $'000	Capitalised development $'000	Website development $'000	Total $'000
Gross carrying amount				
Balance at 1 April 2014	707	3,115	69	3,891
Additions from patent acquisition costs	83	-	-	83
Balance at 31 March 2015	790	3,115	69	3,974
Accumulated amortisation and impairment				
Balance at 1 April 2014	212	1,575	55	1,843
Amortisation expense	64	389	10	463
Balance at 31 March 2015	276	1,964	65	2,306
Net book value at 31 March 2015	514	1,150	4	1,668

	Patents $'000	Capitalised development $'000	Website development $'000	Total $'000
Gross carrying amount				
Balance at 1 April 2013	607	3,115	69	3,791
Additions from patent acquisition costs	100	-	-	100
Balance at 31 March 2014	707	3,115	69	3,891
Accumulated amortisation and impairment				
Balance at 1 April 2013	158	1,186	30	1,374
Amortisation expense	54	390	25	469
Balance at 31 March 2014	212	1,575	55	1,843
Net book value at 31 March 2014	495	1,539	14	2,048

No impairment losses have been recorded in the current year (2014: nil).

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

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 rates, contribution margins and the required rate of return. Annual sales growth rates of between 17% to 49% (2014: 27% to 51%), contribution margins of 52% to 56% (2014: 64% to 71%) and post-tax discount rates of 20% (2014: 20%) have been applied in these projections. Cash flows beyond the five year period have been extrapolated using a steady 0% (2014: 2%) growth rate. The recoverable amount is very sensitive to each of these assumptions. If sales growth and/or contribution margins fall short of projections, it is likely that the recoverable amount of the capitalised product development expenditure will be less than carrying value.

12. ACCOUNTS PAYABLE

GROUP	2015 $'000	2014 $'000
Accounts payable	338	216
Employee entitlements	108	66
Directors' fees	-	3
	446	285

13. INVESTMENT IN SUBSIDIARY

SUBSIDIARY	Percentage held 2015	2014	Balance date	Principal activity
Blis Functional Foods Limited	100%	100%	31 March	Non-trading

On 23 March, 2013 Blis Functional Foods Limited ceased trading and is a dormant subsidiary. It was previously involved with the production, distribution and sale of ice cream and yoghurt.

14. SHARE CAPITAL

GROUP	2015 No. of shares	2015 $'000	2014 No. of shares	2014 $'000
Balance at the beginning of the year	1,102,153,565	37,298	669,593,903	33,071
Share issued pursuant to Share Purchase Plan To eligible shareholders on 08 November 2013	-	-	139,100,000	1,391
Placement offer settled on 06 September 2013	-	-	213,459,662	2,135
Placement offer settled on 19 September 2013	-	-	10,000,000	100
Placement offer settled on 01 October 2013	-	-	10,000,000	100
Placement offer settled on 22 November 2013	-	-	60,000,000	600
Cost of raising capital	-	-	-	(99)
Balance at the end of the year	1,102,153,565	37,298	1,102,153,565	37,298

All 1,102,153,565 ordinary shares are issued and fully paid ordinary shares and carry equal voting rights.
All issued shares participate equally in any dividend distribution or any surplus on winding up of the company.

On 06 September 2013, 213,459,662 shares were issued pursuant to a share placement offer.
The shares were issued at a price of $0.01 per share.

On 19 September 2013, 10,000,000 shares were issued pursuant to a share placement offer.
The shares were issued at a price of $0.01 per share.

On 01 October 2013, 10,000,000 shares were issued pursuant to a share placement offer.
The shares were issued at a price of $0.01 per share.

On 08 November 2013, 139,100,000 shares were issued pursuant to a share purchase plan offered to eligible shareholders.
The shares were issued at a price of $0.01 per share.

On 22 November 2013, 60,000,000 shares were issued pursuant to a share placement offer.
The shares were issued at a price of $0.01 per share.

14. SHARE CAPITAL continued

GROUP	**2015 Cents per share**	**2014 Cents per share**
Basic earnings per share	(0.12)	(0.18)

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

	$'000	**$'000**
Net deficit	(1,373)	(1,541)
	No.	**No.**
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,102,153,565	892,953,055

	2015 Cents per share	**2014 Cents per share**
Diluted earnings per share	(0.12)	(0.18)

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

	$'000	**$'000**
Net deficit	(1,373)	(1,541)
	No.	**No.**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,102,153,565	892,953,055

	2015 Cents per share	**2014 Cents per share**
Net tangible asset/(liability) per share at year end	0.28	0.37

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

	$'000	**$'000**
Net tangible assets	3,135	4,128
	No.	**No.**
Number of ordinary shares held at 31 March 2015	1,102,153,565	1,102,153,565

14. SHARE CAPITAL continued

GROUP	**2015 Cents per share**	**2014 Cents per share**

Net tangible assets
As at 31 March 2015 the net tangible asset per share was 0.28 cents (2014: 0.37 cents).

