

ANNUAL REPORT 2020

For the Year Ended
31 March 2020



The background of the entire page is a dense, overlapping pattern of Ultrablis product containers. Each container is white with a black circular label in the center. The label features the 'ultraBLIS' logo, where 'ultra' is in a smaller, lowercase font and 'BLIS' is in a larger, bold, uppercase font. The containers are arranged in a way that creates a sense of depth and repetition.

The 2020 financial year saw Blis continue to deliver on its objective of sustainable profitable growth. We have further strengthened our revenue base with solid growth across our existing markets having established key new markets for our BLIS® finished product range in Australia and on the Amazon USA online platform.

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One of BLIS K12™'s core value propositions, supported with clinical evidence, is the ability to stimulate natural immunity. BLIS K12™ acts in the oral cavity protecting the gateway to the body. In the fourth quarter of FY20 we have seen a sharp increase in sales of our BLIS® probiotic brands through pharmacies and online channels. While the increase is across the entire BLIS® range, it is particularly evident for our products with an immune boosting value proposition and therefore likely related to COVID-19. BLIS *TravelProtect™*, *DailyDefence™*, *ThroatGuard PRO™*, *ElitePRO™* and *UltraBLIS™*, a unique combination of oral and gut probiotics.

Key achievements.

FY20 HIGHLIGHTS

33%

5 Year compound
annual revenue
growth rate

\$1.6m

Reported profit
for the year

up **320%**

\$2.1m

EBITDA

up **130%**

\$10.6m

Revenue

up **29%**

\$4.1m

Working capital
at year end

up **\$1.8m**

Key regulatory approvals



BLIS M18™ Health
Canada approval



BLIS K12™ Health
Canada expanded
approval



BLIS M18™ US GRAS
No Objection status

New senior management appointments



Commercial
Director



Science Manager
– Research



Senior Science
Manager -
Development

Covid-19 Response

- Free product provided to Pharmacy and GP frontline staff
- Essential Business supplying the Pharmacy channel
- Increased production to meet demand

Unite
against
COVID-19

Validation of alternative second supplier of probiotics ingredient

Strategy.

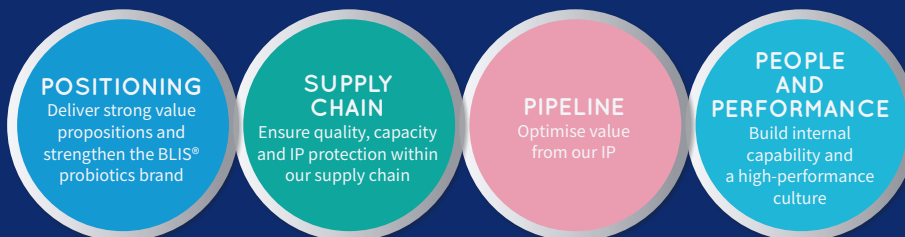
Company vision

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

Value proposition

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

Our strategic priorities



Our objective

Blis Technologies will continue to focus on capturing the benefits of vertical integration by controlling our intellectual property, delivering product innovation and ensuring the highest quality standards throughout the manufacturing processes and supply chain.

Our current core internal functions include:

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

Our addressable markets

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

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

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

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

It's been a big year. ∨

Apr
2019

Blis M18™ US FDA
“No Objection”
status.

Blis exhibits at
AliExpo and debuts
the BLIS® mascots.



May
2019

Blis becomes
Official Wellness
Partner to The
Highlanders.



Blis M18™ Health
Canada approval.

Blis is profiled for
a feature on Fox
Business News.



Aug
2019

Inaugural
Dental Health
Advisory Group
Meeting.

Sept
2019

Blis wins the Health/
Beauty category at the
TVNZ marketing awards
for ThroatGuard PRO.



Nov
2019

Australian Product of the year award – Probiotics category

BLIS K12™ – Health Canada expanded approval.

Dec
2019

ElitePRO™ gets its own campaign with The Highlanders as the face of the product.



Feb
2020

BLIS® Probiotics are showcased at the Canadian Health Foods Association (CHFA) Trade show in Toronto in with Dr John Hale presenting.



Mar
2020

Completed a validation of a second supplier for probiotic ingredient.

Free BLIS® product provided to frontline Pharmacy and General Practice staff in response to COVID-19 pandemic.



Blis becomes the official Wellbeing Partner to The Ascot Park Southern Steel.

STRENGTH
SPEED
ENDURANCE
IMMUNITY



Sustained profitable growth.

Chair & Chief Executive's Report

Continuing to deliver on expectations

On behalf of the Board, we are delighted to present the Annual Report for the Blis Technologies Group¹ (The Company, the Group, Blis Technologies, or Blis) for the financial year ended 31 March 2020 (FY20), a year in which we have continued to deliver on our objective of achieving sustained profitable growth. We have recorded on the prior pages the numerous highlights that the Blis team have collectively worked so hard to deliver.

Financially, the Group benefitted from revenue growth, maintaining margins and leveraging fixed overheads. Reported revenue was \$10.6 million, a 29% increase on 2019 in line with latest guidance. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 130% to \$2.1m and a strong result of net profit after tax of \$1.6 million, 320% up on the previous financial year (FY19).

Operationally, it has been incredibly satisfying to have our products receive further overseas regulatory approvals together with marketing awards. The US FDA GRAS granting of a “No Objection” status for BLIS M18™ and Health Canada’s approval of BLIS M18™ and expanded approval for BLIS K12™ has strengthened our position as a trusted product in both markets. Our winning of the Health and Beauty sector award at TVNZ National Marketing awards and Product of the Year – Probiotics section at the Australian Marketing awards were true highlights for the entire Blis team and our distributor partners.

Financial overview

The result for FY20 was driven by revenue growth of 29% to \$10.6m, up from \$8.2m in FY19. Other income, which includes interest income and Callaghan Growth Grant quarterly rebates rose by 30% to \$0.2m.

The 130% increase in EBITDA, which rose to \$2.1m compared to \$0.9m in FY19, reflects turnover scale, robust margins and stable fixed overheads.

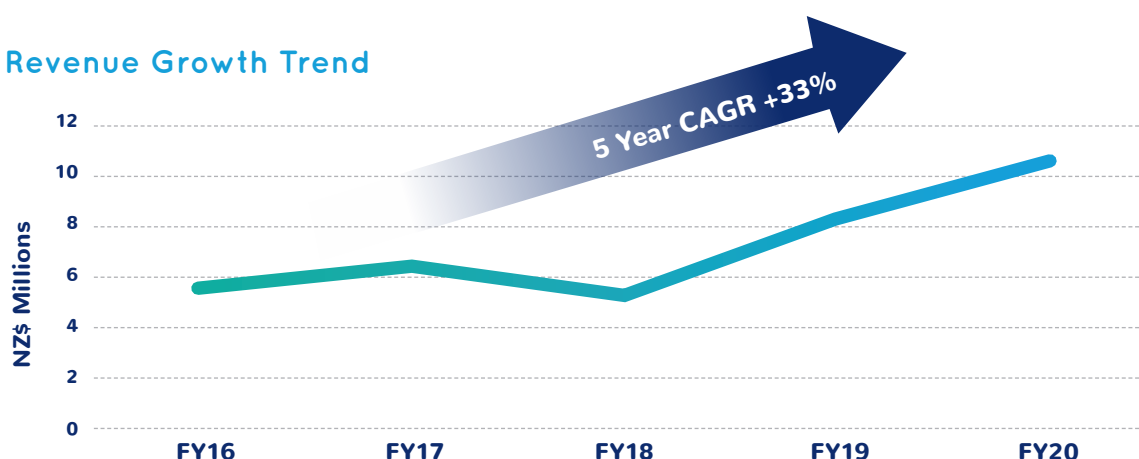
Operating costs have increased by 25% to \$6.4m over FY19, reflecting our investment in growing new revenue streams and investing in R&D. Operating costs as a percentage of revenue has decreased from 62% in FY19 to 60% in FY20. We have also balanced our ongoing investment in developing new markets and pipeline to ensure we deliver on our objective of sustainable profitable growth. Our ongoing marketing investment has been directed toward revenue growth initiatives.

With increased scale we are also delivering efficiencies from our production facility.

Net profit after tax was \$1.6m, up 320% on last year’s \$0.4m maiden profit. There was no provision for tax payable after recognising \$0.5m of tax losses during the year (FY19 \$0.1m).

1. Blis Technologies Group consists of parent company Blis Technologies Limited and wholly-owned subsidiary Blis Functional Foods Limited.

Revenue Growth Trend



Regional performance

The 29% revenue growth recorded in FY20 has been achieved on the back of growth within our existing partnerships with key market players. Selection of key partners and then supporting their initiatives in market for BLIS® products is fundamental to delivering continued profitable growth opportunities while operating with a modest capital base. Additionally, we continue to take a disciplined approach to balancing business development investment levels with the need to achieve earnings growth.

Asia Pacific

Revenue decline of 8% to \$3.7m in FY20, revenue (excluding Australia) growth of 31%

FY19 Asia Pacific revenue significantly increased on the back of signing a distribution agreement with iNova Pharmaceuticals (Singapore) Pty Limited (iNova) for the Australian market. A substantial volume of product was supplied in the fourth quarter of FY19 to support the Australian Pharmacy channel launch in quarter one FY20. Sales to iNova in FY20 were in line with expectation at approximately half of that recorded in FY19 as a result of the early pipeline fill. iNova's pharmacy ranging capability, education of pharmacy staff and building of consumer brand awareness has provided an excellent platform for ongoing success in this important growth market.

Asia Pacific excluding Australia had 31% growth in revenue. New Zealand revenues grew by 39% in FY20 to \$1.7m. The BLIS® portfolio continues to perform well in New Zealand pharmacies with ThroatGuard Pro maintaining its position as the number one selling throat lozenge in pharmacy. Japan also continued to experience solid growth.

Our strategy for the China market has seen a broadening in focus from establishing a China domestic presence, to also building support for "cross border eCommerce" (CBEC) and Daigou channels. The CBEC and Daigou channels will be more actively targeted in the 2021 financial year (FY21) by building on our success with early sales in the CBEC channel and the initiation of brand building activity together with the support of established resellers.

In February and March 2020, as awareness of COVID-19 became widespread, we saw a significant lift in sales of our immunity targeted products. Pleasingly we were quickly able to step up production to meet the increased demand and have seen the higher demand levels maintained in the new financial year.

Europe/ Middle East/ Africa

Revenue growth of 33% to \$4.0m in FY20

It has been a satisfying year for this region based on steady growth in existing markets as well as newer markets showing strong sales. Year on year growth in this important market continues to deliver a solid return. Our distribution partner in Europe and the Middle East, Bluestone Pharma (BSP), continues to successfully implement a strategy focused on launching consistent value propositions to health professionals ensuring a broad acceptance and recognition within the medical community. In line with this strategy BSP has expanded Key Opinion Leader programmes across the region with their customer base. During the year, over 100 educational congress have been held with medical professionals in the region.

Poland remains a key market for the region. Sales growth has been underpinned by a television campaign launched in the

fall of 2019 by our distributor's customer Maspex. We also saw a return to growth in Italy driven by further clinical trial support as well as increased rates of healthcare professional detailing.

Newer markets drove growth including Russia, Belgium and Switzerland.

