# ZOONO GROUP LIMITED

## ANNUAL REPORT 2020

ZOONO®

ZOONO GROUP LIMITED
AND CONTROLLED ENTITIES
ABN 73 006 645 754

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2020


ZOONO BODY
hand sanitiser wipes
Once Daily Application
MICROBE SHIELD
Surface Wipes


LAUNDRY GUARD
Fabric Sanitiser

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ZOONO
hand sanitiser wipes
ZOONO
hand sanitiser
MICROBE SHIELD
All-Purpose
MICROBE SHIELD
Surface Wipes


ZOONO
hand sanitiser wipes
Once Daily Application
Protects for up to 24 hours
Kills 99.99% of all germs.
Alcohol-free
20 wipes
GERM FOGGER
MICROBE SHIELD
All-Purpose
ZOONO
hand sanitiser
MICROBE SHIELD
Surface Wipes
Alcohol Free
20 Single Wipes


ZOONO

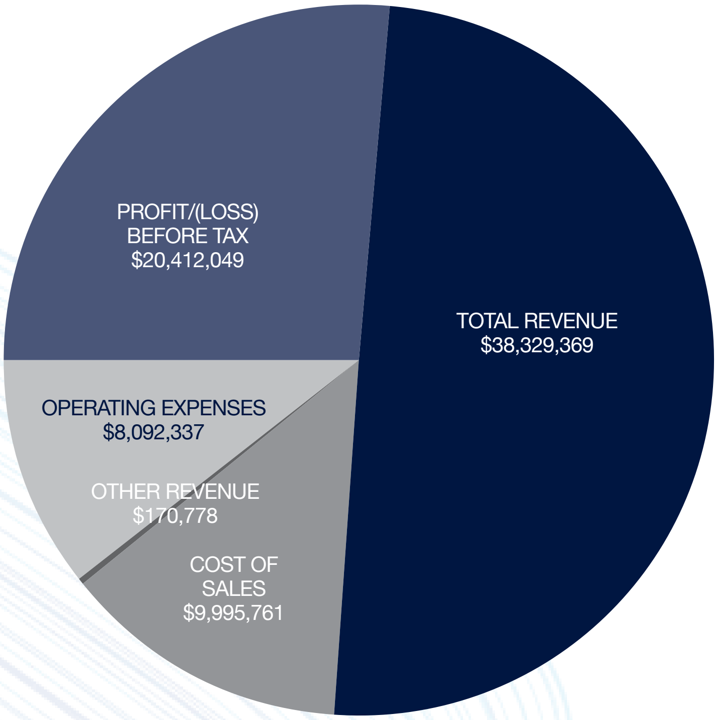

ZOONO
hand sanitiser
MICROBE SHIELD
All-Purpose


LAUNDRY GUARD
Fabric Sanitiser
GERM FOGGER
Automotive
MICROBE SHIELD
All-Purpose
ZOONO
hand sanitiser

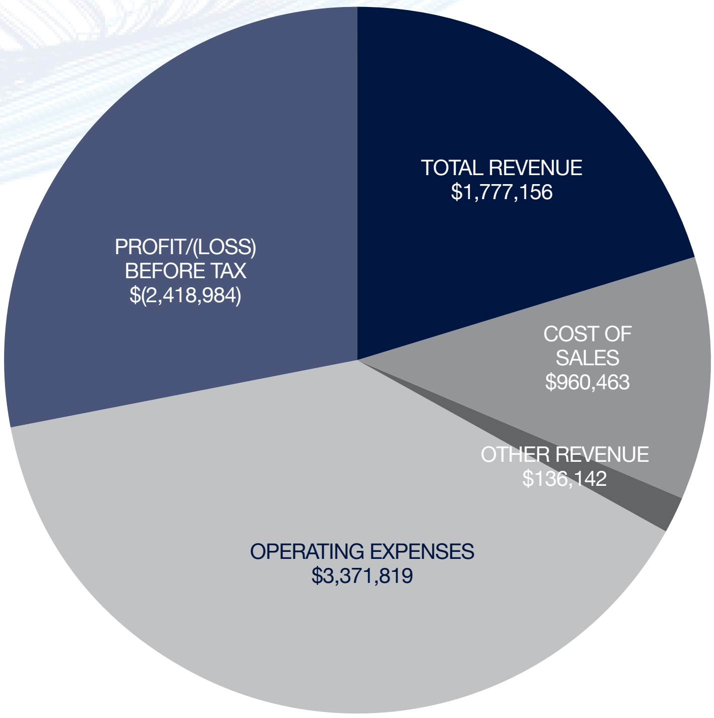

ZOONO
hand sanitiser
Daily Dose

# FINANCIAL DATA SUMMARY

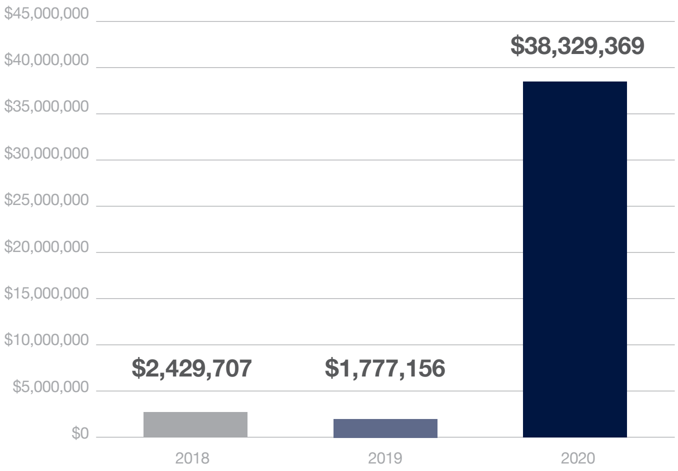
**FINANCIAL PERFORMANCE 30 JUNE 2020 NZ$**