Total assets	5,249	6,461
Less intangible assets	(1,668)	(2,048)
Less total liabilities	(446)	(285)
Net tangible assets	3,135	4,128
Number of shares outstanding ('000)	1,102,153	1,102,153
Net tangible assets per share (cents)	0.28	0.37

15. RELATED PARTY TRANSACTIONS

During the period the following transactions were entered into with related parties:

Mr C E Dawson was Chief Executive Officer of Otago Innovation Limited, a wholly owned subsidiary of the University of Otago. During the period the University of Otago provided rental space, goods and services to BLIS Technologies Limited. The total value of these services was $103,680 (2014: $95,016). $4,904 was owing at 31 March 2015 (2014: $3,875).

Mr A P Offen provided Executive Director services during the year. Payments for these services amounted to $43,050. No services were provided during the year ended 31 March 2014. There was nil amount owing at 31 March 2015 (2014: $0)

During the year, BLIS products were sold to the following related parties:

Associated entity	**Director**	**2015**	**2014**
P F Fennessy	P F Fennessy	$1,636	$1,856
B H Wallace	B H Wallace	-	$369
A J McKenzie	A J McKenzie	-	$283
Edinburgh Equity Ltd	A P Offen	$117	-

Lozenges are also made available to the staff and Board members. Small quantities of 'seconds' of no commercial value are provided to staff and Board members for personal use.

16. COMMITMENTS FOR EXPENDITURE

(a) Capital expenditure commitments
As at 31 March 2015 there is $40,639 of capital expenditure commitments (2014: $23,904).

(b) Lease commitments
Non-cancellable operating lease commitments are as follows:

GROUP	**2015 $'000**	**2014 $'000**
Less than 1 year	92	67
1 - 5 years	319	238
Longer than 5 years	270	172

17. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no material contingent assets or contingent liabilities at 31 March 2015 (2014: $Nil).

18. GOING CONCERN

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

The Group has recorded a net deficit of $1,373,040 (2014: $1,541,224) for the year ended 31 March 2015.

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 $2,146,492 as at 31 March 2015 which is considered more than sufficient to offset an anticipated near term operating deficit and to meet its capital expenditure and working capital requirements.

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.

While 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, there remains uncertainty as to whether the Group can achieve commercial sales levels sufficient to deliver the cash flow required to operate as a going concern, following utilisation of current and any future available cash resources. In the event it fails to achieve future profitability as planned 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 Property, 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.

19. SEGMENTAL REPORTING

19.1 Adoption of NZ IFRS 8 Operating Segments
The Group is internally reported as a single operating segment to the chief operating decision-maker.

19.2 Revenue from major products and services

GROUP	2015 $'000	2014 $'000
The Group's revenues from its major products and services were as follows:		
BLIS products	2,413	1,263
Other	218	59
Total revenue	2,631	1,322

Other revenues include interest received and contract manufacturing revenue of non BLIS branded products.

19.3 Information about geographical areas

The Group operates in four principal geographical areas; Australasia, Asia (including 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:

GROUP Trading revenue	2015 $'000	2014 $'000	2015 $'000	2014 $'000
	Revenue from external customers		Non-current assets	
Australasia	685	547	2,284	2,423
Asia (including China)	241	306	-	-
Europe	831	234	-	-
North America	664	106	-	-
Rest of the world	102	70	-	-
Total trading revenue	2,523	1,263	2,284	2,423
Other	108	59	-	-
Total revenue	2,631	1,322	2,284	2,423

Included in revenue are revenues of $1,212,136, $507,944 and $382,149 (2014: $596,627, $377,934 and $50,433) which arose from sales to the Group's three largest customers.