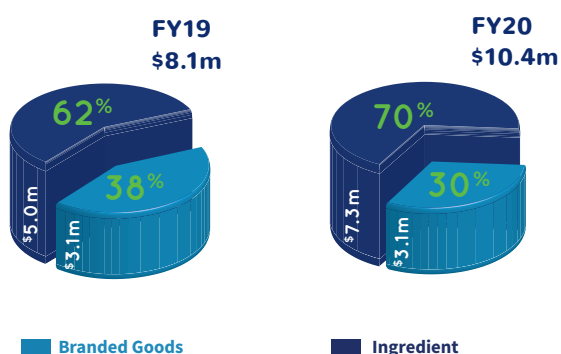
New launches included powder forms of BLIS K12™ based products for kids in the Ukraine and Romanian markets

North America Revenue growth of 142% to \$3.0m in FY20

Branded ingredient sales to North America have performed well. Our distribution partner, Stratum Nutrition has continued to expand the customer base through new customer launches and the utilisation of a range of sales channels including retail, direct selling and on-line. In the final quarter of the year we saw a significant increase in order volume and frequency from the existing customer base as brands responded to the increased demand based on COVID-19 needs. Feedback from our distributors and customers anticipates this demand remaining.

Steady sales growth continues to be delivered on the Amazon platform since the launch in June 2018, in particular, the ThroatHealth™ and Teeth&Gums™ products. In FY20 we have grown this channel almost five-fold. We continue to optimise our operations on this platform, and refining our knowledge of how to maximise future growth opportunities.

Branded finished product FY20 revenue split BLIS® branded finished products compared with BLIS® Ingredient compared with FY19 split (Absolute and percentage)



Revenue for our BLIS® branded finished products segment was \$3.1m compared with \$3.1m in FY19. Although year on year growth was flat, the heavy loading of the pipeline fill to support the Australia launch in FY19 has masked the growth achieved in New Zealand and Amazon US sales. Overall, the underlying strength across our BLIS® branded markets has been encouraging.

At the same time, we were able to continue the growth in our BLIS® ingredient revenue which increased by 46% to \$7.3m, up from \$5.0m a year ago. Of note is the growth achieved in ingredient sales to North America, Japan and Europe.



Balance sheet

The strong trading result for FY20 has contributed to an improved net working capital position of \$4.1m, up from \$2.3m in FY19. Operating cash flows of \$3.2m were applied against capital purchases of \$0.2m and \$0.7m repayment of the BNZ trade credit facility, utilised at the end of FY19 to support supply of product for the Australian launch. Cash on hand of \$3.2m provides necessary liquidity to provide resilience to periodic fluctuations in trading levels in these challenging times and the capacity to invest in R&D and business development.

While we are very pleased with the financial progress made to date and have been encouraged by the early results from a number of new market launch initiatives, we remain cognisant of the ongoing challenges within our industry. These challenges include overcoming delays in new regulatory approvals, dealing with long lead times to progress new customer initiatives and managing growth opportunities on a limited budget.

The recent disruption and economic downturn related to the COVID-19 pandemic also represents an opportunity to position our products as research-backed solutions to boosting immunity. The downside risks include disruptions to raw material supply, reduced freight capacity to and from overseas markets and a reduction in consumers' discretionary spend. We are closely monitoring these risks.

Our team of staff and distribution partners has enabled us to mature systems and processes to address these obstacles and this will continue to be an important area of focus as we strive to further build on the momentum achieved in the past two years.

Progress against strategic priorities

Positioning – deliver strong value propositions and development of the BLIS PROBIOTICS™ brand

Focus on being a supplier of BLIS® branded finished goods (including prominent co-branding) to ensure Blis is recognized as the manufacturer allowing future-proofing of the business by developing a relationship of trust with customers and consumers.

- TVNZ Marketing award – Health and Beauty Sector 
- Australian Product of the year – Probiotic category 
- Launched UltraBLIS™ a unique combination of Oral and Gut probiotics 
- Continued growth of BLIS® branded products on Amazon USA platform 
- Growth NZ Pharmacy and BLIS® on-line 
- CBEC Platform development 
- Canadian Launch preparation 

Supply chain – ensure quality, capacity and IP protection within our supply chain

Be the core source of knowledge about BLIS® products by having internal expertise and control of processes throughout the supply chain (from the organism to fermentation to formulation to end-products, including regulatory and clinical efficacy right through to the consumer).

- Offshore ingredient supply including a Dairy Free option 
- Actioned continuous improvement initiatives within Blis manufacturing 
- Capacity increases to meet increased demand as a result of COVID-19 

R&D Pipeline – optimise value from our IP

Utilise the library of defined organisms as the core resource that underpins the future of the Company including new product and formulation initiatives to meet consumer needs.

- Health Canada approval BLIS M18™ and expanded BLIS K12™ approval 
- BLIS Q24™ finished product prototype developed for further testing 
- Ongoing Callaghan Innovation Growth Grant 
- Supported joint University research projects: Food application 

People and Performance – build internal capability and a high-performance culture

Build a high-performance culture to ensure internal capability is maintained and process excellence supports our growth goals.

- 
- Employed a Commercial Director 
- Employed a Science Manager for Research 
- Overall increase in staffing to 25 FTE 
- Director succession planning and recruitment

Positioning

We see the potential for considerable growth being delivered by strategically prioritising investment in BLIS® branded finished goods. This was demonstrated in FY20 by increased sales growth through our Amazon USA channel, New Zealand pharmacy and online sales and a successful product launch in the Australia market.

With the progression of COVID-19 and a noticeable shift from retail to online shopping we are well placed to fulfil consumers' changing purchasing patterns.

The second year of our relationship with iNova in Australia will see a focus on building greater consumer awareness and demand for the new and unique Blis propositions. The 2020 winter will see iNova building on the early successes it achieved including winning the Australian Probiotic Product of the Year award for ThroatGuard™.

In the second half of FY20 we initiated an intensive market validation exercise in Canada to assess the benefits of prioritising this market for the launch of our BLIS® probiotic range. The exercise has given us good insights into the market and validated our plans to launch during FY21. Ahead of the launch we are in negotiations with a potential distribution partner and are progressing launch planning and preparation.

Throughout FY20 we have had positive feedback from industry groups regarding the marketing and value proposition of our finished products. Winning the TVNZ national marketing award and the Australian product of the year award strongly affirmed our product credibility and market positioning.

In February we launched UltraBLIS™, a unique combination of oral and gut probiotics, on our Blis New Zealand e-commerce site. The product has been an immediate success and will be launched into Pharmacy retail and on to the Amazon US website early in FY21.

Supply Chain

In the last quarter of FY20 we increased staffing at our Dunedin manufacturing site to meet the sales growth across the Blis web site, Amazon US and to support stock building for winter promotions into the New Zealand Pharmacy channel. Additionally, we saw a significant lift in demand as the COVID-19 pandemic intensified. We increased production through February and March to meet this demand, maintaining production through March and into FY21 in our capacity as an "essential business" during Level 4 lockdown. COVID-19 has introduced significant challenge to maintaining normal business operations, notably through maintaining physical distancing, increased lead times from suppliers and delays in securing international freight. To date these issues are being successfully managed to minimise their impact on our business. We also continue to work with contract manufacturers with the right capability to produce high quality finished products on an as needed basis.

Good progress has been made in FY20 to future-proof our ingredient supply chain to meet expected long term growth. The transfer of technology and know-how for future production of both BLIS K12™ and BLIS M18™ to an offshore fermentation supplier was undertaken. This supply came on stream late in FY20 and will represent a key part of our ingredient supply base in future years providing supply closer to key international markets, adding additional capacity to support our growth plans and providing an important risk mitigation in the event of a failure with a supplier.

Research & Development

New product research and development is an important aspect of Blis' operations. We have continued to invest in research and development to deliver a robust pipeline. The Callaghan Growth Grant which provides a 20% rebate on qualifying research and development over a three year period to 31 March 2021 helps underpin this investment. In line with this we have created two new Science Manager roles, one each for research and for development. The development role was filled internally and another PhD qualified scientist has been secured to support our research endeavours.

In February we launched UltraBLIS™, a next generation probiotic supplement targeted at those wanting to optimise their microbiome and strengthen overall immunity. BLIS K12™ has strong evidence in the oral microbiome, and it has been combined in a lozenge format with Bifidobacterium lactis HN019 (HOWARU®), and Lactobacillus acidophilus La-14: 2 strains from Dupont® that have strong evidence bases in immunity. The product will initially be available exclusively online from www.ultrablis.co.nz with planning for a New Zealand retail launch underway.

We have moved our novel probiotic strain BLIS Q24™ for skin applications into late stage development and have produced a finished product prototype ready for market research and testing. Having already completed safety evaluations we have now validated viability in a novel product format for topical application. We believe this product offer will be an attractive addition to the BLIS® portfolio and provide growth opportunities within the booming cosmetic category where probiotic offers are an emerging subcategory.

In August, we held an inaugural Dental Health Scientific Advisory Group meeting. The purpose was to ensure that our R&D programs, as well as our commercial activities in dental health were sound and to provide guidance on how we can continue to improve.

R&D continues to develop probiotic platforms generating a base of understanding of potential probiotic strains, functional ingredients and delivery formats and formulations. Updates from this work include:

- establishing significant capability in the formulation of both novel probiotic liquid formats to complement our lozenge and powder formats. Work will continue to progress these formats towards commercialisation.
- continued evaluation of our extensive library of strains collected by Professor John Tagg over his career for commercially viable candidates with a number progressing through the assessment pipeline.

Joint Blis-Callaghan Innovation supported research projects are providing valuable insights that will contribute to future development activities. A PhD-level research project assessing food formats for oral probiotics is ongoing. This project is being undertaken at the University of Otago and we are very pleased to be able to support and benefit from this important work. Callaghan Innovation further supported three Research Experience students. Further, Blis hosted four internal research

interns. All students were valuable additions to our research endeavours.

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

Regulatory approvals achieved during 2020 included BLIS M18™ being granted a US Food and Drug Administration "Letter of No Objection" in April 2019. BLIS M18™ was approved by Health Canada with specific and substantial claims and the BLIS K12™ dossier was extended to include younger children and improved claims.

Key R & D Milestones

Category	Update
Research	
Development of new molecular tool to assess <i>S. salivarius</i> BLIS K12™ in samples	Published Reid et al ²
Expanded research collaborations including:	• University of Otago (Departments of Microbiology and Immunology, Pharmacology, Food Science, Dentistry & Medicine) • University of British Columbia, Canada • South Hampton University, UK • Utah State University, USA • Griffith University, Australia
Development	
Skin	• Progressed topical skin probiotic formulation through to internal trials. • Commissioning of a finished format contract manufacturer progressed. • Mechanism of action research progressed.
Oral/ENT	• New formulations optimised and developed for delivery of probiotics to the oral cavity included: » Combination products » Food formats » Launch of UltraBLIS™
Supply	
BLIS K12™ and BLIS M18™	• Progressed development of second supplier for <i>S. salivarius</i> raw ingredient including development of hypoallergenic formulations
BLIS Q24™	• Progressed supplier of BLIS Q24™ raw ingredient
Operational	
Method validation	• Completed Enumeration Method Validation of raw ingredient and finished products
External testing laboratory qualification	• Validated new testing laboratory in the USA to complement existing external testing capability.

2. A TaqMan™-based quantitative PCR screening assay for the probiotic *Streptococcus salivarius* K12 based on the specific detection of its megaplasmid-associated salivarin B locus. Reid P et al J Microbiol Methods. 2020 Mar;170:105837.

Category	Update
Clinical trials in progress	• Blis supporting Phase III trial in UBC "Oral Probiotic Supplementation in Pregnancy to Reduce Group B Streptococcus Colonization" https://ichgcp.net/clinical-trials-registry/NCT03407157 • Trial of nasal formulation. (University of Otago) https://www.anzctr.org.au/Trial/Registration/TrialReview.aspx?id=377321&isReview=true. Trial reference: ACTRN12619000779178p • Effect of a probiotic on Otitis media (ear infections) and Upper Respiratory Tract Infections amongst 6-24 month old children. (University of Otago) https://www.anzctr.org.au/Trial/Registration/TrialReview.aspx?id=374076 • Blis Study: a Feasibility Study Assessing Compliance, Acceptability and Colonisation With Different Dosing Regimens of the Probiotic Supplement <i>Streptococcus salivarius</i> K12 in Adults (University of Southampton) https://www.clinicaltrials.gov/ct2/show/NCT04297878
Regulatory	• USA: BLIS M18™ No Objection GRAS (GRAS notice GRN 807). • Canada: In the past financial year, Blis has made significant regulatory progress with both its strains in the Canadian market. Particular highlights included the filing of technical dossiers for both BLIS K12™ and BLIS M18™. These dossiers, updated to include recent clinical data, were subsequently used in the Canadian regulatory system to obtain Health Canada approval of specific health claims.
FY20 Publications	See Blis website.