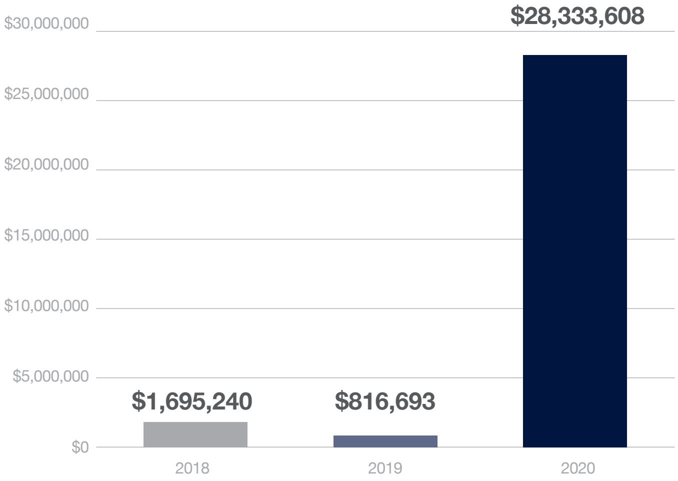

**FINANCIAL PERFORMANCE 30 JUNE 2019 NZ$**



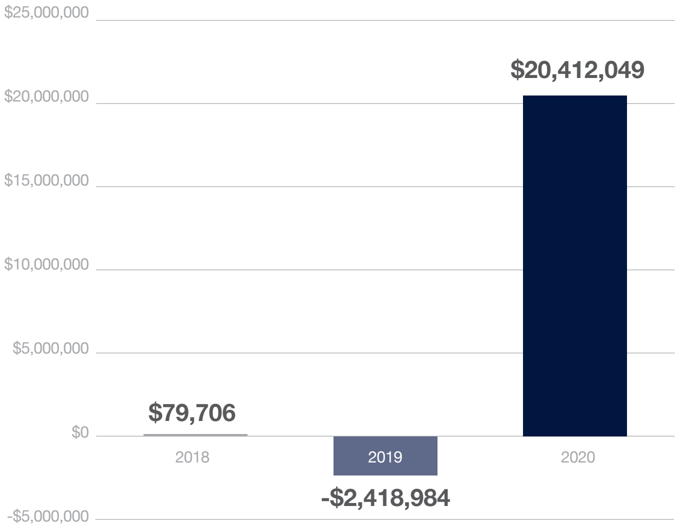
## TOTAL REVENUE NZ$



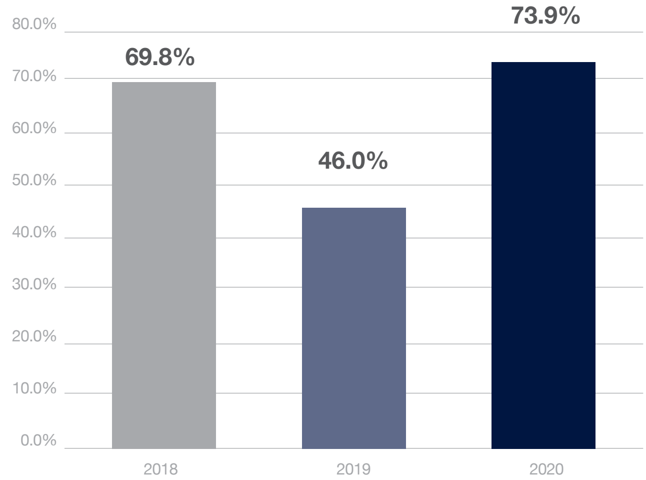

## GROSS PROFIT NZ$



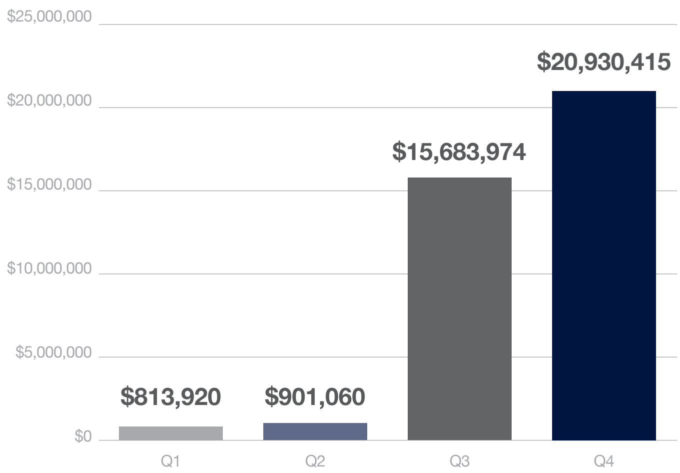

## PROFIT/(LOSS) BEFORE INCOME TAX NZ$




## GROSS PROFIT %



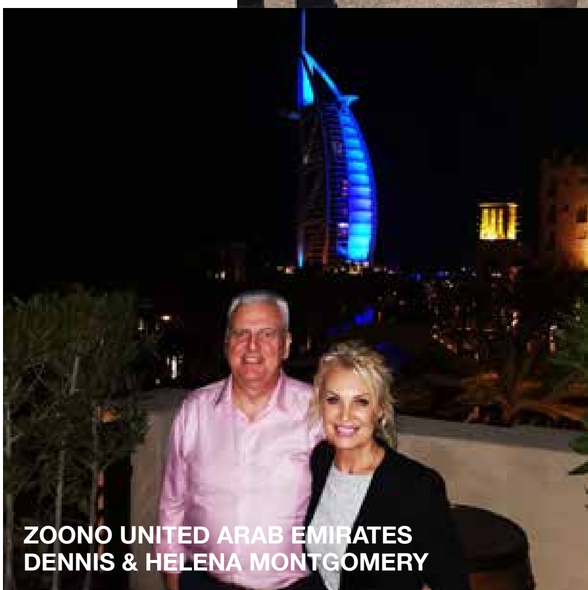

## REVENUE BY QUARTER NZ$

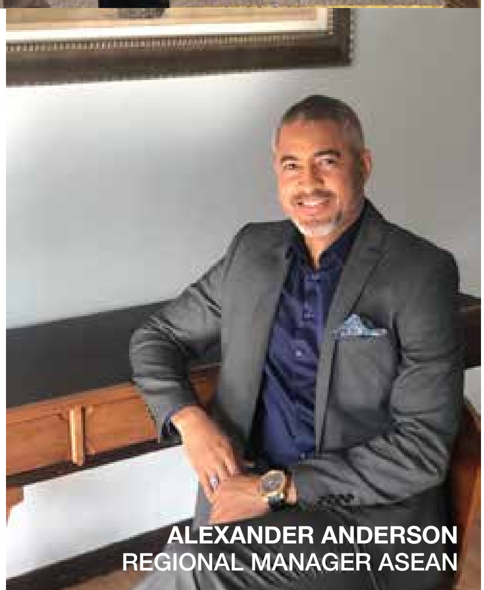


# OUR TEAM

ZOONO HEAD OFFICE NEW ZEALAND


ZOONO UNITED KINGDOM


ZOONO UNITED ARAB EMIRATES
DENNIS & HELENA MONTGOMERY


ALEXANDER ANDERSON
REGIONAL MANAGER ASEAN

TEAM ZOONO

**ZOONO UNITED STATES OF AMERICA**


**JAMAL McCLEARY** SPECIAL PROJECTS
**PAUL MORRISON** AUSTRALIA AND NZ MANAGER


**DWAYNE DEAN** OPERATIONS MANAGER
**LEW MACKINNON** CHIEF OPERATING OFFICER
**EMMA SOWRY** EXPORT SHIPPING COORDINATOR




**SHANNEN COWMEADOW** CUSTOMER SERVICES OFFICER
**NADENE ERASMUS** SOCIAL MEDIA & OPERATIONS SUPERVISOR (NZ)
**PIP HOBSON** MARKETING MANAGER


**MICHAEL AND LLOYD**
ASEAN AND CHINA MANAGERS


**PAUL RAVLICH** CHIEF FINANCIAL OFFICER
**ROZANNE NIEMAND** ASSISTANT ACCOUNTANT

# CEO'S REVIEW

**THE IDEA OF PROTECTING SURFACES FROM INFECTION AND CROSS CONTAMINATION WAS NOVEL WHEN I STARTED THIS COMPANY. OTHER TECHNOLOGIES WERE DESIGNED TO BE USED CONSTANTLY AND CONSISTENTLY ALL DAY, EVERY DAY. THE IDEA OF SOMETHING THAT WAS LONG LASTING WAS TOTALLY DIFFERENT AND IMMEDIATELY CAPTURED MY IMAGINATION AND IN 2007, ZOONO GROUP WAS BORN.**

In 2019, the Board made a strategic decision to focus on the development of a core group of B2B potential customers in the key geographic regions (North America, Europe, China and India) with the capacity to drive sales growth for the Company through consistent (and repeated) orders for the Company's products.

The Company also made the decision to defer all further pursuit of retail (B2C) business (other than on-line sales). In large part, the decision to change focus was a recognition of the fact that the Company simply did not have either the funding necessary to build a retail brand or, with its limited human resources, the capacity to build a global retail business.

Consistent with the above approach, the Company opened its UK/EU office (located in the UK) in 2018. In FY19, it reviewed its distribution arrangements in many countries (including China) and, in recent months has now opened an office in Shanghai. We have also opened an office in Dubai with Dennis Montgomery heading up this region and we purchased back the USA distributorship, which is now running as a branch, similar to the UK/EU office.

During the first six months of 2020 a lot of work went into the animal health sector through the Company's partnership with Zoono Animal Health and Apiam Animal Health Limited (ASX:AHX). The Partnership completed numerous tests; collected large quantities of data and gained global approvals, driving sales in this sector.

And then along came COVID-19. Zoono moved quickly to get international testing completed to show our efficacy against the virus surrogate, for both the hand and surface product. The Australian Therapeutic Goods Administration (TGA) subsequently agreed to add Zoono's Z-71 surface sanitiser to the approved list.

We also moved quickly to increase raw material and plastic bottles globally, even chartering an aircraft to fly bottles in from China.

Through this period the Company received a lot of publicity and sales exploded, both in B2B and B2C markets. After a record month for sales in April 2020, things have settled into a more orderly sales pattern.

Zoono has now partnered with many recognised household name multinational companies, like Initial Rentokil, Atalian Servest, First Group, Bunzl, Qantas Airlines and many others some who wish to remain confidential.

We had already been knocking on the doors of a lot of these companies over several years, so it was gratifying to get them over the line.

We have had huge success in transportation, particularly in trains and buses, including the London

Underground and UK Land Trains.

Zoono also entered into many new sales and distribution agreements globally.

Zoono also moved very early to sort out supply chain issues, moving to making our own plastic moulds for bottles so we can make our own bottles and also commissioning a new chemical reactor so we can manufacture our own raw material to alleviate any future supply issues.

Zoono is now on a global growth curve, opening strategic offices and warehouses and employing key people globally to manage the growth.

Importantly, the Company is adequately funded to execute its strategic growth plan in FY21 and beyond. At the end of the year, the Company had NZ$10,323,216 cash at bank, stock of NZ$13,202,029 and receivables of NZ$9,229,419.

Zoono is also in a position to pay a maiden dividend of 3c per share ($AUD) for the 2020 financial year.

The Company will continue to invest in and test its products against various pathogens and complete trials with other potential customers across various industries, including childcare, transport, animal health, facilities management and consumer goods globally. Again, this is being done with the clear expectation of signing further long-term distribution agreements which will see the Company's profitability continue to grow for years to come.

We value our shareholder base, which is now extensive, with many shareholders also being customers. Your board and management team are committed to commercialising our range of products across as many trade sectors as we can, and appointing distributor partners who have the infrastructure, business links and skills in each of our chosen markets.

We would like to thank all shareholders, staff and stakeholders in our business and confirm that we are working hard to maximise the potential of our products and returns to shareholders.

PAUL HYSLOP
MANAGING DIRECTOR/CEO



# DIRECTORS' REPORT

**YOUR DIRECTORS PRESENT THEIR REPORT ON ZOONO GROUP LIMITED ('COMPANY') AND ITS CONTROLLED ENTITIES (TOGETHER CALLED THE 'GROUP' OR THE 'CONSOLIDATED ENTITY') FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020. ALL NUMBERS STATED IN THIS REPORT ARE IN NEW ZEALAND DOLLARS, UNLESS OTHERWISE STATED OR CONVERTED AT THE EXCHANGE RATES PROVIDED.**

## DIRECTORS

The names of directors in office at any time during or since the end of the year are:

MR. PAUL HYSLOP
Managing Director

MR. DON CLARKE
Non-Executive Director

MS. ELISSA HANSEN
Non-Executive Director

MR. JON LAMB
Chairman (resigned 9 July 2019)

Directors have been in office for all of the reporting period and to the date of this report unless otherwise stated.

## COMPANY SECRETARY

Ms. Elissa Hansen

## PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year were to develop and sell a range of antimicrobial products in multiple countries.

## OPERATING RESULT

The Group recorded an after-tax profit of NZ$16,641,700 (2019: Loss NZ$2,418,984) for the financial year.

## REVIEW OF OPERATIONS

FY20 has been a year of two distinctive halves for the Zoono Group. Having made the decision to focus on B2B and defer pursuit of retail, the company was able to focus on putting the building blocks into place, even though sales suffered somewhat initially.

Agreements with Microsonic and Turtle Wax Inc. for the car wash, automotive and cruise industries, and The Z Factor Limited for the supply of its proprietary poultry formulation utilising Zoono Z71 Microbe Shield, were the catalyst for growth into the B2B market.

These were followed by onboarding Midas Pharma GmbH in Europe and new distributor and supply agreements in multiple countries including Denmark, Sweden, Bosnia and Herzegovina, Germany, UK, South Africa, New Zealand, Australia, and USA.