20. RECONCILIATION OF NET DEFICIT WITH CASH FLOWS FROM OPERATING ACTIVITIES

GROUP	2015 $'000	2014 $'000
Net surplus/(deficit) for the year	(1,373)	(1,541)
Adjustments for non-cash items:		
Amortisation of capitalised product development costs	389	390
Amortisation of patents	64	54
Amortisation of website development	10	25
Depreciation	97	24
Foreign exchange loss/(gain)	(10)	10
Loss/(Gain) on sale of fixed asset	-	13
	(823)	(1,025)
Movements in working capital		
Accounts receivable	(229)	(27)
Prepayments	(28)	4
Inventories	(176)	124
Accounts payable	161	(52)
	(272)	49
Net cash inflow/(outflow) from operating activities	(1,095)	(976)

21. FINANCIAL INSTRUMENTS

All of the Group's financial assets are recognised as loans and receivables measured at amortised cost. The Group does not have any financial assets recognised as held to maturity, designated at fair value or available for sale. All of the Group's 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 or trade financial instruments, including derivative financial instruments, for speculative purposes. 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 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 2014.

(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. 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 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 does not hedge this risk.

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

GROUP	**2015 $'000**	**2014 $'000**
Australian Dollar	8	11
Euro	130	-
United States Dollar	441	173

The table expresses foreign currency amounts in New Zealand dollar equivalents using the exchange rates at 31 March 2015 and 31 March 2014. The rates applied at 31 March 2015 were:

NZ$1: AU$0.9785 (2014: AU$0.9364)
NZ$1: EU$0.6918 (2014: N/A)
NZ$1: US$0.7490 (2014: US$0.8664)

(f) Other price risk
The Group is not exposed to substantial other price risk arising from financial instruments.

(g) Credit risk
Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. Financial instruments which potentially subject the Group to credit risk, principally consist of bank balances and Accounts receivable. The Board monitors and manages the exposure to credit risk.

The maximum exposures to credit risk at balance date are:

GROUP	**2015 $'000**	**2014 $'000**
Cash and short-term deposits	2,146	3,652
Accounts receivable	413	212
	2,559	3,864

Ageing receivables breakdown

GROUP 2015	**Gross amounts receivable $'000**	**Impairment $'000**	**Net balance $'000**
Ageing analysis of trade receivables			
0 - 30 days (not past due)	403	-	403
31 - 60 days	1	-	1
61 - 90 days	8	-	8
Greater than 90 days	1	-	1
Total past due	10	-	10
Total of trade debtors	413	-	413

GROUP 2014	**Gross amounts receivable $'000**	**Impairment $'000**	**Net balance $'000**
Ageing analysis of trade receivables			
0 - 30 days (not past due)	123	-	123
31 - 60 days	1	-	1
61 - 90 days	79	-	79
Greater than 90 days	9	-	9
Total past due	89	-	89
Total of trade debtors	212	-	212

At 31 March 2015, Accounts receivable include an amount of $172,771 (2014:$80,533) due from one customer and $129,983 from another customer (2014:$0). All of the Group's bank accounts are held with Bank of New Zealand and Westpac Banking Corporation Limited. 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 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 except where the Group is entitled and intends to repay a liability before its maturity.

Group 31 March 2015	Weighted 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	Total $'000
Financial assets:									
Cash and short-term deposits	2.98	2,146	-	-	-	-	-	-	2,146
Accounts receivable	-	464	-	-	-	-	-	-	464
Total	-	2,610	-	-	-	-	-	-	2,610
Financial liabilities:									
Accounts payable	-	446	-	-	-	-	-	-	446
Total	-	446	-	-	-	-	-	-	446

Group 31 March 2014	Weighted 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	Total $'000
Financial assets:									
Cash and short-term deposits	4.03	3,652	-	-	-	-	-	-	3,652
Accounts receivable	-	235	-	-	-	-	-	-	235
Total	-	3,887	-	-	-	-	-	-	3,887
Financial liabilities:									
Accounts payable	-	285	-	-	-	-	-	-	285
Total	-	285	-	-	-	-	-	-	285

(i) Sensitivity analysis

The Group is exposed to foreign currency risk arising from license revenue and 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 accounts receivable. 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. However, 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 is also not considered material at balance date.

(j) 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.

STATEMENT OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 MARCH 2015

Board and Management are committed to ensuring that the Company maintains corporate governance structures which ensure that the Company operates efficiently and effectively in the best interests of the Company, but at the same time recognises that certain elements of international "best practice" corporate governance are not appropriate for a small company.

This Statement of Corporate Governance provides a summary of the Company's corporate governance processes, and the Code of Conduct contained in the Board of Directors Operations Manual.