People And Performance

We are building a high-performance culture, ensuring we have the right internal capability and processes to support our growth goals. We will continue to ensure we have access to the skills that best suit our requirements and allow us to deliver exceptional results. These skills may be internally or externally sourced.

New internal resourcing and capability that was invested in during the year includes appointments of a Commercial Director, a PhD Science Manager-Research focused on early discovery and research initiatives, a PhD Senior Science Manager-Development focused on bringing opportunities to market, a New Product Development role, a Finance Manager, an eCommerce Lead and new production staff.

We also continue to work with external parties, where appropriate, to complement our internal capability. This has included working closely with NZ Trade and Enterprise and external consultants to review our new international market plans including the launch plan for the Canadian market and China cross-border e-commerce. This work continues to validate these new market opportunities as important drivers of future growth.

Over time we have developed a network of both scientific and clinical experts and work with them regularly to validate and challenge our internal R&D efforts. A good example of this is the advisory board process we have in place. In FY20 we held our

inaugural Dental Health Scientific Advisory Group meeting which has added significant value to our R&D focus in the Dental Health area.

R&D capability has been further enhanced during the year by the hosting of interns from various international tertiary institutions who have added value through the introduction of new perspectives and expertise.

Health and Safety

Our approach to health and safety continues to focus on ensuring all of our processes and procedures are high quality and supported by a high level of workforce engagement across the Company. All staff have specific health and safety objectives and our people managers have personalised health and safety objectives relevant to their functional responsibility. We continue to work with an external consultant to ensure our processes and procedures are in line with regulations and best practice.

Of note in FY20:

- Comprehensive Board updates including: Monthly management reports covering lead and lag indicators, good news stories and achievements, H & S committee minutes.
- Monthly hazard assessments across all divisions of the business.

- Following the precautionary chemical incident in July 2019 occurring during a review of chemical stock at the South Dunedin manufacturing site, a review of action taken by staff was undertaken and it was confirmed that appropriate risk mitigation steps and actions were completed. A post review plan has been implemented.

During the early phase of the COVID-19 outbreak, our H & S team led a project to establish safe working practices that enabled Blis to operate as an “essential service” in accordance with Government and MPI guidelines and ensured manufacturing and sales to continue with minimal interruption. Safe working practices were quickly implemented including workplace segregation, social distancing and sanitisation protocols, as well as non-critical staff working from home.

Environment, Social, and Governance

During the year the Board sought independent assistance to more fully understand good practice in regard to environmental, social and governance disclosures. As a result, an ESG report has been included in this annual report. It sets out a first report on the Company's actions in relation to the United Nations Sustainable Development Goals. Blis intends to report each year on progress with the adoption of these goals and targets for the forthcoming year.

In FY21 we intend to start workstreams to develop:

- An understanding of the material issues for our key stakeholders as well as for the Company. By identifying these issues we will be able to integrate them into our thinking, planning and strategies in order to deliver value for our stakeholders and improve the overall performance of our business.
- A set of measurements that will help the board and management to understand Blis' environmental footprint and the level of employee engagement and its organisational culture. These measurements will add to those that are well established in relation to health and safety and product quality.
- A deeper understanding of the disclosures recommended by the Task Force on Climate Related Financial Disclosures.

The report is included at pages 18 to 20 of this report.

Outlook

We have made pleasing progress building on the momentum of recent years to deliver on our financial objective of delivering sustained profitable growth. To ensure this we have effectively delivered revenue growth and balanced our investment to drive this growth along with supporting pipeline development.

The COVID-19 environment represents an increase in both risk and opportunity for the company. Our current view is whilst managing the risk we have a real opportunity to strengthen the Company building an even stronger brand and accelerating our market presence based on consumer interest in solutions to maintain health and wellbeing. Utilising our on-line sales presence and capability built up over the last few years we are well placed to respond to anticipated changes to consumer purchasing behaviours towards this channel.

During FY20 we further built strong foundations for future growth, we have continued to build the BLIS® Probiotics brand, strengthened our R&D pipeline while enhancing our IP position, delivered greater supply capacity and alternate sourcing, and overall our financial resilience has continued to build.

We remain committed to our stated purpose, our value proposition and our strategic priorities whilst recognising that the environmental changes based on COVID-19 will continue to represent both challenges and opportunities that will require close monitoring and flexibility to respond to these.

There remains significant international growth potential for our products and we will continue to pursue the Company's profitable growth objective through developing our relationships with partners capable of resourcing international scale for the business. Key new growth opportunities for the company in FY21 include Canada, China cross border e-commerce and Daigou markets. Along with this we will prioritise growth opportunities with our existing distribution partners and particularly through our on-line channels.

Thank You

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

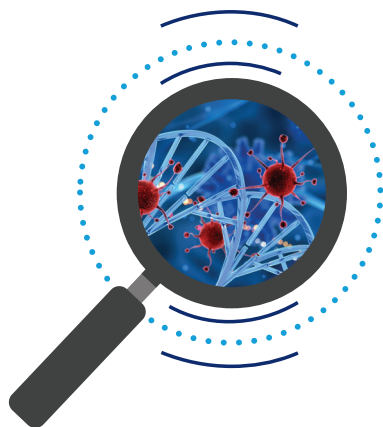
Our overall objective remains delivering sustainable profitable growth and on behalf of everyone at Blis we would like to thank all of our key partners and stakeholders for their role and continued support in working with the Company in meeting its goals.



Tony Offen
Chairman



Brian Watson
Chief Executive Officer



A focus on immunity.

A survey conducted in Q3 of 2019 found that **66% of consumers** understood that having a healthy immune system reduced the risk of illness³.

35% of consumers were willing to purchase products that help boost their immune system, even when they are not suffering from specific health problems but 45% of consumers did not take any steps to improve immunity because “I don’t know how to”.³

COVID-19 has undoubtedly driven consumer awareness of their own health and wellbeing to an even greater level. Now more than ever, consumers are searching for products that can support their immunity. Globally this is a very crowded market but BLIS K12™ continues to provide a unique proposition for those wishing to support their immunity.



DailyDefence™ & DailyDefence Junior™: Everyday immunity support for the entire family from six months onwards. Preparing the immune system for winter.



TravelProtect™: Specific dosing of BLIS K12™ to help boost your immunity and help defend your immune system against airborne ailments when travelling.

3. FMCG Gurus Immunity Survey Q3 2019.



ElitePRO™: Developed in collaboration with High Performance Sport NZ, ElitePRO™ is based on the science behind TravelProtect and goes through an additional step of being tested for banned substances. ElitePRO™ is certified by Informed Sport as safe for athletes. During 2019 ElitePRO™ has become part of the health and wellbeing regime of many of New Zealand's national sports teams. Most notably the Highlanders are utilising BLIS Probiotics to support their immunity (including during lockdown) and recently the Ascot Park Southern Steel netball team have embraced ElitePRO™ as part of their wellbeing program.

New Product Launch: UltraBLIS™: Probiotic Immune Support for Optimal Performance

BLIS K12™ is well known for its ability to support the immune system by helping protect the gateway to the body, but to deliver a broader immunity proposition we have combined BLIS K12™ with gut probiotic strains that had strong evidence in immunity. The Dupont strains *Bifidobacterium lactis* HOWARU® *Bifido* HN019 and *Lactobacillus acidophilus* La-14® have been included into the BLIS probiotics lozenge format for their ability to provide immune support in the gut.

UltraBLIS™ is focussed on optimising the microbiome in the gut as well as in the oral cavity providing unique immunity support.



BLIS PROBIOTICS™

Support your immunity

LEARN MORE AT ultrablis.co.nz

UltraBLIS

The **ultimate** probiotic combo to optimise your microbiome

Always read the label and use as directed. If symptoms persist see your healthcare professional.

BLIS Technologies Ltd, Dunedin. TAPS PPS16

Our approach to sustainability.

Our purpose

“Develop and commercialise unique probiotics for health and wellbeing.”

Our value proposition

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

Our objective

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

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

We recognise that long-term, sustainable business success requires an understanding of the interconnectedness of all of the moving parts of our business and the impact we have on our stakeholders. For Blis this includes our people, customers, community, environment and our shareholders. We understand

that our success will be measured in more than just purely financial terms, and while our sustainability journey is in its early days, we are committed to delivering long-term positive outcomes for all of the stakeholders of our business.

We continue to utilise the United Nations (UN) Sustainable Development Goals to provide a framework from which we will formalise our approach to reporting on environmental, social and governance (ESG) practices.



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

3 GOOD HEALTH AND WELL-BEING



- Our research has and will be responsible for uncovering new strains of good bacteria to ward off pathogens, boost immunity and promote positive health outcomes.
- The efficacy of our probiotic therapies leads to improved health for our customers.
- Within our business, the health, safety and well-being of our people is paramount and will continue to be an important focus.

4 QUALITY EDUCATION



- The quality of our research will add to the bank of knowledge on the health effects of good bacteria strains on oral and throat health.
- Our support and joint funding of ongoing research at the University of Otago and other research institutions will provide meaningful academic opportunities.
- We will continue to provide training and development opportunities to our staff.
- We regularly provide intern and post graduate opportunities for local and international students.

5 GENDER EQUALITY



- Our people practices recognise the value of diversity and this is also reflected in the makeup of our Board and Management team.
- Our organisational style supports a vibrant and productive work environment that encourages inclusion and engagement.

8 DECENT WORK AND ECONOMIC GROWTH



- Our remuneration policies and practices are based on sound principles and contribute to our ability to attract and retain a team of appropriately skilled people.
- We are committed to paying our staff a Living Wage – as updated by “Living Wage Aotearoa”.
- Our financial performance will allow us to provide ongoing investment in innovation for better health and sustainable returns to our shareholders, the owners of our business.
- Our contribution to the local economy through employment and supplier arrangements and to the wider New Zealand economy through payment of tax and generation of export revenues provides an economic benefit for New Zealand.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



- Our science is world-leading and provides research-backed health solutions.
- We continue to look for ways to further improve societal health.
- The efficacy of our probiotic therapies reduces pathogens (disease-causing bacteria) and promotes good health.

11 SUSTAINABLE CITIES AND COMMUNITIES



- Through a sponsorship programme we will partner with organisations in our local community that promote healthy lifestyles.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



- As a business we will explore ways to reduce and recycle waste while maintaining the quality standards of our products and packaging.
- Consumption instructions are shown on all product packaging and product information sheets.
- Our manufacturing operates under the principles of “Good Manufacturing Practice”, and we are moving toward full accreditation of our internal manufacturing facility.

13 CLIMATE ACTION



- We are committed to reducing our environmental impact.
- We will continue to actively look at ways to improve our environmental performance.

Our approach to sustainability continued

Further development of the ESG framework

Our ESG framework is at an early stage and will see further development in coming years.

In FY21 we will start workstreams to develop:

- An understanding of the material issues for our key stakeholders as well as for the Company. By identifying these issues we will be able to integrate them into our thinking, planning and strategies in order to deliver value for our stakeholders and improve the overall performance of our business.
- A set of measurements that will help the board and management to understand Blis' environmental footprint and the level of employee engagement and its organisational culture. These measurements will add to those that are well established in relation to health and safety and product quality.
- A deeper understanding of the disclosures recommended by the Task Force on Climate Related Financial Disclosures.

We look forward to updating you on our progress and the positive ways in which our business is contributing to a better future for our people, our customers and our community.