With increased enquiry and product demand originating from the UK and Europe, opening an office in the UK to service these markets proved to be a strategic move.

Zoono Poultry (previously known as The Z Factor) made significant progress following successful trials with African Swine Flu in China and subsequently became Zoono Animal Health Limited as it became clear applications in the veterinary market are wide and varied. They entered a distribution agreement with Apiam Animal Health Limited (ASX: AHX), which covers veterinary markets in Australia and USA.

Early 2020 saw the emergence in China of Covid-19, and the well-publicised impacts of that virus on human health. As a result the Company was inundated by public and shareholder enquiry.

With the efficacy of Zoono's technology and products against viruses and bacteria proven, the major issue facing the Company this year was how to cope with the influx of orders.

To keep ahead of the game the Company: ramped up production; relocated to a substantially larger warehouse and office facility; ordered 4 million bottles to keep up with demand; increased raw material supplies to make 3 million litres of products; and hired more staff.

As New Zealand went into lockdown in late March, Zoono continued as an essential service supplying local and international businesses in healthcare, aged care, food production, government and personal health and hygiene.

Increased demand necessitated the commencement of manufacturing significant quantities of product in the UK and USA.

Zoono signed a number of new distribution agreements in the UK and Europe, including with UK based, global distribution companies operating in the hygiene and sanitisation markets: Rentokil Initial plc; Bunzl Health and Hygiene; and Atalian Servest Ltd.

In addition, UK Police, London Underground, and UK and German mainline trains and stations started using Zoono products in the fight against Covid-19. The UK team continues to work closely with major global


channel partners across the facilities management, transport, and healthcare sectors, and have now moved to larger premises to support the bulk activities for the UK and Europe.

In Australia, the Therapeutic Goods Administration (TGA) approved an amendment to allow Zoono to claim that Zoono Z-71 Microbe Shied Surface Sanitiser is an effective disinfectant for hard surfaces against germs, bacteria and Covid-19.

Zoono individual wipes became part of the Qantas "Fly Well" programme and significant sales (via Zoono's channel partner, WINC) were made into the childcare / education sectors, with more sectors, including aged care and public transport, also being targeted.

The company signed a distribution agreement with Johns Lyng Group (ASX: JLG) and Zoono Channel partner, Clear Facilities, reported strong growth in the food manufacturing/processing and corporate sectors.

After earlier closing the online NZ store due to unprecedented demand, the Company re-opened this in late April. Packing and shipping of consumer orders were outsourced to a third-party logistics company (3PL) in New Zealand, and the same strategy has since been employed for the Australian market.

Production and order fulfilment capabilities were increased to meet demand and raw material supplies were been secured for well into the future. Zoono is now blending and packaging across multiple facilities in NZ, USA and UK.

Packaging manufacturing has been established in New Zealand to reduce the Company's dependency on imports. It also introduced recyclable refill packs in the UK and further innovations along these lines are planned.

In China, Zoono has reshaped its business taking direct control of its China business and building a business development team to focus on relationships with channel partners rather than utilising distributors, with consequent expected benefits in the form of reduced costs and better margins.

A direct deal with Ali Baba in China and will see the opening of an international online store on Ali Baba to be followed later by a TMall flagship store. Zoono has also made in-roads into the hospital and school market in China. It has also picked up significant business in Hong Kong, including Hong Kong airport, through a channel partners.

Zoono has bought out its US distributor and is now selling directly in the USA through a newly established, wholly owned subsidiary, Zoono Holdings USA LLC. Growing Zoono's North American business over the next 2 to 3 years is the primary goal, with increased resources being allocated to support this strategic initiative from H1 of FY21 onwards.

Replicating the success of the UK operation in the North American market (and Mexico) is the initial aim. Expansion into South America is on the agenda when resources and business permit. Several new distribution agreements have already been signed with US based partners.

The Company has appointed its former Middle East agent, Dennis Montgomery, as its Regional Manager with responsibility for the Middle East, Africa, Turkey, India, Pakistan and Bangladesh. Based in the UAE, the Company intends to build a business development team around him to grow its business in the region. Several new distribution agreements have already been signed.

Significant business is also underway in the veterinary and animal health sector, through Zoono's channel partners, Zoono Animal Health and Apiam (ASX: AHX), particularly in New Zealand, Australia, USA, UK, Ireland, Portugal, Hungary and Germany. Pig and poultry are forming the core of this business, where Zoono products have already been shown to be very effective against several viral and bacterial groups affecting this sector, including African swine fever.

The Company continues negotiations with new customers and distributors internationally as it builds its global antimicrobial protection business.

## FINANCIAL PERFORMANCE

In the 12 months to 30 June 2020, the Group experienced an increase in revenue of NZ$36,552,213 (2056.8% increase) to NZ$38,329,369 over the FY19 year.

Gross Profit achieved was NZ$28,333,608 (73.9% of revenue) in the current year compared to NZ$816,693 (46.0% of revenue) in the previous year. The increase in Gross Profit was due to increased revenues, and the mix of products sold which positively affected the margins.

The second half FY20 revenues achieved was NZ$36,614,389 with Gross Profit for the second half at NZ$27,440,165 (74.9% of revenue) and Net Profit before tax for the second half at NZ$21,139,993 (57.7% of revenue).

Operating costs increased by NZ$4,720,518 (140.0% increase) compared to FY19 primarily as a result of the increase in revenues with additional staff taken on board to cope with the demand and commissions paid to distributors and agents to accelerate revenues.

The consolidated Group net profit after tax for the year was NZ$16,659,442 compared to a loss of NZ$2,418,984 in the previous year (a turnaround in net profit after tax of NZ$19,078,426).

## CASH GENERATION AND CAPITAL MANAGEMENT

Operating cash flow was achieved with a net cash inflow of NZ$8,091,196 in the current year, an increase of NZ$10,972,743 on the previous year. This was predominately due to higher revenues resulting in higher receipts from customers and distributors being achieved coupled with strong financial management and credit control.

The increase in cash received from customers and distributors was also as a result of cash received from our distributors in the current and prior years for pre-paid stock. This meant we had sales during the financial year for which cash was received in the current and prior years. Our Income in advance account in the balance sheet as a result of these sales increased from NZ$323,661 to NZ$1,319,723 – a movement of NZ$996,062.

The Consolidated Group issued 200,000 fully paid ordinary shares in the Company at a deemed price of A$1.77 per share for a total consideration of NZ$378,628 to the UK/EU Regional Manager as part of his remuneration package and also issued 100,000 fully paid ordinary shares in the Company at a deemed price of A$2.45 per share for a total consideration of NZ$262,032 to the UAE Regional Manager as part of his remuneration package.

The Group ended the year solidly with NZ$10,323,216 in cash reserves compared to NZ$3,125,328 in the previous year, an increase of NZ$7,197,888 despite substantially increasing stock levels during the year to anticipate future demand (movement of NZ$12,698,904 over FY19).

## DIVIDENDS

No dividends were paid since the start of the financial year.

## FINANCIAL REVIEW

Zoono Group Limited made significant strategic, operational and financial progress during the year.

On a consolidated basis, the Group delivered:

• Revenue: NZ$38.3m +2,056.8% (FY19: NZ$1.8m)

• EBITDA: NZ$20.6m +944.5% (FY19: NZ$(2.4)m))

## BALANCE SHEET

The Group continues to maintain a strong balance sheet position with net assets of NZ$21.0m representing an annual increase of NZ$17.1m.

The increased net asset position is materially due to the Group's trading profits during the year.

## EMPLOYEE OPTIONS

During the year, the Company issued the following options to non-director employees:

GRANT DATE
16 December 2019

EXERCISE PRICE
A$0.25

EXPIRY DATE
16 December 2023

NUMBER OF OPTIONS ISSUED
2,000,000

Option holders do not have any rights to participate in any issue of shares or other interests of the Company or any other entity.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Board has approved a final dividend of 3 cents per share ($AUD). The final dividend will be paid on 21st September 2020 with a record date of entitlement of 7th September 2020.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

## LIKELY DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The consolidated entity will continue its strategy to focus on the progressive expansion of the sale and marketing of its product line.

## ENVIRONMENTAL REGULATIONS

The Group's operations are minimally affected by environmental regulations.

## NEW ACCOUNTING STANDARDS IMPLEMENTED

The Group has implemented one new Accounting Standard that is applicable for the current reporting period.

AASB 16: Leases has been applied retrospectively, with the cumulative effect of initially applying the Standard recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

## NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncement as the Group assessed that the new and amended pronouncements have no material impact on the Group.

# INFORMATION ON DIRECTORS



**MR. PAUL HYSLOP**
MANAGING DIRECTOR

Paul founded Zoono Group in 2007 to address the need for a highly effective, alternative method of combating bacteria and microbes and quickly realised the business opportunity surrounding this technology. Prior to establishing Zoono, Paul was involved in several successful entrepreneurial ventures ranging from the establishment of a successful private car sales business in Auckland in 1990, to real estate development and business brokerage. He also set up a franchise business in the USA 2002 – 2005.

Extremely adept at dealing with businesses and consumers alike, he co-established the Business Brokerage Division at Bayley's Real Estate – one of the largest real estate and business brokerages in New Zealand, where he was twice awarded the "Salesman of the Year" award.

Paul's experience in business development dates back to the 1970s, when he started a personal-care services business after high school, grew it into eight locations and later sold it to his employees. He has also been a commercial flying instructor and Airline pilot, having flown commuter planes for Eagle Air, owned by Air New Zealand.

SPECIAL RESPONSIBILITIES:
Managing Director

INTERESTS IN SHARES AND OPTIONS:
66,558,000 Ordinary shares

DIRECTORSHIPS OF OTHER LISTED COMPANIES IN THE PAST THREE YEARS:
None.