The Company's corporate governance policies are based on the nine principles of corporate governance issued by the Financial Markets Authority. The nine principles are:

- Ethical standards
- Board composition and performance
- Use of Board Committees where this would enhance effectiveness
- Reporting and disclosure
- Remuneration of Directors and Executives
- Risk management
- Quality and independence of the external audit process
- Shareholder relations
- Stakeholder interest.

Financial Statements

The Directors are responsible for ensuring that the Company's financial statements give a true and fair view of the financial position of the company and its financial performance and cash flows for the year. The external auditors are responsible for expressing an opinion on the financial statements, based on their review and assessment of the conclusions drawn from evidence obtained in the course of the audit.

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

Role of the Board of Directors

Directors are elected by the shareholders to govern the Company in the Company's best interests. 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 use 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 Chief Executive Officer within this framework.

The primary responsibilities of the Board include:

- establishing the long-term goals of the Company and strategic plans to achieve those goals;
- succession planning for the Chief Executive Officer and the Board;
- risk management in order to protect its employees, assets, earnings and reputation;
- reviewing and adopting a plan and operating budget produced annually;
- monitoring environmental, social and financial performance;
- ensuring that the Company has implemented adequate systems of internal controls including internal financial controls together with appropriate monitoring of compliance activities;
- appointing and monitoring the Chief Executive Officer and other executive managers and determining their remunerations;
- communicating with shareholders and other stakeholders; and
- approving the annual and half-year financial statements;
- providing the necessary leadership and responsible for the major decisions that influence health and safety: the strategic direction, securing and allocating resources and ensuring the Company has appropriate people, systems and equipment.

The Directors appoint a chair from amongst their members. The Board supports separation of the role of Chairman and Chief Executive Officer. The Chairman's role is to provide leadership and to manage the Board effectively.

The Chief Executive Officer is not a Director, and where necessary, the Board will meet without the Chief Executive Officer being present.

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

Board membership and independence

The Constitution currently sets the size of the Board at a minimum of three and at least two Directors must be resident in New Zealand. The Board currently comprises six Directors, comprising a Chairman, Deputy Chairman and four Directors appointed for their mix of commercial and technical skills. The Board aims to meet on at least six occasions in the financial year. Under the Company's constitution, one third of all Directors must retire every year, but can be re-elected at an Annual Meeting if eligible.

Five Directors are non-executive members, one Director an Executive Director (in a short term part time support role), four are independent members. The independent directors are Mr P F Fennessy, Mr G Boyd, Ms V Aris and Mr B H Wallace. 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 NZSX Listing Rules) where for instance he or she has any direct or indirect interest or relationship with the Company which could reasonably influence, in a material way, that Director's decisions relating to the Company. The Board will consider all relevant circumstances when determining independence.

The Company has no requirement for Directors to hold shares in the Company but actively encourages them to do so.

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

The procedures for the appointment and removal of Directors are governed by the Company's Constitution and the NZSX Listing Rules. One-third of the Company's Directors (rounded, if necessary, to the nearest number) are required to retire and may stand for re-election at every Annual Meeting, with those Directors to retire being those who have been in office longest since they were elected or deemed to be elected.

Directors' remuneration is fixed and may only be increased by shareholders at the Company's Annual Meeting, upon the recommendation of the Board as a whole. The Board is responsible for determining the remuneration paid to each Director.

Code of Conduct

As part of the Board's commitment to the highest standard of conduct, the Company has adopted a code of conduct as part of a Directors' Operations Manual to guide 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;
- Code of ethics.

Newly-elected Directors are required to familiarise themselves with and comply with the Directors' Operations Manual. Training is also provided to new and existing Directors where this is required to enable Directors to fulfil their responsibilities.

Conflicts of interest
As part of the Code of ethics contained in the Board Operations Manual there is a 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, including the NZSX Listing Rules. The interests and associates, individual shareholders and the personal interests of the Director and their family must not be allowed to prevail over those of the Company and its shareholders generally.

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

The Board has established an audit 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 committee are set out in the Director's Operations Manual. Membership of the audit committee comprises three directors, the majority of whom are independent and the chair of the Board shall not be the chair of the audit committee. The current members of the audit committee are Bevan Wallace (independent Chairman) Tony Offen (non-independent) and Graeme Boyd (independent).

The Board considers the recommendations of the audit 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 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.

NZX Corporate Best Practice Code
Given the size and composition of the Board, there are no significant benefits in delegating matters in relation to the Board nomination and director remuneration processes.

Other than on these points, the Company's Corporate Governance processes do not materially differ from the principles set out in the NZX Corporate Governance Best Practice Code.