Board of Directors. √



Anthony (Tony) Offen

Chair, Independent non-executive director

Member of Audit and Remuneration committees

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

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

Tony holds professional memberships with the Chartered Accountants Australia and New Zealand and is a Chartered Member of the Institute of Directors. He is an independent member of the Governance Board of Brain Research New Zealand, Centre of Research Excellence (CoRE) and until December 2019 was an elected member of the National Council for the Neurological Foundation of NZ where he had served as the Council Deputy Chair and Chair of its Audit and Risk Management Committee. Tony holds a BCom (Accounting) and BA (Philosophy) from University of Otago.



Graeme Boyd

Deputy Chair, Independent non-executive director

Member of Remuneration Committee

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

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

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



Geoffrey Plunket

*Independent non-executive director
Chair of Audit and Risk Committee*

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

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

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

Board of Directors continued



Dr Barry Richardson

Independent non-executive director
Member of Audit Committee

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

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

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



Dr Alison Stewart

Independent non-executive director
Chair of Remuneration Committee

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

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

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



Antony (Tony) Balfour

Independent non-executive director

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

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

Executive Team.



Brian Watson

Chief Executive Officer (CEO)

BCom (Marketing), BPhEd

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



Richard Wingham

Chief Financial Officer (CFO)

CA, BCom (Accounting)

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



Dr John Hale

Chief Technology Officer (CTO)

PhD

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



Julie Curphey

Chief Marketing Officer (CMO)

MBA, BCAPSc (food Science)

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



Frank Spiewack

Commercial Director

BA

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

Statement of Corporate Governance.

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

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

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

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

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

Blis automatically transitioned to the new NZX Listing Rules with effect from 1 July 2019. The shareholders approved amendments to the Company's constitution on 26 July 2019 for the purpose of ensuring compliance with the new NZX Listing rules.

This Corporate Governance Statement has been prepared in accordance with the NZX Code that was published on 1 January 2019.

Blis' key corporate governance documents referred to in this statement, including charters and policies, can be found at www.blis.co.nz/investor-centre/charters-policies (the Investor Centre). The Board operates under a set of guidelines set out in its Directors' Operations Manual to assist Directors and Management in carrying out their duties and responsibilities. The Directors' Operations Manual covers such matters as:

- Corporate governance matters;
- Role of the Board and composition of the Board;
- Director responsibilities;
- Appointment of, responsibilities of and remuneration of a Chief Executive Officer;
- Confidentiality and the safeguarding of company information;

- Compliance with laws and regulations;
- Shareholder participation; and
- Code of conduct.

This Corporate Governance Statement was approved by the Board on 27 May 2020.

PRINCIPLE 1 – Code of Ethical Behaviour

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

Code of Ethics

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

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

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

Conflicts of interest

The Code of Ethics sets out the procedure to be followed where Directors are faced with a conflict of interest. At all times, a Director must be able to act in the interests of the organisation as a whole and in accordance with all relevant laws and regulations including the NZX Listing Rules. The personal interests of the Director and their family must not be allowed to prevail over those of the Company and its shareholders generally.

No breaches of the Code of Ethics were identified during FY20 and no matters were raised under the Protected Disclosures (Whistleblower) Policy.

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

Share trading by Directors and Employees

The Board has implemented formal procedures to handle trading in the Company's equity securities by Directors, employees and advisers of the Company. These are set out in Blis' Securities Trading Policy which is available at the Investor Centre. Before any trading can occur approval is required from the Chair of the Board, CEO or CFO. The policy provides that shares may

not be traded at any time by any individual holding material information. The fundamental rule in the policy is that insider trading is prohibited at all times. The requirements of the policy are separate from, and in addition to, the legal prohibitions on insider trading in New Zealand.

PRINCIPLE 2 – Board Composition & Performance

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

Responsibilities of the Board

The role of the Board is to act in the best interests of the Company and to promote the interests of the Company and its stakeholders. Directors are elected by the shareholders to govern the Company. The Board is the overall and final body of responsibility for all decision making within the Company.

The Directors have a diverse range of expertise and experience, and are committed to using this to benefit the Company. The Board is responsible to shareholders for charting the direction of the Company by participating in the setting of objectives, strategy and key policy areas. The Board is then responsible for monitoring Management’s running of the business to ensure implementation is in accordance with the agreed framework. The Board delegates the conduct of the day-to-day affairs of the Company to the CEO within this framework.

The primary responsibilities of the Board include:

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

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

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

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

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

The Chief Executive Officer is not a Director.

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

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

Director nomination and appointment

The Board as a whole is involved with recommending candidates to act as Directors to shareholders. When considering candidates

Statement of Corporate Governance continued

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

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

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

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

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

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

As at 31 March 2020, all Directors on the Board are independent. Director independence is considered on a case-by-case basis (in accordance with the NZX Listing Rules) and is monitored on an ongoing basis.

Letter of appointment

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

Board of Directors

Director profiles are shown at pages 21 – 22 of this report. The profiles include information on the year of appointment, skills, experience and background of each Director.

All five Directors as at 31 March 2020 are non-executive and independent members of the Board. Tony Offen is the Chair of Blis. Graeme Boyd is Deputy Chair. Geoff Plunket is the Chair of the Audit and Risk Committee. Alison Stewart is the Chair of the Remuneration Committee. Dr Barry Richardson and Tony Balfour are also directors. Tony Balfour was appointed as a director from

9 April 2020 and will be offering himself for election at the Annual Shareholders Meeting to be held in July 2020.

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

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

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

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

Director period of appointment

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

Interest Register

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

Entries made in the interest register of the Company for the year ended 31 March 2020 are included in the Director Disclosures section on pages 34 - 35.

Diversity

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

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

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

Position	31 March 2020		31 March 2019	
	Female	Male	Female	Male
Director*	1 (20%)	4 (80%)	2 (33%)	4 (67%)
Executives**	1 (20%)	4 (80%)	1 (25%)	3 (75%)
Employees***	12 (48%)	13 (52%)	11 (52%)	10 (48%)

*Not including Tony Balfour who was appointed 9 April 2020.

**CEO and Direct Reports to the CEO

***Includes executives.

Director Training

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

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

Board Performance Evaluation

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

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

PRINCIPLE 3 - Board Committees

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

Board Committees

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

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

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

Blis also has a Scientific Advisory Group (SAG) which is established as required provide an independent source of

advice to the Board and Management. SAG members are selected based on significant contribution to their chosen field and have complementary skillsets to those involved in the Company's research and development endeavours. In FY20 the first SAG meeting was held and focused on dental health, providing significant input and guidance for our R & D efforts relating to a broad range of dental health needs.

Attendance at meetings

The table below sets out Director attendance at Board and Committee meetings during the year ended 31 March 2020.

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

*V Aris retired on 26 July 2019

Audit & Risk Committee

The Board has overall responsibility for the Company's system of internal financial control, risk management, for liaising with the Company's external auditors, and for ensuring the integrity of the Company's financial reporting. The Board constantly monitors the operational and financial aspects of the Company's activities and has established procedures and policies that are designed to provide effective internal financial control. Annual budgets and business plans are prepared and agreed by the Board. Monthly management accounts are prepared by Management and reviewed by the Board throughout the year to monitor performance against budget.

The Board has established an Audit and Risk Committee to assist the Board in discharging its responsibilities relative to financial reporting, related regulatory conformance and liaising with the external auditors. The terms of reference for the Audit and Risk Committee are set out in its charter which is available in the Investor Centre.

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

The Board considers the recommendations of the Audit and Risk Committee and advice of external auditors and other

Statement of Corporate Governance continued

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

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

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

The Audit and Risk Committee met on 10 occasions during FY20. The agenda items for each meeting generally relate to financial governance, external financial reporting, external audit, internal control review, risk management, compliance and insurance.

Meeting Attendance

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

Remuneration Committee

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

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

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

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

The Remuneration Committee met three times during the year.

Nomination Committee

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

Committees

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

Takeover Protocols

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

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

PRINCIPLE 4 – Reporting and Disclosure

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

Shareholder Communications and Market Disclosure

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

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

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

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

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

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

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

Governance Policies and Charters

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

Financial and Non-Financial Reporting

Blis is committed to ensuring integrity and timeliness in its financial reporting and in providing information to the market

and shareholders which reflects a considered view on its present and future prospects.

The Audit and Risk Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews the Company's full and half-year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, NZX and legal requirements, and the results of the external audit. All matters required to be addressed and for which the Audit and Risk Committee has responsibility were addressed during FY20.

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

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

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

Work continues on suitable sustainability-reporting framework. The project remains in its early stages and will involve preparing a series of financial and non-financial targets for reporting on regularly. This will ensure that non-financial reporting is informative, includes forward looking assessments and aligns with key strategies and metrics monitored by the Board. An overview of the Company's sustainability programme is set out at pages 18 to 20.

PRINCIPLE 5 - Remuneration

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

Remuneration Report

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

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

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

Non-executive Directors

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

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

The NZX Listing Rules specify that shareholders can approve a per Director remuneration amount or an aggregate Directors' fee pool. The Board has adopted a remuneration pool approach, as referred to in NZX Guidance Note - Governance. Shareholders approved an aggregate remuneration pool for non-executive Directors of \$265,000 per annum in 2017. Subject to external review, an increase of the director fee pool will likely be proposed at the 2020 Annual Shareholders Meeting.

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

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

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

Statement of Corporate Governance continued

For the period 1 April 2019 to 31 March 2020 the allocation of the fee pool was as follows:

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

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

Fees payable to the non-executive Directors of the Company for the period 1 April 2019 to 31 March 2020 were as follows:

	Board	Audit Committee	Remuneration Committee	Total
G Boyd	\$45,000	-	-	\$45,000
A Offen	\$66,000	\$3,333	-	\$69,333
G Plunket	\$35,000	\$10,000	-	\$45,000
Dr B Richardson	\$35,000	\$3,333	-	\$38,333
Dr A Stewart	\$35,000	-	\$2,667	\$37,667
V Aris*	\$11,667	-	\$1,333	\$13,000

*Veronica Aris retired on 26 July 2019

Remuneration of the CEO and Employees

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

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

Total remuneration is made up of fixed remuneration and a short term incentive (STI). The STI performance incentive is “at-risk” and is directly linked to both the performance of the Company and to each individual’s performance while promoting the Company’s long-term success.

Fixed remuneration includes all benefits, allowances and deductions.

(i) Fixed annual remuneration

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

Remuneration of the CEO and Employees

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

For the financial year ended 31 March 2020, the CEO received \$302,654 (2019: \$286,007) in fixed annual remuneration.

(ii) Variable remuneration – STI Scheme

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

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

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

For the financial year ended 31 March 2020 there were four nominated executives in the STI scheme (31 March 2019: one).

STI Scheme payments relating to the financial year ended 31 March 2020 are delivered as a taxable cash bonus and are payable on completion of the annual audited financial statements. The total accrual for FY20 for all nominated executives in the STI Scheme is \$172,000 being 100% of the total pool for the year. The actual amount paid for FY19 was \$85,605.

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

CEO remuneration

Salary	Taxable Benefits*	Sub-total	STI	Total
FY20				
302,654	11,647	314,301	85,605	399,906
FY19				
286,008	6,864	292,872	-	292,872

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

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

The CEO's STI scheme payment for FY20 comprises several financial and non-financial performance measures. Overall, the STI is set at 30% of fixed remuneration. A breakdown of the STI components follows:

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

Employee remuneration

The number of employees of the Company (including former employees) who received remuneration and other benefits in excess of \$100,000 in the period 1 April 2019 to 31 March 2020 are shown below:

FY20

Remuneration Banding	Employees
100,001 – 110,000	2
170,001 – 180,000	1
180,001 – 190,000	1
190,000 – 200,000	1
390,001 – 400,000	1

FY19

Remuneration Banding	Employees
150,001 – 160,000	1
180,001 – 190,000	2
280,001 – 290,000	1

Principle 6 – Risk Management

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

Risk Management Framework

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

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

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

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

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

The policy is available at the Investor Centre.