**MR. DON CLARKE**
LLB (Hons)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Don was a Partner of Minter Ellison's Melbourne Corporate Group, from 1988-2015. He currently acts as a consultant to them. Don has advised leading corporate clients on broad corporation law issues focused on equity capital markets, private equity, mergers and acquisitions and corporate restructures.

He is able to draw on his first-hand experience as a corporate lawyer and a Director, of Directors' duties and responsibilities and best practice corporate governance, when advising on the legal and practical issues faced at head office and board level.

SPECIAL RESPONSIBILITIES:
Chairman of the Audit and Risk Committee

INTERESTS IN SHARES AND OPTIONS:
270,000 Ordinary shares

DIRECTORSHIPS OF OTHER LISTED COMPANIES IN THE PAST THREE YEARS:

Non-Executive Director, Webjet Limited (appointed January 2008)

Non-Executive Director, Contango Income Generator Limited (appointed August 2014)

**MS. ELISSA HANSEN**
B.Comm, Grad Dip Applied Corporate Governance, GAICD and FGIA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Elissa has over 21 years of experience advising boards and management on corporate governance, compliance, investor relations and other corporate related issues. She is a Chartered Secretary who brings best practice governance advice, ensuring compliance with the Listing Rules, Corporations Act and other relevant legislation.

SPECIAL RESPONSIBILITIES:
Company Secretary; member of the Audit and Risk Committee

INTERESTS IN SHARES AND OPTIONS:
276,000 Ordinary shares

DIRECTORSHIPS OF OTHER LISTED COMPANIES IN THE PAST THREE YEARS:
Non-executive director, Torian Resources Limited (appointed December 2015; resigned 20 April 2018)

## MEETINGS OF DIRECTORS

The number of board meetings of Zoono Group Limited directors held during the financial year ended 30 June 2020, and the number of meetings attended by each director were:

| | DIRECTORS MEETINGS | | AUDIT & RISK COMMITTEE MEETINGS | |
|---|---|---|---|---|
| | ATTENDED | ELIGIBLE TO ATTEND | ATTENDED | ELIGIBLE TO ATTEND |
| Jon Lamb | - | | - | |
| Paul Hyslop | 5 | 5 | - | - |
| Don Clarke | 5 | 5 | 2 | 2 |
| Elissa Hansen | 5 | 5 | 2 | 2 |

## INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

The Group has entered into an agreement to indemnify directors and officers during the financial year and has taken out an insurance policy to insure each of the directors and officers or former directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Group, other than conduct involving a wilful breach of duty in relation to the Group. Indemnity has not been provided for auditors. Insurance premiums of NZ$120,607 have been paid or accrued by the Group.

## REGULATION

Zoono and it proposed products are subject to various laws and regulations including but not limited to accounting standards, tax laws, environmental laws, product content requirement, labelling/packaging, regulations and customs regulations. Changes in these laws and regulations (including interpretation and enforcement) could adversely affect the Group financial performance. Laws and regulations are specific to each geographic location. In this regard, there is a risk that a certain product may not be able to be supplied in another jurisdiction because it fails to meet that jurisdictions regulatory requirements (e.g. product registration requirements). Failure of the Group to remain up to date with these various regulatory requirements, could adversely affect the Group financial performance.



There were no regulatory issues that arose during the 12 months to 30 June 2020.

## PROCEEDINGS ON BEHALF OF THE GROUP

Qingdao Zoono Biotech Company Limited instigated legal proceedings against Zoono on 20 May 2019 citing breach of contract under a distribution agreement entered into on 29 May 2013. Zoono lodged a counter claim which stated; Qingdao breached the distribution agreement by not meeting the minimum annual volumes under the agreement and making disparaging comments about Zoono and its products. The Group's insurers have accepted the claim against Paul Hyslop but will only meet 50% of the claim against the Company, less any insurance excess payable.

The Company took the plaintiff to Court and were awarded costs and the plaintiff was ordered to pay costs and has failed to do so.

The Directors do not believe the outcome of the proceedings will have a material effect on the financial statements as Zoono's counter claim exceeds Qingadao's claim.

## CORPORATE GOVERNANCE

The directors are responsible for the corporate governance practices of the Group. The main corporate governance practices that were in operation during the financial year are set out in the Corporate Governance section of the Company's website at http://zoono.com/corporate-governance/.

## NON-AUDIT SERVICES

The directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the full board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were Nil non-audit services rendered during the year ended 30 June 2020.

An independence declaration has been provided by the Group's auditor, Hall Chadwick. A copy of this declaration is attached to, and forms part of, the financial report for the financial year ended 30 June 2020.

Signed in accordance with a resolution of the directors.

**MR. PAUL HYSLOP**
MANAGING DIRECTOR/CEO
20 August 2020

# REMUNERATION REPORT (AUDITED)

**THE REMUNERATION REPORT IS SET OUT UNDER THE FOLLOWING MAIN HEADINGS:**

**1. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION**

**2. DETAILS OF REMUNERATION**

**3. SERVICES AGREEMENTS**

**4. SHARE-BASED COMPENSATION**

**THE INFORMATION PROVIDED UNDER HEADINGS 1 TO 4 INCLUDES REMUNERATION DISCLOSURES THAT ARE REQUIRED UNDER ACCOUNTING STANDARD AASB 124 RELATED PARTY DISCLOSURES. THESE DISCLOSURES HAVE BEEN TRANSFERRED FROM THE FINANCIAL REPORT AND HAVE BEEN AUDITED.**

## 1. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The performance of the consolidated group depends upon the quality and commitment of the directors and executives. The philosophy of the directors in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate demanding performance hurdles for variable executive remuneration.

Given the small size of the Group's board, and the current development stage of the Company, a separate Remuneration Committee has not been established to review and make recommendations to the full Board on the Group's remuneration policies, procedures and practices. As the Company develops, the Group may establish a Remuneration Committee to undertake this role.

The full Board oversees the Group remuneration policies, procedures and practices and defines the individual packages offered to executive directors and key management personal.

The board may consider engaging an independent remuneration consultant, to advise the board on appropriate levels of remuneration relative to its industry peer group.

In accordance with Corporate Governance best practice (Recommendation 8.2), the structure of non- executive director and executive remuneration is separate and distinct as follows.

A. NON-EXECUTIVE DIRECTORS' REMUNERATION FIXED REMUNERATION:

The Board seeks to set non-executive directors' remuneration at a level that provides the Group with the ability to attract and retain directors of a high calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The amount of aggregate remuneration and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from shareholders and takes into account the fees paid to non-executive directors of comparable companies, when undertaking the annual review process.

Directors' remuneration is inclusive of committee fees. The following net annual fees paid to non- executive directors are:

| FIXED FEES (NZ$) | 1 JULY 2019 - 30 JUNE 2020 $ | 1 JULY 2018 - 30 JUNE 2019 $ |
|---|---|---|
| Chairman's Fee | - | $144,000[1] |
| **Base Fee** | | |
| Non-executive directors | $65,231[2] | $63,983[2] |

*NOTES:*

1. The net annual fee paid was Nil (2019: AU$60,000) to each director and has been converted at an average exchange rate of 1.0664 for 2019. An additional Executive Chairman's fee of AU$75,035 which has also been converted at an average exchange rate of 1.0664 was also paid in the prior year.
2. The net annual fee was AU$61,667 (2019: AU$60,000) to each director and has been converted at an average exchange rate of 1.0578 (2019: 1.0664).

B. COMPANY EXECUTIVE AND EXECUTIVE DIRECTOR REMUNERATION
Remuneration for executives and executive directors consists of fixed remuneration, short-term incentive payments and options issued.

*FIXED REMUNERATION:*
Fixed remuneration is reviewed annually by the directors. The process consists of a review of relevant comparative remuneration in the employment market and within the Group. The Group may engage an independent remuneration consultant, to advise the board on appropriate levels of remuneration for the Group's Executive Directors relative to its industry peer group.

## 2. DETAILS OF REMUNERATION

Details of the remuneration of the Key Management Personnel (as defined in AASB 124 Related Party Disclosures) are set out in Table 1 which follows.

The Key Management Personnel of Zoono Group Limited, including the directors and the following consolidated group executives, have authority and responsibility for planning, directing and controlling the activities of the consolidated group.

Lew MacKinnon - Chief Operating Officer
Paul Ravlich - Chief Financial Officer

These executives together with the directors comprise the named relevant consolidated group executives who make or participate in making decisions that affect the whole, or a substantial part, of the business or who have the capacity to affect significantly the Group's financial standing.

**TABLE 1:** DETAILS OF REMUNERATION – DIRECTORS AND KEY MANAGEMENT PERSONNEL.

| | SHORT-TERM BENEFITS | | OTHER BENEFITS | | SHARE BASED PAYMENTS | **TOTAL** | PERCENTAGE PERFORMANCE BASED BONUS PAYMENTS | PERCENTAGE SHARE-BASED PAYMENTS |
|---|---|---|---|---|---|---|---|---|
| | Cash Salary & Fees $NZD | STI Payments $NZD | Termination Benefits $NZD | Prescribed Benefits $NZD | Shares $NZD | $NZD | | |
| **Year ended 30 June 2020** | | | | | | | | |
| **Executive directors** | | | | | | | | |
| Paul Hyslop | 377,938 | 50,000 | - | - | - | 427,938 | 11.68% | - |
| **Non-Executive directors** | | | | | | | | |
| Don Clarke | 65,231 | - | - | - | - | 65,231 | - | - |
| Elissa Hansen | 65,231 | - | - | - | - | 65,231 | - | - |
| **Other key management personnel** | | | | | | | | |
| Lew MacKinnon | 126,415 | 7,000 | - | - | 91,506 | 224,921 | 3.11% | 40.68% |
| Paul Ravlich | 201,800 | - | - | 6,102 | 64,054 | 271,956 | - | 23.55% |
| **Total** | **836,615** | **57,000** | **-** | **6,102** | **155,560** | **1,055,277** | 5.40% | 14.74% |