ADDITIONAL STOCK EXCHANGE INFORMATION
FOR THE YEAR ENDED 31 MARCH 2015

The Company's ordinary shares are listed on the NZX Limited Main Board (NZSX). As at 31 March 2015 the total number of issued ordinary shares in the Company was 1,102,153,565.

1. Substantial security holders
The Company's register of the disclosure by substantial security holders, kept in accordance with section 35C of the Securities Markets Act 1988 recorded that as at 31 March 2015 the following shareholders have a relevant interest in 5% or more of the ordinary shares in the Company:

Name	Number of voting securities ordinary shares
Sinclair Long Term Holdings Limited	144,674,355
UOB Kay Hian Private Limited	93,750,000
Xu Qi Wu & Yao Hong Shen	65,000,000
Edinburgh Equity Limited	58,257,388

2. Spread of security holders at 31 March 2015 - ordinary shares

Number of security holders		
1 – 50,000	488	35.55%
50,001 – 100,000	276	20.10%
100,001 – 150,000	105	7.65%
150,001 – 200,000	95	6.92%
200,001 – 300,000	103	7.50%
300,001 – 500,000	100	7.28%
500,001 – 1,000,000	94	6.85%
1,000,001 – 5,000,000	86	6.26%
5,000,001 and above	26	1.89%
Total number of holders	**1,373**	**100.00%**

3. Twenty largest equity security holders
The names of the 20 largest holders of each class of quoted equity security as at 31 March 2015 are listed below.

Top 20 shareholders	Number of issued ordinary shares	Percentage issued
Sinclair Long Term Holdings Limited	144,674,355	13.13%
UOB Kay Hian Private Limited	93,750,000	8.51%
X Qi Wu & Yao Hong Shen	65,000,000	5.90%
Edinburgh Equity Limited	58,257,388	5.29%
Mingchun Qiu	54,374,769	4.93%
Asia Pacific Partners Limited	31,500,000	2.86%
Michael Herbert Bird	30,000,000	2.72%
Hui Ai Adriana Tong & Morlan Tong	29,000,000	2.63%
Stephen Patrick Ward & Julie Patricia Ward & James Michael Ward	26,774,672	2.43%
Mark Alexander Stevens & Wendy Joanne Stevens & WMC Trustees Limited	24,094,577	2.19%
SIL Long Term Holdings Limited	22,928,571	2.08%
New Zealand Central Securities Depository Limited	21,584,912	1.96%
Custodial Services Limited	17,991,821	1.63%
Richard Mark Keenan	10,000,000	0.91%
Bevan Hugh Wallace	7,500,000	0.68%
University Of Otago	6,700,000	0.61%
Graeme Alan Hoy	6,698,181	0.61%
Alan James Phillips & Helen Marie Phillips	6,670,307	0.61%
Vivienne Louise Cowan	6,000,263	0.54%
Peter Francis Fennessy & Mary Elizabeth Fennessy	5,798,182	0.53%
	669,297,998	**60.73%**

4. Directors' shareholdings

The following table sets out, for the purposes of the disclosures required under NZSX Listing Rule 10.4.5 (c) of the NZSX Listing Rules, the relevant interests of Directors and associated persons of the Directors in equity securities of the Company as at 31 March 2015.

Name of Director		Number of equity securities in which a relevant interest is held by the Director	Number of equity securities in which a relevant interest is held by an associated person (and not included in the previous column)
P F Fennessy	Ordinary	5,798,182 (1)	-
A P Offen	Ordinary	58,257,388 (2)	-
A J McKenzie	Ordinary	173,964,129 (3)	-
B H Wallace	Ordinary	14,250,000 (4)	-
B C Richardson (Chief Executive)		17,903,624 (5)	-

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

1) The number of equity securities in which Mr P F Fennessy holds a relevant interest includes 5,798,182 ordinary shares, in which the PF & ME Fennessy Family Trust has a relevant interest.

2) The number of equity securities in which Mr A P Offen holds a relevant interest includes 58,257,388 ordinary shares, in which Edinburgh Equity Limited has a relevant interest. Mr Offen is a director of Edinburgh Equity Limited and has a relevant interest in shares in the Company.