Insurance

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

Product Quality and Safety

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

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

Health, Safety and Wellbeing

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

Statement of Corporate Governance continued

The principles of the health and safety framework are to:

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

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

- Determine and implement business and action plans to give effect to Board strategy;
- Acquire and maintain good understanding of health, safety and wellbeing matters;

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

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

No lost time injuries (LTI) have occurred over the last two years (LTI - workers unable to perform normal duties at next shift).

Material business risks mitigation

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

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

Principle 7 - Auditors

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

External Auditor

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

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

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

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

The Auditor Independence Policy is available in the Investor Centre.

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

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

Fees paid to Deloitte Limited are included in Note 4 of the Notes to the financial statements. A total of \$76,000 was paid to Deloitte Limited for audit-related services. All non-audit services require approval by the Audit and Risk Committee.

The auditor is invited to attend the Annual Shareholders' Meeting and will be available to answer shareholder questions in relation to the audit.

Internal audit

The Company does not have a formal internal audit function, however it does have internal processes and controls that are considered to be appropriate for the size and complexity of the organisation. The Audit and Risk Committee carefully considers the

auditor's management report which lists its key findings and recommendations about significant matters arising from the audit.

Principle 8 – Shareholder Relations

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

Shareholder Rights and Relations

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

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

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

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

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

Electronic Communications

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

Major Decisions

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

Equity Issues

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

Notice of Meeting

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

Directors' interests.

Directors' Shareholdings

The following table sets out, for the purposes of the disclosures required under Listing Rule 3.7.1 (d) of the NZX Listing Rules, the relevant interests of Directors and associated persons of the Directors in equity securities of the Company as at 31 March 2020:

Name of Director	Number of Equity Securities in which a relevant interest is held by a director		
G Boyd	Ordinary	800,000	(a)
A Offen	Ordinary	31,157,388	(b)
G Plunket	Ordinary	800,000	(c)
Dr B Richardson	Ordinary	17,903,625	(d)
Dr A Stewart	Ordinary	350,000	(e)

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

- (a) The number of equity securities in which Mr G Boyd holds a relevant interest includes 800,000 ordinary shares held by Mr G Boyd and Denise Boyd personally.
- (b) The number of equity securities in which Mr A P Offen holds a relevant interest includes 31,157,388 ordinary shares, held by Edinburgh Securities Limited, BJ Offen and Mr A P Offen, BJ Offen and Downie Stewart Trustee Limited. Mr A P Offen is a director and beneficial shareholder of Edinburgh Securities Limited.
- (c) The number of equity securities in which Mr G Plunket holds a relevant interest includes 800,000 ordinary shares held by Mr G Plunket personally.
- (d) The number of equity securities in which Dr B Richardson holds a relevant interest includes 17,903,625 ordinary shares held by Dr B Richardson and JV Richardson personally.
- (e) The number of equity securities in which Dr A Stewart holds a relevant interest includes 350,000 ordinary shares held by Custodial Services Limited.

Director's Share Dealings

The following Directors (or associated entities in which the Directors have relevant interests) acquired or disposed of equity securities in the Group during the year ended 31 March 2020 as entered in the interests register of the Company:

Name of Director	Transaction	No. of Shares	Price per share	Date of Acquisition /Disposal
A Offen	Sale by Edinburgh Equity Limited to A P Offen, B J Offen and Downie Stewart Trustee Limited	11,157,388	6.2 cents	9 March 2020
	Sale to B J Offen	10,000,000	6.2 cents	9 March 2020
	Sale to Edinburgh Securities Limited	10,000,000	6.2 cents	9 March 2020
G Plunket	Share purchases	320,000	2.3 cents	8 April 2019
		480,000	2.4 cents	11 April 2019
Dr A Stewart	Share purchases	200,000	2.6 cents	4 April 2019
		150,000	5.2 cents	4 March 2020

Disclosures of Interest by Directors

As at 31 March 2020, the following Directors had made general disclosures in the interests register of the Company.

Name of Director	Organisation	Active Interests
G Boyd	Boyd Insight Limited	Director
A Offen	Blis Functional Foods Limited	Director
	Closing Capital Limited	Director
	Edinburgh Equity Limited	Director
	Edinburgh Securities Limited	Director/Shareholder
	Mill Park Estate 60 Limited	Director/Shareholder
	Mill Park Estate 92 Limited	Director/Shareholder
	Maidston Land & Buildings Limited	Shareholder
	Offen Nominee Limited	Director/Shareholder
	Plaza Funds Management Limited	Director
	Taieri Investments Limited	Director/Shareholder
	Taieri Property Limited	Director/Shareholder
G Plunket	North Otago Irrigation Company Limited	Director
	Orokonui Ecosanctuary Limited	Director
Dr B Richardson	CertusBio Limited	Director/Shareholder
	CNS Biotechnology Limited	Director
	Otago Classic Spares Limited	Director/Shareholder
	Zircon Services Limited	Director/Shareholder
Dr A Stewart	Arable Food Industry Council	Executive committee member
	Foundation for Arable Research	Chief Executive
	Foundation for Arable Research Australia	Director
	Good Farming Practice	Governance Group Member
	MBIE Programme "Maximising the value of irrigation"	Industry Advisory Group Chair
	MfE Measure and Manage diffused nutrient losses from arable crops	Governance Council Chair
	MPI Pea Weevil Management	Governance Council member
	Pastoral Industry Forage Strategy	Implementation Group member
	Seed Industry Research Centre	Advisory Board member

Use of Company information

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

Indemnities and Insurance

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

Donations

There were no donations made by the Company during the year ended 31 March 2020 (2019: Nil).

Directors' Responsibility Statement.

The Directors of Blis Technologies Limited are pleased to present to shareholders the financial statements for the Group for the year ended 31 March 2020.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which fairly presents the financial position of the Group as at 31 March 2020 and the results of its operations and cash flows for the year ended on that date.

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

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

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

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



Tony Offen
Chairman
27 May 2020



Graeme Boyd
Director
27 May 2020

5 Year Trend.

	2020 (\$'000)	2019 (\$'000)	2018 (\$'000)	2017 (\$'000)	2016 (\$'000)
Revenue	10,642	8,239	5,285	6,543	5,628
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2,119	922	(427)	580	(293)
Depreciation and amortisation	513	525	610	608	556
Net interest expense	4	16	5	(4)	(33)
Net profit after tax (NPAT)	1,602	381	(1,042)	(24)	(816)
Net debt	128	829	290	-	-
Shareholder's Equity	5,056	3,421	3,007	4,017	3,987
Total assets	7,058	5,201	3,888	4,500	4,860
Current assets	5,746	3,966	2,260	2,736	2,800
Current liabilities	1,642	1,651	712	483	873
Working capital	4,104	2,315	1,548	1,253	1,927
Net tangible assets (NTA)	4,311	2,856	2,164	2,899	2,644
Cash generated from operations	3,197	(583)	118	244	(511)
Number of shares on issue ('000)	1,107,654	1,107,654	1,107,654	1,107,654	1,102,154
Earnings per share (EPS) – basic (cents)	0.14	0.03	(0.09)	(0.00)	(0.07)
Share price at 31 March	0.06	0.02	0.02	0.04	0.03
NTA per share (cents)	0.39	0.26	0.20	0.26	0.24
Cash conversion ratio ¹	150.9%	(63.2%)	(27.6%)	42.1%	174.4%
Return on shareholders' equity ²	31.7%	11.1%	(34.7%)	(0.6%)	(28.6%)
Return on assets ³	23.2%	8.7%	(24.7%)	(0.6%)	(16.8%)
Gearing ratio ⁴	2.5%	19.5%	8.8%	-	-
EBIT to revenue ratio	15.1%	4.7%	(19.6%)	(0.4%)	(15.1%)
Current assets to current liabilities (times)	3.5	2.4	3.2	5.7	3.2
% CHANGE ON PRIOR YEAR					
Revenue	29.2%	55.9%	(19.2%)	16.3%	123.1%
EBITDA	129.8%	315.9%	(173.6%)	298.0 %	68.2%
NPAT	320.5%	136.6%	(4,241.7%)	97.1%	40.6%
EPS	320.5%	136.6%	(4,241.7%)	97.1%	40.6%

1. Calculated as cash generated from operations divided by EBITDA.

2. Calculated as net profit after tax divided by closing shareholders' equity.

3. Calculated as EBIT divided by average total assets.

4. Gearing ratio is calculated as net debt divided by the sum of net debt and shareholders' equity.

BLIS PROBIOTICS
**Optimise your
microbiome**
WITH
UltraBLIS

The **ultimate**
probiotic
combo to
support your
immunity

Always read the label and use as
directed. If symptoms persist, see
your healthcare professional.
BLIS Technologies Ltd, Dunedin

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Financial Statements 2020

Consolidated Statement of Comprehensive Income.

For the year ended 31 March 2020

	Note	2020 (\$000)	2019 (\$000)
REVENUES			
Revenue	2 (a)	10,642	8,239
Other income	2 (b)	217	167
Total Revenue and Other Income		10,859	8,406
EXPENSES			
Distribution expenses		160	120
Marketing expenses		1,642	787
Occupancy expenses		85	164
Employee benefits		2,558	2,074
Raw materials and consumables		2,229	2,305
Operating expenses		2,553	2,553
Finance expenses		30	22
Total Expenses	2 (c)	9,257	8,025
SURPLUS / (DEFICIT) BEFORE TAX	2, 4, 5	1,602	381
Income tax expense	3	-	-
SURPLUS / (DEFICIT) FOR THE YEAR		1,602	381
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/(DEFICIT) FOR THE YEAR		1,602	381
Surplus /(deficit) for the year is attributable to:			
Equity holders of the parent		1,602	381
Comprehensive income for the year is attributable to:			
Equity holders of the parent		1,602	381
Earnings / (deficit) per Share:			
Basic (cents per ordinary share)	15	0.14	0.03
Diluted (cents per ordinary share)	15	0.14	0.03
Net tangible assets per Share:			
Basic (cents per share)	15	0.39	0.26
Diluted (cents per share)	15	0.39	0.26

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

Consolidated Statement of Changes in Equity. ▼

For the year ended 31 March 2020

	Notes	Share Capital (\$'000)	Retained earnings/ deficit (\$'000)	Share option Equity reserve (\$'000)	Total attributable to Group (\$'000)
OPENING EQUITY – 1 APRIL 2018		37,338	(34,377)	46	3,007
Surplus / (deficit) for the year		-	381	-	381
Other comprehensive income		-	-	-	-
Total comprehensive Income		-	381	-	381
Equity contributions and distributions		-	-	-	-
Share option equity reserve	15	42	-	(9)	33
		42	-	(9)	33
CLOSING EQUITY – 31 MARCH 2019		37,380	(33,996)	37	3,421

OPENING EQUITY – 1 APRIL 2019		37,380	(33,996)	37	3,421
Surplus / (deficit) for the year		-	1,602	-	1,602
Other comprehensive income		-	-	-	-
Total comprehensive Income		-	1,602	-	1,602
Equity contributions and distributions					
Share option equity reserve	15	44	-	(11)	33
		44	-	(11)	33
CLOSING EQUITY – 31 MARCH 2020		37,424	(32,394)	26	5,056

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

Consolidated Balance Sheet.