**TABLE 2:** DETAILS OF REMUNERATION – DIRECTORS AND KEY MANAGEMENT PERSONNEL.

| | SHORT-TERM BENEFITS | | OTHER BENEFITS | | SHARE BASED PAYMENTS | **TOTAL** | PERCENTAGE PERFORMANCE BASED BONUS PAYMENTS | PERCENTAGE SHARE-BASED PAYMENTS |
|---|---|---|---|---|---|---|---|---|
| | Cash Salary & Fees $NZD | STI Payments $NZD | Termination Benefits $NZD | Prescribed Benefits $NZD | Shares $NZD | $NZD | | |
| **Year ended 30 June 2019** | | | | | | | | |
| **Executive directors** | | | | | | | | |
| Jon Lamb | 144,000 | - | - | - | - | 144,000 | - | - |
| Paul Hyslop | 377,938 | - | - | - | - | 377,938 | - | - |
| **Non-Executive directors** | | | | | | | | |
| Don Clarke | 63,983 | - | - | - | - | 63,983 | - | - |
| Elissa Hansen | 108,771 | - | - | - | - | 108,771 | - | - |
| **Other key management personnel** | | | | | | | | |
| Lew MacKinnon | 124,107 | - | - | - | - | 124,107 | - | - |
| Paul Ravlich | 205,197 | - | - | 6,102 | - | 211,299 | - | - |
| **Total** | **1,023,996** | **-** | **-** | **6,102** | **-** | **1,030,098** | **-** | **-** |

1. Elissa Hansen's remuneration includes director remuneration of AU$60,000 per annum together with fees charged for Company secretarial services at a rate of AU$3,500 per month, converted to NZ$ at an average exchange rate of 1.0664.

### 3. SERVICE AGREEMENTS

The following is a summary of the current major provisions of the agreements relating to remuneration of Executive Directors in NZ Dollars:

**JON LAMB**
EXECUTIVE CHAIRMAN
(Resigned 9 July 2019)
Jon Lamb was Executive Chairman of the Group during the year until his resignation in July 2019 and and considered a key member of the Group's management team.

*Employment Conditions*

| | |
|---|---|
| Commencement Date: | 26 April 2017 |
| Term: | One year |
| Review: | Annually |

**PAUL HYSLOP**
MANAGING DIRECTOR
Paul Hyslop is the Managing Director of the Group and is considered a key member of the Group's management team. Paul is founder of Zoono.

*Employment Conditions*

| | |
|---|---|
| Commencement Date: | 26 April 2017 |
| Term: | Two years |
| Review: | Annually |

INDEPENDENT REVIEW
To ensure the Group complied with industry best practice in relation to the remuneration of its executive directors, the non-executive directors of the Group will consider engaging the services of a remuneration consultant to conduct an independent assessment of the remuneration packages negotiated with its executive director.

**LEW MACKINNON**
CHIEF OPERATIONS OFFICER
Base Remuneration: $120,000
Other Benefits:
Use of a company vehicle.

*Employment Conditions*

| | |
|---|---|
| Commencement Date: | 1 June 2017 |
| Term: | One year |
| Review: | Annually |

Share options of 500,000 were issued on 16 December 2019, vesting on 16 December 2020, exercisable at A$0.25 and expiring 16 December 2023.

**PAUL RAVLICH**
CHIEF FINANCIAL OFFICER
Base Remuneration: $220,000
Other Benefits: Entitlement to a cash payment of up to $40,000 contingent on the Group achieving budgeted results in the year.

Employment Conditions

| | |
|---|---|
| Commencement Date: | 1 May 2017 |
| Term: | One year |
| Review: | Annually |

Share options of 350,000 were issued on 16 December 2019, vesting on 16 December 2020, exercisable at A$0.25 and expiring 16 December 2023.

### 4. VOTING AND COMMENTS MADE AT THE COMPANY LAST ANNUAL GENERAL MEETING

The resolution to adopt Zoono Group Limited's Remuneration Report for the financial year ended 30 June 2019 was passed by way of a poll with a 91% 'yes' vote. The Company received no specific feedback on Remuneration Report either at the Annual General Meeting or at other times.

# AUDITOR'S INDEPENDENCE DECLARATION

HALL CHADWICK (NSW)

**ZOONO GROUP LIMITED AND CONTROLLED ENTITIES**
**ABN 73 006 645 754**

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

**AUDITOR'S INDEPENDENCE DECLARATION**
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**
**TO THE DIRECTORS OF ZOONO GROUP LIMITED**

In accordance with section 307C of the *Corporations Act 2001,* I am pleased to provide the following declaration of independence to the directors of Zoono Group Limited. As the lead audit partner for the audit of the financial report of Zoono Group Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Hall Chadwick

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

**DREW TOWNSEND**
Partner
Dated: 20 August 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

| | NOTES | 2020 NZ$ | 2019 NZ$ |
|---|---|---|---|
| Revenue | 5 | 38,329,369 | 1,777,156 |
| Cost of sales | | (9,995,761) | (960,463) |
| Gross profit | | 28,333,608 | 816,693 |
| Other revenue | 5 | 170,778 | 136,142 |
| Administration expenses | | (101,738) | (46,495) |
| Depreciation/Amortisation expenses | | (197,437) | (90,012) |
| Directors' fee | | (129,859) | (271,967) |
| Employee costs | | (2,179,100) | (1,070,819) |
| Finance costs | | (52,559) | (10,140) |
| Management fee | | (430,006) | (377,938) |
| Professional fees | | (1,098,020) | (591,881) |
| Share based payment | 18 | (366,026) | - |
| Selling and distribution expenses | | (1,748,361) | (290,018) |
| Marketing expenses | | (267,972) | (197,874) |
| Listing expenses and other acquisition costs | | (206,528) | (94,741) |
| Other expenses | | (1,314,731) | (329,934) |
| **Profit/(Loss) before Income Tax** | | 20,412,049 | (2,418,984) |
| Income tax expense | 6 | (3,752,607) | - |
| **Profit/(Loss) attributable to members** | 7 | **16,659,442** | **(2,418,984)** |
| | | | |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified to profit or loss** | | | |
| Exchange differences on translation of foreign operations | | (538,246) | (28,736) |
| **Total other comprehensive income** | | **(538,246)** | **(28,736)** |
| **Total comprehensive profit/(loss) attributable to members** | | **16,121,196** | **(2,447,720)** |
| | | | |
| **Profit per share attributable to the ordinary equity holders of the company** | | | |
| Basic profit/(loss) per share (cents) | 24 | 10.20 | (1.48) |
| Diluted profit/(loss) per share (cents) | 24 | 10.13 | (1.48) |

*The accompanying notes form part of these financial statements*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**AS AT 30 JUNE 2020**

| | NOTES | 2020 NZ$ | 2019 NZ$ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 23(a) | 10,323,216 | 3,125,328 |
| Trade and other receivables | 9 | 9,229,419 | 820,299 |
| Inventories | 10 | 13,202,029 | 503,125 |
| Other assets | 14 | 176,027 | 64,250 |
| **TOTAL CURRENT ASSETS** | | 32,930,691 | 4,513,002 |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 11 | 229,355 | 113,349 |
| Intangible assets | 12 | 37,226 | 69,604 |
| Right of use assets | 13 | 1,500,255 | - |
| **TOTAL NON-CURRENT ASSETS** | | 1,766,836 | 182,953 |
| **TOTAL ASSETS** | | 34,697,527 | 4,695,955 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | 8,419,895 | 751,592 |
| Lease liabilities | 13 | 201,157 | - |
| Borrowings | 16 | - | 22,853 |
| Current tax liabilities | | 3,752,607 | - |
| **TOTAL CURRENT LIABILITIES** | | 12,373,659 | 774,445 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | 13 | 1,359,022 | - |
| Borrowings | 16 | - | 68,923 |
| **TOTAL NON-CURRENT LIABILITIES** | | 1,359,022 | 68,923 |
| **TOTAL LIABILITIES** | | 13,732,681 | 843,368 |
| **NET ASSETS** | | 20,964,846 | 3,852,587 |
| **EQUITY** | | | |
| Issued capital | 17 | 12,461,800 | 11,821,140 |
| Reserves | 18 | (97,140) | 75,080 |
| Accumulated profits/(losses) | 8 | 8,600,186 | (8,043,633) |
| **TOTAL EQUITY** | | 20,964,846 | 3,852,587 |

*The accompanying notes form part of these financial statements*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

| | | ISSUED CAPITAL | RESERVES | | ACCUMULATED PROFITS | TOTAL |
|---|---|---|---|---|---|---|
| | NOTE | ORDINARY SHARES NZ$ | FOREIGN CURRENCY TRANSLATION NZ$ | SHARE BASED PAYMENT RESERVE NZ$ | NZ$ | NZ$ |
| **Balance at 1 July 2019** | | 11,821,140 | 75,080 | - | (8,043,633) | 3,852,587 |
| Cumulative adjustments upon adoption of new accounting standard – AASB 16 | | - | - | - | (15,623) | (15,623) |
| **Balance at 1 July 2019 (restated)** | | 11,821,140 | 75,080 | - | (8,059,256) | 3,836,964 |
| Profit for the full year | | - | - | - | 16,659,442 | 16,659,442 |
| Other comprehensive income for the full year | | - | (538,246) | - | - | (538,246) |
| Total comprehensive income/(loss) for the full year | | - | (538,246) | - | 16,659,442 | 16,121,196 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Shares issued during the full year, net of issue costs | 17 | 640,660 | - | - | - | 640,660 |
| Share based payments | 18 | - | - | 366,026 | - | 366,026 |
| Total transactions with owners | | 640,660 | - | 366,026 | - | 1,006,686 |
| **Balance at 30 June 2020** | | 12,461,800 | (463,166) | 366,026 | 8,600,186 | 20,964,846 |