3) The number of equity securities in which Mr A J McKenzie holds a relevant interest includes:
   - 144,674,355 ordinary shares, in which Sinclair Long Term Holdings Limited has a relevant interest. Mr McKenzie is a non beneficial director of Sinclair Long Term Holdings Limited
   - 1,099,346 ordinary shares, in which A J McKenzie & Co Limited has a relevant interest.
   - 22,928,571 ordinary shares, in which SIL Long Term Holdings Limited has a relevant interest. Mr McKenzie is a non beneficial director of SIL Long Term Holdings Limited
   - 5,100,000 ordinary shares, in which Pinot Trust has a relevant interest. Mr McKenzie is a non-beneficial Trustee of Pinot Trust.

   Mr A J McKenzie also has a beneficial interest in 161,857 ordinary shares owned personally.

4) The number of equity securities in which Mr B H Wallace holds a relevant interest includes:
   - 3,250,000 ordinary shares, in which the Bevan Wallace Family Trust has a relevant interest,
   - 2,500,000 ordinary shares, in which the Wallace Family Trust has a relevant interest,
   - 750,000 ordinary shares, in which Morgan Wallace Limited has a relevant interest,
   - 250,000 ordinary shares, in which Lee & Wallace Holdings Limited has a relevant interest.

   Mr B H Wallace also has a beneficial interest in 7,500,000 ordinary shares owned personally.

5) The number of equity securities in which Mr B C Richardson holds a relevant interest includes 17,903,624 ordinary shares, owned jointly with Mrs J V Richardson (held on account at Custodial Services).

5. Credit rating

The Company does not currently have a credit rating.

6. NZX matters

No waivers were granted by NZX (or relied upon) with respect to the Company during the period 1 April 2014 to 31 March 2015.

In relation to Listing Rule 5.4.2, the NZX exercised the following powers.

On 1 December 2014, the NZ Markets Disciplinary Tribunal ("the Tribunal") found that the Company breached NZX Main Board Listing Rules 10.1.1(a) and (b). The breaches related to the timing of the market release made by the Company in connection with the expansion of the Sinopharm Trial following an interview on 19 August 2014 by the CEO with a journalist from Fairfax Media which was subsequently published on 24 August 2014. An announcement to the market regarding the trial was subsequently made on 25 August 2014. The Tribunal found that:

a. by 19 August 2014, the Company was aware of Material Information, namely the expansion of the Sinopharm Trial, which should have been immediately disclosed to the market. As the information was not released to the market until 10.07am on 25 August 2014, the Tribunal considered that BLT breached Listing Rule 10.1.1(a); and

b. the Company breached Listing Rule 10.1.1(b) by providing the Material Information to a member of the public (a Fairfax Media journalist) on 19 August 2014 before that information had been released to NZX on 25 August 2014.

The Tribunal imposed a penalty of $30,000 on the Company plus costs for breach of the Listing Rules. A copy of the Tribunal's decision was released to the market on 12 December 2014.

7. Diversity Policy

As at 31 March 2015, five of the Directors of the Company were male and one female. The Chief Executive Officer, Chief Financial Officer, Operations Manager and Business Manager for Asia/Pacific were also male.

As at 31 March 2014 all five of the Directors of the Company and the Chief Executive Officer and Chief Financial Officer were male. The Chief Executive Officer, Chief Financial Officer, Operations Manager and Business Manager for Asia/Pacific were also male.

The Company does not have a Gender Diversity Policy for the Board and Management as at 31 March 2015.

8. Independence of Directors

As at 31 March 2015, the following Directors are considered by the Board to be independent (as defined by the NZSX Listing Rules): Mr P F Fennessy, Ms V Aris, Mr G Boyd and Mr B H Wallace.

As at 31 March 2015, the following Directors are considered by the Board to not be independent: Mr A P Offen and Mr A J McKenzie.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BLIS TECHNOLOGIES LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Blis Technologies Limited and its subsidiaries ('the Group') on pages 13 to 37, which comprise the consolidated balance sheet as at 31 March 2015, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the consolidated financial statements.

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

Our firm carries out other assignments for Blis Technologies Limited in the areas of other assurance services and taxation compliance services. In addition to this, partners and employees of our firm deal with Blis Technologies Limited and its subsidiaries on normal terms within the ordinary course of trading activities of the business of Blis Technologies Limited and its subsidiaries. These services have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, Blis Technologies Limited or any of its subsidiaries.

Opinion

In our opinion, the consolidated financial statements on pages 13 to 37 present fairly, in all material respects, the financial position of Blis Technologies Limited and its subsidiaries as at 31 March 2015, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand.

Deloitte

Chartered Accountants
22 May 2015
Dunedin, New Zealand

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