As at 31 March 2020

	Notes	2020 (\$'000)	2019 (\$'000)
ASSETS			
Current Assets			
Cash and short term deposits	6	3,214	924
Trade and other receivables	7	1,570	2,372
Prepayments		202	220
Inventory	8	685	371
NZX Bond	6	75	75
Foreign exchange contracts	21 (e)	-	4
TOTAL CURRENT ASSETS		5,746	3,966
Non current Assets			
Property, plant and equipment	9	567	669
Finite life intangible assets	10	404	566
Right-of-use assets	11	341	-
TOTAL NON CURRENT ASSETS		1,312	1,235
TOTAL ASSETS		7,058	5,201
LIABILITIES			
Less Current Liabilities			
Trade and other payables	12	1,520	929
Contract liability	2	-	22
Current borrowings	13	43	700
Lease liabilities	11	76	-
Foreign exchange contracts	21 (e)	3	-
TOTAL CURRENT LIABILITIES		1,642	1,651
Non Current Liabilities			
Non current borrowings	13	85	129
Lease liabilities	11	275	-
TOTAL NON CURRENT LIABILITIES		360	129
TOTAL LIABILITIES		2,002	1,780
NET ASSETS		5,056	3,421
OWNERS EQUITY			
Share capital	15	37,424	37,380
Retained earnings / (deficits)		(32,394)	(33,996)
Share option equity reserve	16	26	37
TOTAL EQUITY		5,056	3,421

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

Consolidated Statement of Cashflows.

For the year ended 31 March 2020

	Note	2020 (\$'000)	2019 (\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from / (applied to):			
Receipts from customers		11,626	6,771
Interest received		26	6
Payments to suppliers and employees		(8,425)	(7,338)
Finance costs		(30)	(22)
Net cash inflow / (outflow) from operating activities	20	3,197	(583)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from / (applied to):			
Capitalise intangible costs	10	(94)	(55)
Purchase of property, plant and equipment	9	(73)	(75)
Net cash inflow / (outflow) from investing activities		(167)	(130)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from / (applied to):			
Drawdown of borrowings		-	579
Repayment of borrowings		(701)	(40)
Repayment of lease liabilities		(72)	-
Receipt of share option		33	33
Net cash inflow / (outflow) from financing activities		(740)	572
Net Increase / (Decrease) in cash held		2,290	(141)
Add cash and short-term deposits at start of period		924	1,059
Foreign exchange differences		-	6
Balance at end of period		3,214	924
COMPRISED OF:			
Cash and short-term deposits		3,214	924
		3,214	924

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

Notes to and Forming Part of the Consolidated Financial Statements.

1. BASIS OF REPORTING

Reporting Entity

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

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

Statutory Base

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

Basis of Preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

The Financial Statements were authorised for issue by the Board of Directors on 27th May 2020.

Basis of Measurement

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

Historical cost is based on the fair values of the consideration given in exchange for assets.

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

Unless otherwise stated the accounting policies set out below have been applied in preparing the consolidated financial statements for the year ended 31 March 2020 and 31 March 2019.

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

Critical Judgements, Estimates and Assumptions

In the application of NZ IFRS, the Directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the Directors in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year include:

- If the product groupings to which the development expenditure relate are not economically viable in the future the development expenditure asset could be overstated.
- The Group determines whether finite life intangibles are impaired at least on an annual basis. Where there is an indication of impairment then an estimation of the recoverable amount of the finite life intangible assets is required. Determining the recoverable amounts of intangible assets requires judgement in relation to the effects of uncertain future events at balance date. Assumptions are required with respect to future cash flows and discount rates used. Refer note 10 for sensitivities and assumptions used.
- The determination of separate performance obligations for the recognition of revenue. Refer to note 2 for further information
- Tax Losses - The recognition of a deferred tax asset arising from prior year tax losses and temporary differences is dependent on generating future taxable profits.

No deferred tax asset has been recognised as at 31 March 2020 but this position will be reviewed in future periods as the Company demonstrates a consistent track record of profitable Group results. The Group's ability to utilise tax losses is explained in note 3.

Notes to and Forming Part of the Consolidated Financial Statements continued

Significant Accounting Policies

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

These policies have been consistently applied unless otherwise stated.

Basis of Consolidation

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

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

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

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

Foreign Exchange

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

Goods and Services Tax (GST)

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

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

New NZ IFRS Standards effective in the reporting period

All mandatory new or amended accounting standards were adopted in the current year. This includes NZ IFRS 16 Leases. As a result of this adoption, the Group had to change its accounting policies and make certain adjustments as disclosed below.

Impact of initial application of NZ IFRS 16 Leases

NZ IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard removes the distinction between operating and finance leases as previously required under NZ IAS 17 Leases (NZ IAS 17) and introduces a single model for lessees which recognises all leases, except for short-term leases of 12 months or less and leases of low value assets, on the balance sheet through a right-of-use (ROU) asset and a liability for the obligation to make lease payments. Lessor accounting remains largely unchanged from NZ IAS 17 for the Group.

The Group reviewed leases where the Group is the lessee and the leases primarily relate to leases for properties and office equipment.

The Group adopted NZ IFRS 16 using the modified retrospective approach with the ROU asset being equal to the lease liability as at commencement date for all existing leases at 1 April 2019.

The Group has made use of the practical expedient available on transition to NZ IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with NZ IAS 17 will continue to be applied to those leases entered or modified before 1 April 2019. Comparative numbers have not been restated.

Impact on Lessee Accounting

Former operating leases

NZ IFRS 16 changes how the group accounts for leases previously classified as operating leases under NZ IAS 17, which were off-balance-sheet.

Applying NZ IFRS 16, for all leases (except as noted below), the Group:

- (a) Recognises ROU assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of future lease payments;
- (b) Recognises depreciation of the ROU assets and interest on lease liabilities in the consolidated statement of comprehensive income; and
- (c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of comprehensive income.

Lease incentives are recognised as part of the measurement of the ROU assets and lease liabilities whereas under NZ IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under NZ IFRS 16, ROU assets are tested for impairment in accordance with NZ IAS 36 Impairment. This replaces the previous requirements to recognise a provision for onerous lease contracts.

For short-term leases and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by NZ IFRS 16. This expense is presented within occupancy costs in the consolidated statement of comprehensive income.

Financial Impact of adopting NZ IFRS 16

The Group has applied the following practical expedients when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17:

- The use of a single discount rate to a portfolio of leases with similar characteristics;
- Not recognising ROU assets and liabilities for leases with less than 12 months of lease term; and
- Not recognising ROU assets and liabilities if the underlying leased asset is considered a low value asset.

Key judgement areas in applying the new standards are:

- The use of discount rates; and
- The assessment of whether options to extend or terminate a lease will be exercised.

The discount rates used are the Group's incremental borrowing rates (IBR). The Group's IBR is the expected borrowing rate obtained from financial institutions as if the Group had purchased the leased asset, with the term of the borrowing similar to the lease term. The IBR rate applied to each leased asset class are:

	IBR %
Properties	6.00%
Office Equipment	6.00%

The assessment of whether a lease contract will be extended or terminated at the end of the lease contract is dependent on the asset class and type. For property leases, this will be determined by the Group's intention to exercise a contractual right of renewal at the end of the initial lease term. There were no renewal options for office equipment.

Reconciliation of lease commitments to opening lease liability as at 1 April 2019:

	\$'000
Operating lease commitments at 31 March 2019	476
Effect of discounting using incremental borrowing rates at 1 April 2019	(108)
Extension options reasonably certain to be exercised	55
Lease liabilities recognised at 1 April 2019	423
Analysed as:	
Current	93
Non-current	330

The Group as a lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low-value assets where the Group recognises the lease payments as an other operating expense on a straight-line basis over the term of the lease.

Lease Liabilities

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

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

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

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

The Group remeasures the lease liability if:

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

ROU assets

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

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

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

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

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

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

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

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

Group expects to adopt other standards when they become mandatory. None are expected to materially impact the Group's financial statements although may result in changes to disclosure.

2. SURPLUS / (DEFICIT) FROM OPERATIONS

Policy

Revenue is recognised from the following major sources:

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

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

Sale of Goods

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

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

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

Rebates

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

Right to access

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

Notes to and Forming Part of the Consolidated Financial Statements continued

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

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

Contract liabilities

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

Grant Income

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

Interest Income

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

(a) Revenue

	2020 \$'000	2019 \$'000
Revenue consists of the following items:		
<i>Point in time recognition:</i>		
Sale of goods – domestic sales		
Finished goods	1,663	1,187
Ingredients	45	39
Sale of goods – export sales		
Finished goods	1,445	1,934
Ingredients	7,290	4,953
<i>Over time recognition:</i>		
Right to access	199	126
	10,642	8,239

The transaction price at 31 March 2020 allocated to unsatisfied (or partially unsatisfied) performance obligations related to contracts with a duration beyond one year is set out below:

	2020 \$'000	2019 \$'000
Right to access (contract liability)	-	22

Revenue recognised during the period that was included in the contract liability balance at the beginning of the period was \$22,000 (2019: Nil).

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

(b) Other Income

	2020 \$'000	2019 \$'000
Grant income	181	115
Other income	10	46
Interest income	26	6
	217	167

(c) Expenses

	2020 \$'000	2019 \$'000
This includes the following specific expenses:		
Director's fees	248	259
Other operating expenses	1,778	1,673
Depreciation of property, plant and equipment (note 9)	156	192
Depreciation of right of use assets (note 11)	82	-
Amortisation of finite life intangible assets (note 10)	256	333
Loss on disposal of property, plant and equipment (note 9)	19	-
Reversal of allowance on trade receivables (note 21 g)	(6)	-
Operating lease payments(*)	20	86

(*) Operating lease payments were recognised under NZ IAS 17 in the prior year.

3. INCOME TAXES

Policy

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at reporting date.

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

(a) Income tax recognised in profit or loss

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	2020 \$'000	2019 \$'000
Net surplus before tax	1,602	381
Income tax expense calculated at 28%	449	107
Non-deductible items	61	73
Temporary differences excluding tax losses not recognised	14	(42)
Tax losses (recognised)/not recognised	(524)	(138)
Income tax expense	-	-

(b) Income tax recognised directly in equity

There was no current or deferred tax charged/ (credited) directly to equity during the period.

(c) Deferred tax balances

The Group has an unrecognised deferred tax asset of \$4,669,199 (2019: \$5,183,474). The unrecognised deferred tax asset arises in relation to temporary differences of \$346,118 (2019: \$336,836) and gross tax losses of \$15,439,574 (2019: \$17,309,415) with a tax effect of \$4,323,081 (2019: \$4,846,638). The tax losses may be able to be carried forward and offset against future taxable income (subject to meeting the requirements of the Income Tax Act 2007). The availability of these tax losses to apply against future income is contingent upon maintaining a minimum level of shareholder continuity and is therefore highly uncertain.

4. REMUNERATION OF AUDITORS

	2020 \$'000	2019 \$'000
Audit of the financial statements	70	65
Additional fees relating to 2019 audit	6	-
	76	65

The auditor of Blis Technologies Limited is Deloitte Limited.

5. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2020 \$'000	2019 \$'000
Short term employee	1,090	902
	1,090	902

6. CASH AND SHORT-TERM DEPOSITS**Policy****Cash and short-term deposits**

Cash and short-term deposits comprise cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and short-term deposits are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

NZX Bond

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

	2020 \$'000	2019 \$'000
Cash	1,614	924
Short-term deposits	1,600	-
	3,214	924
NZX bond	75	75

7. TRADE AND OTHER RECEIVABLES**Policy****Trade and other receivables**

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

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

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

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

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

	2020 \$'000	2019 \$'000
Trade receivables	1,543	2,303
Allowance for expected credit losses (note 21 g)	(2)	(8)
GST receivable	29	77
	1,570	2,372

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

8. INVENTORIES**Policy**

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

	2020 \$'000	2019 \$'000
Raw materials	549	277
Finished goods	136	94
	685	371

9. PROPERTY, PLANT AND EQUIPMENT**Policy**

All items of Property, Plant and Equipment are stated at cost less accumulated depreciation, and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of a purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of the asset over its expected useful life to its estimated residual value. The following estimates of useful lives are used in the calculation of depreciation:

Leasehold improvements	2 – 15 years
Furniture and fittings	2 – 15 years
Plant and equipment	3 – 12 years

2020

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

2019

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

10. FINITE LIFE INTANGIBLE ASSETS**Policy**

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

Intellectual Property

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

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

Website

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

Internally-generated Intangible Assets – Capitalised Product Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Notes to and Forming Part of the Consolidated Financial Statements continued

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. The useful life of internally-generated intangible assets is 8 years.

Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments

of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

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

	Trademarks \$'000	Patents \$'000	Capitalised development \$'000	IT, Website development and software \$'000	Total \$'000
2020					
Gross Carrying Amount					
Balance at 1 April 2019	47	1,072	3,115	182	4,416
Additions	83	-	-	11	94
Balance at 31 March 2020	130	1,072	3,115	193	4,510
Accumulated amortisation and impairment					
Balance at 1 April 2019	3	689	2,998	160	3,850
Amortisation expense	8	140	84	24	256
Balance at 31 March 2020	11	829	3,082	184	4,106
Net Book Value at 31 March 2020	119	243	33	9	404
	Trademarks \$'000	Patents \$'000	Capitalised development \$'000	IT, Website development and software \$'000	Total \$'000
2019					
Gross Carrying Amount					
Balance at 1 April 2018	-	1,064	3,115	182	4,361
Additions	47	8	-	-	55
Balance at 31 March 2019	47	1,072	3,115	182	4,416
Accumulated amortisation and impairment					
Balance at 1 April 2018	-	553	2,849	115	3,519
Amortisation expense	3	136	149	45	333
Balance at 31 March 2019	3	689	2,998	160	3,850
Net Book Value at 31 March 2019	44	383	117	22	566

Notes to and Forming Part of the Consolidated Financial Statements continued

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

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

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

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

No impairment losses have been recorded in the current year (2019: Nil).

Capitalised product development expenditure relates to costs incurred in relation to the development of ingredient, intermediate and food products containing BLIS, and the associated regulatory approval processes.

Impairment test for Intangible Assets

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

The Group is considered to be one cash-generating unit.

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

The recoverable amount calculations are most sensitive to assumptions regarding growth rate, contribution margins and the discount rate. Key assumptions used in the value-in-use

calculation are:

- Annual sales growth rate of between 5% - 12% (2019: 0% - 6%)
- Contribution margins of 61% - 65% (2019: 73%)
- Pre-tax discount rate of 17.4% (2019: 17.4% pre tax)
- Terminal growth rate of 2% (2019: 2.5%)

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

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

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

11. LEASES

Policy

The Group as a lessee

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

Right-of-use assets 2020

As at 1 April 2019

Additions

Terminations

Depreciation expense

Net Book Value as at 31 March 2020

Properties \$'000	Office Equipment \$'000	Total \$'000
401	22	423
-	-	-
-	-	-
(76)	(6)	(82)
325	16	341

Lease Liabilities – Maturity Analysis

Lease Liabilities under NZ IFRS 16

Less than one year

Between one and five years

More than five years

Current

Non-Current

Total

**2020
\$'000**

76

141

134

351

76

275

351

The Group leases various properties and office equipment under non-cancellable leases expiring within two to eleven years. The leases have varying terms and have no option to purchase in respect to the leased equipment in the financial year ended 31 March 2020.

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

The total cash outflow for leases in 2020 was \$115,388 (2019: \$94,688)

12. TRADE AND OTHER PAYABLES

Policy

Trade Payable

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

Employee Benefits

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

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

Refund Liabilities

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

	2020 \$'000	2019 \$'000
Trade payable	1,222	674
Employee entitlements	295	224
Refund liabilities	3	31
	1,520	929

13. BORROWINGS

Policy

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

	2020 \$'000	2019 \$'000
Asset finance	128	171
Insurance premium funding	-	85
Trade credit loan	-	573
Total borrowings	128	829

	2020 \$'000	2019 \$'000
Current borrowings	43	700
Non-current borrowings	85	129
Total borrowings	128	829

Current borrowings include an undrawn trade credit loan facility with the Bank of New Zealand that has a base limit of \$550,000. The effective interest rate of the trade credit loans is between 6.76% - 7.43% (2019: 6.4% - 7.48%).

Asset Finance loan with the Bank of New Zealand was utilised to finance the purchase of the Natoli tablet press. The loan has an effective interest rate of 5.21% (2019: 6.04%). The term of this loan is over 60 months with the final payment due December 2022. The loan is secured over the Natoli tablet press, purchased for \$293,479.

Security

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

14. INVESTMENT IN SUBSIDIARY

	Percentage held		Balance date	Principal activity
	2020	2019		
Blis Functional Foods Limited	100%	100%	31 March	Non-trading

15. SHARE CAPITAL

	2020		2019	
	No. of shares	\$'000	No. of shares	\$'000
Balance at the beginning of the year fully paid)	1,107,653,565	37,380	1,107,653,565	37,338
Shares pursuant to the CEO share plan	-	44	-	42
Balance at the end of the year	1,107,653,565	37,424	1,107,653,565	37,380

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

On 2 June 2016, 5,500,000 shares were issued to Mr Brian Watson, Chief Executive of the Company. The shares were issued at a price of \$0.0299 per share. Details of this transaction is shown in note 16.

Policy**Equity instruments**

Equity instruments issued by the Group are recorded at the proceeds received other than in respect to the CEO share plan refer note 16.

	2020	2019
	Cents per share	Cents per share
Basic earnings per share		
Basic earnings (deficit) per share	0.14	0.03
The earnings and weighted average number of ordinary outstanding shares used in the calculation of basic earnings per share are as follows:		
	2020	2019
	\$'000	\$'000
Net earnings / (deficit)	1,602	381
	2020	2019
	No.	No.
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,107,653,565	1,107,653,565
	2020	2019
	Cents per share	Cents per share
Diluted earnings per share		
Diluted earnings (deficit) per share	0.14	0.03
The earnings and weighted average number of outstanding ordinary shares used in the calculation of diluted earnings per share are as follows:		
	2020	2019
	\$'000	\$'000
Net earnings / (deficit)	1,602	381
	2020	2019
	No.	No.
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,107,653,565	1,107,653,565

Net tangible assets

	2020 Cents per share	2019 Cents per share
Net tangible assets/ (liabilities) per share at year end	0.39	0.26
The net tangible assets and number of outstanding ordinary shares used in the calculation of net tangible assets per share are as follows:		
	2020 \$'000	2019 \$'000
Net tangible assets	4,311	2,856
	2020 No.	2019 No.
Number of ordinary shares held at 31 March 2020	1,107,653,565	1,107,653,565
As at 31 March 2020 the net tangible asset per share was 0.39 (2019: 0.26 cents).		
	2020 \$'000	2019 \$'000
Total assets	7,058	5,202
Less intangible assets	(404)	(566)
Less ROU asset	(341)	-
Less total liabilities	(2,002)	(1,780)
Net tangible assets	4,311	2,856
Number of shares outstanding ('000)	1,107,654	1,107,654
Net tangible assets per share (cents)	0.39	0.26

16. RELATED PARTY TRANSACTIONS

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

Associate Entity	Director	2020	2019
P F Fennessy	P F Fennessy	-	\$293

Sales to related parties are made at the Group's usual list prices, less average discounts of 20%. Product seconds are also made available to the staff and Board members for personal use at no charge.

CEO Share option and issue of shares to the CEO

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

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

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

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

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

Notes to and Forming Part of the Consolidated Financial Statements continued

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

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

Fair Value of Share Options

The fair value of the share options granted during the 2017 financial year was \$54,517. Options were priced using the Black-

Scholes option pricing model. Expected volatility is based on the historical share price over the past 5 years, consistent with the options lives, factoring in a step change in the 9 months prior to grant date.

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

There are no market or service conditions.

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

Inputs to the model:

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

17. COMMITMENTS FOR EXPENDITURE

As at 31 March 2020 there is no capital expenditure commitments (2019: \$nil)

18. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no material contingent assets or contingent liabilities at 31 March 2020 (2019: \$Nil).

19. SEGMENTAL REPORTING

19.1 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

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

	2020 \$'000	2019 \$'000
BLIS products	10,642	8,239
Non-core business	217	167
Total Revenue and Other Income	10,859	8,406

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

19.3 Information about geographical areas

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

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

19.3 Information about geographical areas continued

	Revenue from external customers		Non-current assets	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
New Zealand	1,708	1,180	1,312	1,235
Asia Pacific (excl. NZ)	2,010	2,866	-	-
EMEA	3,964	2,971	-	-
North America	2,960	1,222	-	-
Total revenue	10,642	8,239	1,312	1,235

	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Grant revenue	181	115	-	-
Other revenue	10	46	-	-
Interest revenue	26	6	-	-
Total revenue & other income	10,859	8,406	1,312	1,235

Included in revenue are revenues of \$3,923k, \$2,190k and 1,034k (2019: \$2,945k, \$1,652k and \$991k) which arose from sales to the Group's three largest customers.

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

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

Policy

For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments net of outstanding bank overdrafts.

The cash flow statement is prepared exclusive of GST, which is consistent with the method used in the consolidated statement of comprehensive income.

Definition of terms used in the cash flow statement:

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

Financing activities are those activities relating to changes in the equity and debt capital structure of the Group and those activities relating to the cost of servicing the Group's equity.

	2020 \$'000	2019 \$'000
Net surplus / (Deficit) for the year	1,602	381
<i>Adjustments for non-cash items:</i>		
Amortisation	256	335
Depreciation property, plant and equipment	156	192
Depreciation right of use assets	82	-
Foreign exchange loss / (gain)	9	(5)
ECL provision	(6)	-
Loss / (gain) on fair value of foreign exchange contracts	3	(4)
Loss on disposal of fixed assets	19	-
	2,121	897
<i>Movements in working capital</i>		
Trade and other receivables	797	(1,682)
Prepayments	18	(132)
Inventories	(308)	(28)
Trade payable and contract liability	569	362
	1,076	(1,480)
Net cash inflow/ (outflow) from operating activities	3,197	(583)

21. FINANCIAL INSTRUMENTS

Policy

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

All of the Group's financial assets (excluding derivative financial assets) are measured at amortised cost. Foreign exchange contracts are measured at fair value, all of the Group's other financial liabilities are measured at amortised cost.

(a) Financial risk management objectives

Exposure to credit, interest rate, foreign currency and liquidity risks arises in the normal course of the Group's business.

The Group does not enter into derivative financial instruments for speculative purposes. The Group utilises forward cover on confirmed foreign currency transactions. Specific risk management objectives and policies are set out below.

Notes to and Forming Part of the Consolidated Financial Statements continued

(b) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity.

The capital structure of the Group comprises issued capital reserves, share option equity reserve and retained earnings as disclosed in the Statement of Changes in Equity.

The Group's Board of Directors reviews the capital structure on a regular basis.

The Group is not subject to externally imposed capital requirements.

The Group's overall strategy remains unchanged from 2019.

(c) Market risk

Market risk is the potential for change in the value of financial instruments caused by a change in the value, volatility or relationship between market risks and prices. Market risk arises from the mismatch between assets and liabilities. The Group's activities expose it primarily to market risk associated with changes in foreign currency rates and interest rates as set out below. These risks are measured using sensitivity analysis. The mechanisms for managing these risks are set out below. The Group enters into foreign exchange contracts to manage its exposure to foreign currency transactions, there have been no changes during the year to the Group's exposure to such risks or the manner in which the risks are measured and managed.

(d) Interest rate risk

The Group is exposed to interest rate risk as from time to time it borrows funds at floating interest rates and also invests cash in short term deposits at fixed interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Investments and borrowings at fixed interest rates expose the Group to fair value interest rate risk. The Group does not hedge this risk. Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. The Group does not hedge this risk.