*The accompanying notes form part of these financial statements*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

| | NOTE | ISSUED CAPITAL<br>ORDINARY SHARES<br>NZ$ | RESERVES<br>FOREIGN CURRENCY TRANSLATION<br>NZ$ | ACCUMULATED LOSSES<br>NZ$ | TOTAL<br>NZ$ |
|---|---|---|---|---|---|
| **Balance at 1 July 2018** | | 11,781,716 | 103,816 | (5,624,649) | 6,260,883 |
| Loss for the year | | - | - | (2,418,984) | (2,418,984) |
| Other comprehensive income for the year | | - | (28,736) | - | (28,736) |
| Total comprehensive income/(loss) for the year | | - | (28,736) | (2,418,984) | (2,447,720) |
| Transactions with owners in their capacity as owners | | | | | |
| Shares issued during the year, net of issue costs | 17 | 39,424 | - | - | 39,424 |
| Total transactions with owners | | 39,424 | - | - | 39,424 |
| **Balance at 30 June 2019** | | 11,821,140 | 75,080 | (8,043,633) | 3,852,587 |



*The accompanying notes form part of these financial statements*

# CONSOLIDATED STATEMENT OF CASH FLOWS

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

| | NOTES | 2020 NZ$ | 2019 NZ$ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customers | | 30,998,938 | 1,129,303 |
| Payments to suppliers and employees | | (22,946,152) | (4,117,836) |
| Interest received | | 90,969 | 117,126 |
| Finance cost | | (52,559) | (10,140) |
| Net cash provided/(used in) operating activities | 23(b) | 8,091,196 | (2,881,547) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Payments for property, plant and equipment | | (137,398) | (34,359) |
| Amounts provided to/(from) third party | | - | - |
| Net cash provided/(used in) investing activities | | (137,398) | (34,359) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Share issue costs | | - | (1,884) |
| Repayment of borrowings and lease liabilities | | (195,975) | (25,620) |
| Net cash provided/(used in) financing activities | | (195,975) | (27,504) |
| Net increase/(decrease) in cash and cash equivalents | | 7,757,823 | (2,943,410) |
| Effects of foreign exchange on cash balance | | (559,935) | (27,575) |
| Cash and cash equivalents at beginning of year | | 3,125,328 | 6,096,313 |
| Cash and cash equivalents at end of year | 23(a) | 10,323,216 | 3,125,328 |

*The accompanying notes form part of these financial statements*

# NOTES TO THE FINANCIAL STATEMENTS

## 1. NATURE OF OPERATIONS

Zoono Group Limited and Subsidiaries (the Group) principal activities included the research, development and sale of a range of antimicrobial products in multiple countries.

## 2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements are a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Compliance with Australia Accounting Standards results in full compliance with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). For the purposes of preparing the Consolidated Financial Statement, the Company is a for-profit entity.

Zoono Group Limited (the Company) is the Ultimate Parent Company, Zoono Group Limited is a Public Company incorporated in Australia and domiciled in New Zealand. The Company registered address is Level 12, 225 George Street Sydney NSW 2000 Australia.

The Consolidated financial statements of the Group as at and for the year ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the 'Group' or 'Consolidated entity'). The consolidated financial statements for the year ended 30 June 2020 were approved and authorised for issue by the board of Directors on 20 August 2020.

Except for cash flow information, the consolidated financial statements have been prepared on an accrual basis and are based on historical costs modified, where applicable, by the measurements at fair value of selected non-current assets, financial assets and financial liabilities.

Statement of Cash Flows

The statement of cash flows comprises the cash balance of Zoono Limited, Zoono Group Limited and Zoono Holdings Limited at the beginning of the financial year, and the cash transactions of the consolidated Group for the 12-month period.

## 3. CHANGES IN ACCOUNTING POLICIES

### (a) New and amended Standards adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period as set out below:

**Initial application of AASB 16**

The Group has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16, the comparatives for the 30 June 2019 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Group is the lessee. There has been no significant change from prior period treatment for leases where the Group is a lessor.

The lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use asset for wmotor vehicles was measured at its carrying amount as if AASB 16 had been applied since the commencement date, but discounted using the Group's incremental borrowing rate per lease term as at 1 July 2019.

The right-of-use assets for the remaining leases were measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

*The following practical expedients have been used by the Group in applying AASB 16 for the first time:*

- *for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied;*
- *leases that have a remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases;*
- *the use of hindsight to determine lease terms on contracts that have options to extend or terminate;*
- *applying AASB 16 to leases previously identified as leases under AASB 117 and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application; and*
- *not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.*

**Adjustments recognised in the balance sheet on 1 July 2019**

The following summary indicates the adjustments and reclassifications of financial statement line items in the balance sheet due to the implementation of AASB 16.

| | CARRYING AMOUNT UNDER AASB 117 $ | ADJUSTMENTS $ | CARRYING AMOUNT UNDER AASB 16 $ |
|---|---|---|---|
| Property, plant and equipment | 113,349 | (62,914) | 50,435 |
| Right of use assets | - | 592,950 | 592,950 |
| Borrowings | (91,776) | 91,776 | - |
| Lease liabilities | - | (634,827) | (634,827) |
| Retained earnings | (8,043,633) | (15,623) | (8,059,256) |

**Measurement of lease liabilities**

| | $ |
|---|---|
| Operating lease commitments disclosed as at 30 June 2019 | 179,375 |
| Add: finance lease liabilities recognised as at 30 June 2019 | 91,776 |
| Add: Adjustments as a result of a different treatment of extension and termination options | 363,676 |
| Lease liabilities recognised as at 1 July 2019 | 634,827 |
| Represented by: | |
| - Current lease liabilities | 105,336 |
| - Non-current lease liabilities | 529,491 |
| | 634,827 |

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under AASB 117: Leases. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings. For adjustments recognised on adoption of AASB 16 on 1 July 2019, please refer to Note 3(a).

**Measurement of right of use assets**

The associated right of use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

### (b) New Accounting Standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements as the Group assessed that the new and amended pronouncements have no material impact on the Group.

## 4. SUMMARY OF ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

### (a) General

Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

**Reporting basis and conventions**

These financial statements have been prepared on an accruals basis under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value.

**Critical accounting estimates and judgements**

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make estimates, judgements and assumptions based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Group.

Actual results may differ from the estimates.

**Fair value of financial assets**

The Group records the fair value of financial assets using the market value of the investments at reporting date. While this represents the best estimate of the fair value as at the reporting date, the current market uncertainty means that, if the financial assets are sold in the future, the price achieved may be higher or lower than the most recent valuation, and higher or lower than the fair value recorded in the financial statements.

**Impairment**

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and, where required, uses an interest rate to discount them.

Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

**Useful lives of depreciable assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected useful life of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the value of certain software and IT equipment.

**Inventories**

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

### (b) Basis of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of Zoono Group Limited and all subsidiaries as of 30 June 2020. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases.

Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

### (c) Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date of fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

### (d) Foreign Currency Transactions and Balances Functional and presentation currency

The functional currency of each of the Group entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in New Zealand dollars, which is the parent entity's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

**Group companies**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency is translated as follows:

- Assets and liabilities are translated at year end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the year.
- Retained earnings/Accumulated losses are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than the Australian dollar are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

### (e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short- term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (f) Income tax

The charge for current income tax expense is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using the tax rates that have been enacted or are substantially enacted by the reporting date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is charged to the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### (g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on a first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

### (h) Property, plant and equipment - Plant and equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. All fixed assets are depreciated over their estimated useful lives to the Group.

The depreciation rates used for each class of depreciable assets are:

| CLASS OF FIXED ASSET | DEPRECIATION RATE |
|---|---|
| Plant and equipment | 10 – 33% |
| Motor vehicles | 30% |
| Furniture and equipment | 13 – 33% |
| Computer equipment | 48 – 67 % |

#### Depreciation

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss within other income or expenses.

### (i) Intangible Assets

Patents, trademarks and website development

Patents, trademarks and website development are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents, trademarks and website development are amortised over their useful lives of up to 10 years. Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

### (j) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a re-valued amount. Any impairment loss of a re-valued asset is treated as a revaluation decrease.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

### (k) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non- recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share- based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets.

Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

### (l) Accounts payable

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Due to their short-term nature they are measured at amortised cost and not discounted. These amounts are unsecured and are usually paid within 30 days of recognition.

### (m) Provisions, contingent liabilities and contingent assets

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

### (n) Financial Instruments

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are recognised as expenses in profit or loss immediately.

#### Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

#### (ii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

#### Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors (or a group of debtors) are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account, or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

#### De-recognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### (o) Receivables

Trade receivable are initially recognised at fair value and subsequently measured at amortised cost using the affective interest method, less any allowance for impairment.

### (p) Employee Benefits

**Short-term employee benefits**

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

### (q) Share-based payments

The cost to the Company of share options granted to directors and executive officers is included at fair value as part of the directors' and executive officers' aggregate remuneration in the financial year the options are granted. The fair value of the share option are calculated using the Black Scholes option pricing model, which takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk- free interest rate for the term of the option.

The fair value determined at the grant date of the equity settled share-based payment is expensed on a straight-line basis over the vesting period.

### (r) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement by the Group in those goods.

All revenue is stated net of the amount of goods and services tax.

**Other income**

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Dividend revenue is recognised when the right to receive a dividend has been established.

Realised gains and losses on sale are recognised as income or expense respectively in the statement of profit or loss and other comprehensive income and are calculated as the difference between consideration on sale and the original cost.

### (s) Goods and services tax (GST)

The Statement of Profit or Loss and Other Comprehensive Income has been prepared so that all components are stated exclusive of GST, except where the amount of GST incurred is not recoverable

from the tax office. All items in the Statement of Financial Position are stated exclusive of GST, with the exception of receivables and payables, which include GST.