(e) Foreign exchange risk

In the course of normal trading activities, the Group undertakes transactions denominated in foreign currencies; hence exposures to exchange rate fluctuations arise. The Group enters into foreign exchange contracts on certain sales denominated in foreign currencies to economically hedge the foreign exchange risk associated with the timing between the date of sale and receipt of payment. The Group has not adopted hedge accounting.

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

	2020 \$'000	2019 \$'000
Euro	1	2
United States dollar	1	2

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

	Average contract rate		Foreign currency		Nominal contract Value		Fair value asset/(liability)	
	2020	2019	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Euro								
Less than 1 year	0.5297	0.5848	460	3	472	3	12	-
USD								
Less than 1 year	0.6324	0.6764	281	537	266	541	(15)	4
			741	540	738	544	(3)	4

Notes to and Forming Part of the Consolidated Financial Statements continued

The above tables express foreign currency amounts in New Zealand dollar equivalents using the exchange rates at 31 March 2020 and 31 March 2019. The rates applied at 31 March 2020 were:

	2020	2019
EUR	0.5429	0.6073
USD	0.5987	0.6817

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

Foreign exchange rate sensitivity

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

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

	-10%		+10%	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Surplus / (deficit) before tax	(86)	(56)	60	53

(f) Other price risk

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

(g) Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. Financial instruments which potentially subject the Group to credit risk, principally consist of bank balances and trade and other receivables.

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

	2020 \$'000	2019 \$'000
Cash and short term deposits	3,214	924
NZX bond	75	75
Trade receivables (net of loss allowance)	1,541	2,295
GST receivable	29	77
	4,859	3,371

Ageing receivables breakdown

2020

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

2019

	Gross amounts receivable \$'000	Allowance for expected credit losses \$'000	Net balance \$'000
Current	2,007	-	2,007
0 – 30 days (past due)	141	-	141
31 – 60 days (past due)	73	-	73
Greater than 60 days (past due)	82	(8)	74
Total past due	296	(8)	288
Total trade receivables	2,303	(8)	2,295

At 31 March 2020, trade receivable includes an amount of \$633k (2019: \$1,047k) due from one customer and \$246k from another customer (2019: \$276k from another customer). All of the Group's bank accounts are held with Bank of New Zealand. Otherwise the Group does not have any other concentrations of credit risk

(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

Notes to and Forming Part of the Consolidated Financial Statements continued

profiles of financial assets and liabilities. The Group also has approved trade funding facilities with a base limit of up to \$550k which are linked to customer specific limits. As at 31 March 2020 the facility was not drawn down (2019: \$573k), this is included in Current Borrowings.

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

Liquidity and interest risk tables

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

2020	Weighted average effective interest rate	YEARS						
		< 1	1 - 2	2 - 3	3 - 4	4 - 5	5 +	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets at amortised cost								
Cash and short term deposits	1.32%	3,214	-	-	-	-	-	3,214
NZX bond	3.10%	75	-	-	-	-	-	75
Trade receivables	-	1,541	-	-	-	-	-	1,541
GST receivable	-	29	-	-	-	-	-	29
		4,859	-	-	-	-	-	4,859
Financial liabilities at amortised cost								
Trade payables	-	1,222	-	-	-	-	-	1,222
Borrowings	5.21%	51	51	38	-	-	-	140
Lease liabilities	6.00%	95	91	35	30	30	155	436
		1,368	142	73	30	30	155	1,798

2019	Weighted average effective interest rate	YEARS						Total \$'000
		< 1 \$'000	1 - 2 \$'000	2 - 3 \$'000	3 - 4 \$'000	4 - 5 \$'000	5 + \$'000	
Financial assets at amortised cost								
Cash and short term deposits	0.48%	924	-	-	-	-	-	924
NZX bond	2.15%	75	-	-	-	-	-	75
Trade receivable	-	2,295	-	-	-	-	-	2,295
GST receivable	-	77	-	-	-	-	-	77
Total		3,371	-	-	-	-	-	3,371
Financial liabilities at amortised cost								
Trade payable	-	929	-	-	-	-	-	929
Contract liability	-	22	-	-	-	-	-	22
Borrowings	6.91%	711	51	51	38	-	-	851
Total		1,662	51	51	38	-	-	1,802

(i) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

As the situation remains fluid (due to evolving changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the directors considered that the financial effects of COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated for future financial periods.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the entity in subsequent financial years. (2019: none).

22. EVENTS AFTER BALANCE DATE

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the New Zealand and other governments as well as the travel and trade restrictions imposed by New Zealand and other countries in early 2020 have caused disruption to businesses and economic activity.

The Group's manufacturing and elements of its scientific services are considered an essential service and the Group was able to continue its manufacturing activities and supply products to New Zealand and international customers throughout the Level 4 and Level 3 lockdown periods. The lockdown period began on 26 March 2020 and ran through until 13 May 2020. While research and development activities were initially paused for the Level 4 lockdown, these were able to resume from Level 3.

In light of the continuation of the Group's manufacturing activities after the reporting date, the Group has been able to continue to operate largely business as usual and fulfill orders in line with budget in April and May 2020.

Additional Stock Exchange Information.

For the year ended 31 March 2020

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

As at 31 March 2020 the total number of issued ordinary shares in the Company was 1,107,653,565

1. Substantial product holders

The following substantial product holder information is given pursuant to section 293 of the Financial Markets Conduct Act 2013. As at 31 March 2020 details of the substantial product holders of the Company and their relevant interests in the ordinary shares of the Company are as follows:

Name of Substantial product holder	Shareholding as at 31 March 2020	% of issued share capital
Leveraged Equities Finance Limited	169,674,534	15.32%
Wen Yi (Uob Kay Hian Private Limited)	64,565,824	5.83%

2. Spread of security holders at 31 March 2020 - Ordinary shares

	Number of financial product holders	Percentage of financial product holders	Percentage of shares held
1 - 50,000	1,066	45.77%	2.34%
50,001 - 100,000	33	18.59%	3.13%
100,001 - 150,000	169	7.26%	1.95%
150,001 - 200,000	135	5.80%	2.22%
200,001 - 300,000	135	5.80%	3.11%
300,001-500,000	138	5.93%	5.07%
500,001 - 1,000,000	101	4.34%	6.38%
1,000,001 - 5,000,000	123	5.28%	22.45%
5,000,001 and above	29	1.25%	53.34%
	2,329	100%	100%

3. Twenty largest equity financial product holders

The names of the 20 largest holders of each class of quoted equity security as at 31 March 2020 are listed below.

Top 20 shareholders	Number of issued ordinary shares	Percentage issued
Leveraged Equities Finance Limited	169,674,534	15.32%
(Wen Yi) Uob Kay Hian Private Limited	64,565,824	5.83%
Mingchun Qiu	30,000,000	2.71%
Michael Herbert Bird	26,000,000	2.35%
Custodial Services Limited	24,388,928	2.20%
Mark Alexander Stevens & Wendy Joanne Stevens & W M C Trustees Limited	24,094,577	2.18%
Asia Pacific Partners Limited	21,850,878	1.97%
Hui Ai Adriana Tong & Morlan Tong	21,778,179	1.97%
New Zealand Depository Nominee	20,824,697	1.88%
Stephen Patrick Ward & Julie Patricia Ward & James Michael Ward	20,565,344	1.86%
Xuqi Wu & Yaohong Shen	20,322,175	1.83%
Phaben Holdings Limited	15,243,436	1.38%
New Zealand Central Securities	14,536,587	1.31%
Anthony Paul Offen & Bilinda Jane Offen & Downie Stewart Trustee Limited	11,157,388	1.01%
Bilinda Jane Offen	10,000,000	0.90%
Edinburgh Securities Limited	10,000,000	0.90%
Richard Mark Keenan	9,770,308	0.88%
Forsyth Barr Custodians	7,897,889	0.71%
JBWERE (Nz) Nominees Limited	7,650,313	0.69%
Jennbring Fruit Ltd	7,388,712	0.67%
	537,709,769	48.54%

4. Credit rating

The Company does not currently have a credit rating.

5. NZX matters

No waivers were granted by NZX with respect to the Company, or relied upon by the Company during the 12 month period from 1 April 2019 to 31 March 2020.

Independent Auditor's Report

To the Shareholders of Blis Technologies Limited

Opinion

We have audited the consolidated financial statements of Blis Technologies Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 31 March 2020, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 39 to 61, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

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

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

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

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

Audit materiality

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

We determined materiality for the Group financial statements as a whole to be \$110,000 (\$2019: \$90,000).

Key audit matters

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

Key audit matter

How our audit addressed the key audit matter

Impairment of intangible assets

The Group's ability to generate revenue is linked to capitalised development costs, trademarks and patents in respect of ingredients for the Group's products. These are included in the balance sheet as intangible assets.

The total carrying value of intangible assets at 31 March 2020 is \$0.404m as shown in the Consolidated Balance Sheet and note 10, of which \$0.395m relates to capitalised development costs, trademarks and patents.

The carrying value of intangible assets is particularly judgemental given its dependency on forecasts of revenue growth, contribution margins and a relevant discount rate.

The impairment of intangible assets is a key audit matter due to the complexity of auditing the judgements and estimates involved in determining revenue forecasts used by the Group to assess the recoverable amount of these assets. If the Group is unable to produce sustainable operating cashflows, this affects the carrying value of its key intangible assets.

Disclosure of the Group's impairment assessment is contained in note 10.

Our procedures focused on evaluating the appropriateness of the significant judgements and assumptions that relate to revenue forecasts and operating cash flows included in the impairment model.

Our procedures included, amongst others:

- Obtaining the Group's impairment model and gaining an understanding of key assumptions and judgements underlying the model.
- Assessing the integrity of the value in use calculation, including the mathematical accuracy of the underlying model.
- Assessing the impairment model for consistency with the prior year and determining whether any significant changes to the model were appropriate.
- Challenging the reasonableness of the key assumptions including those driving the cash flows underpinning the analysis, by:
 - Comparing historical budget forecasts against actual results.
 - Comparing forecast growth to business plans approved by the Board, including the Group's consideration of any negative impacts of COVID-19.
 - Engaging an internal valuation expert to assess the appropriateness of the impairment model and benchmark the Group's discount rate by comparing to an independently developed discount rate using publicly available market data for similar entities.
- Performing sensitivity analysis on the model by varying key assumptions such as revenue growth and discount rate assumptions to assess the impact on forecasted cashflows.

Other information

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

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

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

Key audit matter

How our audit addressed the key audit matter

Directors' responsibilities for the consolidated financial statements

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

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

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

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

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

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

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

**Heidi Rautjoki, Partner
for Deloitte Limited**

Dunedin, New Zealand
27 May 2020

This audit report relates to the consolidated financial statements of Blis Technologies Limited (the 'Company') for the year ended 31 March 2020 included on the Company's website. The Directors are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 27 May 2020 to confirm the information included in the audited consolidated financial statements presented on this website.

Company Directory.

For the year ended 31 March 2020

Company number

1042367

Issued capital

1,107,653,565 Ordinary Shares

Registered office

Blis Technologies Limited

81 Glasgow Street, South Dunedin
Dunedin 9012

Shareholders

Listed on the NZX Main Board

Share registrar

Link Market Services Limited

Deloitte Centre, 80 Queen street
Auckland

Directors

A Offen

G Boyd

G Plunket

Dr B Richardson

Dr A Stewart

A Balfour (appointed 9 April 2020)

V Aris (resigned 26 July 2019)

Chief executive

B D Watson

Auditors

Deloitte Limited

PO Box 1245
Dunedin

Bankers

Bank of New Zealand

Dunedin

Solicitors

Anderson Lloyd

Private Bag 1959
Dunedin 9054

Downie Stewart Lawyers

PO Box 1345
Dunedin 9054

Goldsmith Law

PO Box 40
Dunedin 9054

Website

www.blis.co.nz

Facebook

<https://www.facebook.com/BLISTechnologiesLtd/>

Instagram

<https://www.instagram.com/blistechnologies/>



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