### (t) Earnings per share

i) Basic earnings per share:

Basic earnings per share is determined by dividing the operating profit/(loss) after income tax excluding any cost of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

ii) Diluted earnings per share:

Diluted earnings per share adjusts the figures used in determining earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

### (u) Segment reporting

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. The Group do not allocate revenues, assets or liabilities to individual segments.

**(v) Leases**

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date, as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

**(w) Comparative information**

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented for the financial year.

## 5. REVENUE AND OTHER INCOME

| | CONSOLIDATED | |
|---|---|---|
| | 2020 NZ$ | 2019 NZ$ |
| **Revenue from operating activities** | | |
| Operating activities | | |
| - Revenue from sale of goods/contracts with customers | 38,329,369 | 1,777,156 |
| Total revenue from operating activities | 38,329,369 | 1,777,156 |
| **Other income** | | |
| - Dividends received | 375 | 380 |
| - New Zealand Trade & Enterprise | 16,801 | - |
| - Interest received | 50,036 | 122,024 |
| - Expenses recovery | 103,566 | 13,738 |
| **Total other income** | 170,778 | 136,142 |

**Revenue from Contracts**

Revenue is recognised at a point in time when the service has been fulfilled and the group has the right to invoice.

## 6. PROFIT/(LOSS) FOR THE YEAR

| | CONSOLIDATED | |
|---|---|---|
| | 2020 NZ$ | 2019 NZ$ |
| Profit/(loss) before income tax has been determined after: | | |
| Depreciation | 165,059 | 39,656 |
| Amortisation | 32,378 | 50,356 |
| Expected credit loss allowance | 16,747 | 1,242 |
| Salary costs (including directors' fees and management fees) | 2,738,965 | 1,720,724 |
| Interest on borrowings | 52,559 | 10,140 |
| Net foreign exchange (gain) and losses | 188,548 | 44,876 |

## 7. INCOME TAX

The prima facie tax payable on profit/(loss) is reconciled to the income tax expense as follows:

| | | |
|---|---|---|
| Prime facie tax payable on profit/(loss) before income tax at 28% (2019: 28%) | 5,883,094 | (677,316) |
| Add: tax effect of: | | |
| - Other assessable and non-allowable items | (60,307) | (146,309) |
| - Deferred tax losses not recognised in accounts | - | 823,625 |
| - Utilisation of carry-forward losses | (1,449,723) | - |
| - Effect of foreign exchange rates | (620,457) | - |
| Income tax expense/(benefit) | 3,752,607 | - |

Subject to the provisions of the Income Tax Assessment Act, if the Group derives assessable income it will be able to utilise carry-forward losses. The Group has losses available to be carried forward of NZ$1,428,365 to 30 June 2020.

The net deferred tax asset will only be obtained if:

(a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;

(b) the Company continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in tax legislation adversely affect the Company in realising the benefit from the deduction of the loss.

Consequently, there is a balance of deferred tax asset that has not been recognised.

## 8. ACCUMULATED PROFIT/(LOSSES)

| | 2020 NZ$ | 2019 NZ$ |
|---|---|---|
| Accumulated losses at beginning of year | (8,043,633) | (5,624,649) |
| Cumulative adjustment upon adoption of new accounting Standard – AASB 16 | (15,623) | - |
| Accumulated losses at beginning of year - restated | (8,059,256) | (5,624,649) |
| Profit/(Loss) for the year | 16,659,442 | (2,418,984) |
| Accumulated profit/(losses) | 8,600,186 | (8,043,633) |

## 9. TRADE AND OTHER RECEIVABLES

| | | |
|---|---|---|
| Trade receivables | 8,874,855 | 585,896 |
| Provision for expected credit loss | (17,989) | (1,242) |
| | 8,856,866 | 584,654 |
| Net GST/VAT receivable | 276,461 | 82,818 |
| Other receivables | 96,092 | 152,827 |
| | 9,229,419 | 820,299 |

The Group applies the AASB 9 simplified approach to measuring expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables.

The following table details the loss allowance as at 30 June 2020 and 30 June 2019.

As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer bases.

| | PAST DUE BUT NOT IMPAIRED (DAYS OVERDUE) | | | | TOTAL |
|---|---|---|---|---|---|
| | < 30<br>NZ$ | 31–60<br>NZ$ | 61–90<br>NZ$ | > 90<br>NZ$ | NZ$ |
| **2020** | | | | | |
| Expected Loss Rate | 0.1% | 0.2% | 0.3% | 0.77% | |
| Trade and term receivables | 3,498,186 | 2,919,806 | 2,194,557 | 262,307 | 8,874,855 |
| Provision | (3,495) | (5,828) | (6,564) | (2,103) | (17,989) |
| Total | 3,494,691 | 2,913,978 | 2,187,993 | 260,204 | 8,856,866 |
| **2019** | | | | | |
| Expected Loss Rate | 0.1% | 0.1% | 0.1% | 0.75% | |
| Trade and term receivables | 216,392 | 237,122 | 29,673 | 102,709 | 585,896 |
| Provision | (216) | (237) | (30) | (765) | (1,247) |
| Total | 216,176 | 236,885 | 29,643 | 101,944 | 584,654 |

## 10. INVENTORIES

| | CONSOLIDATED | |
|---|---|---|
| | 2020<br>NZ$ | 2019<br>NZ$ |
| Finished goods at cost | 13,202,029 | 503,125 |
| | 13,202,029 | 503,125 |

## 11. PLANT AND EQUIPMENT

| | | |
|---|---|---|
| Plant and equipment: | | |
| Plant and equipment at cost | 189,781 | 28,832 |
| Accumulated depreciation | (19,495) | (13,468) |
| | 170,286 | 15,364 |
| Motor vehicles: | | |
| Motor vehicles at cost | * | 119,155 |
| Accumulated depreciation | * | (56,241) |
| | - | 62,914 |
| Furniture and equipment: | | |
| Furniture and equipment at cost | 70,666 | 47,631 |
| Accumulated depreciation | (24,086) | (15,311) |
| | 46,580 | 32,320 |
| Computer equipment: | | |
| Computer equipment at cost | 36,056 | 21,939 |
| Accumulated depreciation | (23,567) | (19,208) |
| | 12,489 | 2,741 |
| Total Property, Plant and Equipment | 229,355 | 113,349 |

* see Note 3(a) for adjustments recognised on adoption of AASB 16 on 1 July 2019.

**a. Movements in carrying amounts**

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

| | PLANT AND EQUIPMENT NZ$ | MOTOR VEHICLES NZ$ | FURNITURE AND EQUIPMENT NZ$ | COMPUTER EQUIPMENT NZ$ | TOTAL NZ$ |
|---|---|---|---|---|---|
| Balance at 1 July 2018 | 18,975 | 89,879 | 7,934 | 1,618 | 118,406 |
| Additions | 435 | - | 31,243 | 2,921 | 34,599 |
| Disposals – written down value | - | - | - | - | - |
| Depreciation expense | (4,046) | (26,965) | (6,857) | (1,788) | (39,656) |
| Carrying amount at 30 June 2019 | 15,364 | 62,914 | 32,320 | 2,751 | 113,349 |
| Reclassified to Right of Use assets | - | - | - | - | - |
| on initial application of AASB 16 | - | (62,914) | - | - | (62,914) |
| Additions | 160,949 | - | 23,035 | 14,097 | 198,081 |
| Disposals – written-down value | - | - | - | - | - |
| Gain on sale | - | - | - | - | - |
| Depreciation expense | (6,027) | - | (8,775) | (4,359) | (19,161) |
| Carrying amount at 30 June 2020 | 170,286 | - | 46,580 | 12,489 | 229,355 |

## 12. INTANGIBLE ASSETS

| | 2020 NZ$ | 2019 NZ$ |
|---|---|---|
| Trademarks and patents: | | |
| Trademarks and patents at cost | 147,820 | 147,820 |
| Accumulated amortization | (128,572) | (114,172) |
| | 19,248 | 33,648 |
| Website Development: | | |
| Website development at cost | 78,450 | 78,450 |
| Accumulated amortization | (60,472) | (42,494) |
| | 17,978 | 35,956 |

**a. Movements in carrying amounts**

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial year:

| | | |
|---|---|---|
| Opening Balance | 69,604 | 119,961 |
| Additions | - | - |
| Amortisation expense | (32,378) | (50,357) |
| Closing Balance | 37,226 | 69,604 |

## 13. LEASES

| | CONSOLIDATED | |
|---|---|---|
| | 2020 NZ$ | 2019 NZ$ |
| **a. Right of use assets** | | |
| Buildings | 1,456,213 | 527,272 |
| Equipment and motor vehicles | 44,042 | 65,678 |
| | 1,500,255 | 592,950 |
| **b. Lease liabilities** | | |
| Current | 201,156 | 105,336 |
| Non-current | 1,359,022 | 529,491 |
| | 1,560,178 | 634,827 |

**c. Movements in carrying amounts**

Movement in the carrying amounts for each class of right of use assets between the beginning and the end of the current financial period:

| | BUILDINGS $ | EQUIPMENT AND MOTOR VEHICLES $ | TOTAL $ |
|---|---|---|---|
| Consolidated Group | | | |
| Balance at 1 July 2019 | 527,272 | 65,678 | 592,950 |
| Additions | 1,055,805 | - | 1,055,805 |
| Disposals – written-down value | - | - | - |
| Depreciation expense | (126,864) | (21,636) | (148,500) |
| Carrying amount at 30 June 2020 | 1,456,213 | 44,042 | 1,500,255 |

**AASB 16 related amounts recognised in the statement of profit or loss**

| | CONSOLIDATED NZ$ |
|---|---|
| Depreciation charge related to right of use assets | 148,500 |
| Interest expense on lease liabilities | 10,673 |
| Short-term and low-value asset leases expense | - |
| Variable lease payment expense | 21,079 |

## 14. OTHER ASSETS

| | CONSOLIDATED | |
|---|---|---|
| | 2020 NZ$ | 2019 NZ$ |
| Prepayments | 176,027 | 64,250 |
| | 176,027 | 64,250 |

## 15. TRADE AND OTHER PAYABLES

| | | |
|---|---|---|
| Trade creditors | 5,430,248 | 299,137 |
| Sundry creditors and accruals | 819,741 | 71,751 |
| Other payables | 850,183 | 51,043 |
| Income in advance | 1,319,723 | 323,661 |
| | 8,419,895 | 751,592 |

## 16. BORROWINGS

**CURRENT**

| | | |
|---|---|---|
| Lease liability | - | 22,853 |

**NON-CURRENT**

| | | |
|---|---|---|
| Lease liability | - | 68,923 |

## 17. ISSUED CAPITAL

| | 2020 NO. SHARES | 2019 NO. SHARES | 2020 NZ$ | 2019 NZ$ |
|---|---|---|---|---|
| **(a) Issued shares:** | 163,312,707 | 163,011,827 | 11,821,140 | 11,781,716 |
| Beginning of the year | | | | |
| Issued during the year: | | | | |
| Recognition of shares in Zoono Holdings Limited | - | 880 | - | 190 |
| Shares issued as share-based payment (refer Note 18) | 300,000 | 300,000 | 640,660 | 41,118 |
| Share issue cost | - | - | - | (1,884) |
| | 163,612,707 | 163,312,707 | 12,461,800 | 11,821,140 |

Holders of ordinary shares are entitled to participate in dividends when declared and are entitled to one vote per share, either in person or by proxy, at shareholder meetings. In the event of winding up of the Company, ordinary shareholders are ranked after all other creditors and are entitled to any proceeds of liquidation in proportion to the number of and amounts paid on the shares held.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

**(b) Movement in issued share options during the year:**

On 16 December 2019, Zoono granted senior management and staff 2,000,000 options, vesting on 16 December 2020, exercisable at A$0.25 and expiring on 16 December 2023.

**(c) Uncalled capital:**

No calls are outstanding at year end. All issued shares are fully paid.

**(d) Capital management:**

Management controls the capital of the Group in order to maintain a reasonable debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group currently has no debt funding available or external capital requirement. The Group's capital includes ordinary share capital share options and reserves. The financial liabilities are supported by financial assets.

Management effectively manages the Group capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of share issues. The Group strategy remains unchanged from prior year.

## 18. RESERVES

| | CONSOLIDATED | |
|---|---|---|
| | 2020 NZ$ | 2019 NZ$ |
| **Foreign currency translation reserve** | | |
| Balance at beginning of year | 75,080 | 103,816 |
| Exchange differences on translation of foreign operations | (538,346) | (28,736) |
| Balance at end of year | (463,166) | 75,080 |

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated as a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

**(a) Share-based payment:**

The Consolidated Group issued 200,000 fully paid ordinary shares in the Company at a deemed price of A$1.77 per share for a total consideration of NZ$378,628 to the UK/EU Regional Manager as part of his remuneration package and also issued 100,000 fully paid ordinary shares in the Company at a deemed price of A$2.45 per share for a total consideration of NZ$262,032 to the UAE Regional Manager as part of his remuneration package.

In the prior year the Consolidated Group issued 300,000 fully paid ordinary shares in the Company at a deemed price of 12 cents per share for a total consideration of NZ$41,118 to the UK/EU Regional Manager as part of his remuneration package.

**(b) Equity settled share-based payment:**

Employee share option scheme

Zoono's Employee Securities Plan was adopted by the Company on 7 November 2019 as a long-term incentive scheme to recognise talent, retain and motivate employees to strive for Group performance. All employees are entitled to participate in the Share Securities Plan. In 2019, employees and consultants who have been with the Group for more than one year were invited to receive options which vest in 1 year, provided the recipient is still employed by the Company. The options were issued for no consideration with an exercise price of A$0.25. They carry no entitlements to voting rights or dividends of the Group. The number available to be granted is determined by the Board, based on retention, performance measures including growth in shareholder return, return on equity, cash earnings and Group earnings per share growth.

Option granted to employees of the Company:

On 16 December 2019, Zoono granted senior management and staff 2,000,000 options, vesting on 16 December 2020, exercisable at A$0.25 and expiring 16 December 2023.

The Consolidated Group has 2,000,000 share options on issue during the year (2019: Nil).

## 19. REMUNERATION OF AUDITORS

| | CONSOLIDATED | |
|---|---|---|
| | 2020 NZ$ | 2019 NZ$ |
| Amounts received or due and receivable by the auditors for: | | |
| - the review and the audit of the financial reports for the consolidated group | 55,000 | 55,000 |
| | 55,000 | 55,000 |

## 20. ECONOMIC DEPENDENCY

Zoono and its products are subject to various laws and regulations including but not limited to accounting standards, tax laws, environmental laws, product content requirement, labelling/packaging, regulations and customs regulations. Changes in these laws and regulations (including interpretation and enforcement) could adversely affect the Group's financial performance. Laws and regulations are specific to each geographic location. In this regard, there is a risk that a certain product may not be able to be supplied in another jurisdiction because it fails to meet that jurisdictions regulatory requirements (e.g. product registration requirements). Failure of the Group to remain up to date with these various regulatory requirements, could adversely affect the Group financial performance.

## 21. CONTINGENT LIABILITIES

The directors are aware of a claim against the Company as at the date to which these financial statements are made up as follows;

Qingdao Zoono Biotech Company Limited instigated legal proceedings against Zoono on 20 May 2019 citing breach of contract under a distribution agreement entered into on 29 May 2013. Zoono lodged a counter claim which stated; Qingdao breached the distribution agreement by not meeting the minimum annual volumes under the agreement and making disparaging comments about Zoono and its products. The Group's insurers have accepted the claim against Paul Hyslop but will only meet 50% of the claim against the Company, less any insurance excess payable.

The Company took the plaintiff to Court and were awarded costs and the plaintiff was ordered to pay costs and has failed to do so.

The Directors do not believe the outcome of the proceedings will have a material effect on the financial statements as Zoono's counter claim exceeds Qingdao's claim.

## 22. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated. Complete details of the remuneration of directors and key management personnel are set out in the Remuneration Report which forms part of the accompanying Directors' Report.

The totals of remuneration paid to key management personnel of the Company during the year are as follows:

| | CONSOLIDATED | |
|---|---|---|
| | 2020 NZ$ | 2019 NZ$ |
| Short–term employee benefits | 893,615 | 1,023,996 |
| Other Benefits | 6,102 | 6,102 |
| Share based payments | 155,560 | - |
| | 1,055,277 | 1,030,098 |

Details of shares and options held by key management personnel are included in the Remuneration Report set out in the accompanying directors' report.

**Key management personnel related entity transactions**

Mr Paul Hyslop is the Managing Director/CEO of Zoono Group and provides consulting services to the Group. Charges for services provided during the year amounted to NZ$427,938 (2019: NZ$377,938).

Ms Elissa Hansen, a director of Market Capital Group Pty Ltd trading as CoSec Services, provided company secretarial and consulting services to the Group. Charges for services provided during the year amounted to NZ$ Nil (2019: NZ$44,788). This is in addition to director's fees earned by Ms. Hansen.

Morgan Recruitment Limited provided recruitment services to the Company and was paid NZ$52,970 (2019: NZ$6,000) for their services. The wife of Mr Paul Hyslop owns Morgan Recruitment Limited.

The Adams Agency Limited as an agent to the Company provided sales income to the Company and was paid NZ$38,452 (2019: NZ$ Nil) for their services. The partner of Mr Paul Ravlich owns The Adams Agency Limited.

## 23. STATEMENT OF CASH FLOWS

**(a) Reconciliation of cash:**

| | CONSOLIDATED | |
|---|---|---|
| | 2020 NZ$ | 2019 NZ$ |
| Cash at bank | 3,788,242 | 128,942 |
| Cash on short term deposit | 6,534,974 | 2,996,386 |
| | 10,323,216 | 3,125,328 |

The effective interest rate on short-term bank deposits was 0.8% per annum (2019: 2.7% per annum) and these deposits have an average maturity of 120 days.

**(b) Reconciliation statement:**
A reconciliation of "net cash used in operating activities" to "operating cash flows" is as follows:

| | CONSOLIDATED | |
|---|---|---|
| | 2020 NZ$ | 2019 NZ$ |
| Profit/(Loss) after income tax | 16,659,442 | (2,418,984) |
| Add/(less) | | |
| Amortisation | 32,378 | 50,357 |
| Depreciation | 169,892 | 39,656 |
| Share based payments | 1,006,699 | - |
| Provision for expected loss on trade receivables | 17,989 | 1,242 |
| Foreign exchange differences | 3,687 | (1,161) |
| Changes in assets and liabilities: | | |
| (Increase)/decrease in trade and other receivables | (8,409,120) | (583,734) |
| (Increase)/decrease in inventories | (12,698,904) | 168,375 |
| (Increase)/decrease in prepayments | (111,777) | 20,143 |
| (Increase) in current tax liabilities | 3,752,607 | - |
| Increase/(decrease) in trade and other payables | 7,668,303 | (198,749) |
| Net cash used in operating activities | 8,091,196 | (2,881,547) |

The Company does not have any formal loan facilities in place at the date of these financial statements.

## 24. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share (EPS):

| | | |
|---|---|---|
| Basic profit/(loss) per share | 10.20 cents | (1.48) cents |
| Diluted profit/(loss) per share | 10.13 cents | (1.48) cents |
| Weighted average number of ordinary shares outstanding during the year used to calculated basic EPS | 163,344,947 | 163,099,772 |
| Weighted average number of ordinary shares outstanding during the year used to calculated diluted EPS | 164,421,450 | 163,099,772 |
| Profit/(loss) from continuing operations used to calculated basic EPS and diluted EPS | 16,659,442 | (2,418,984) |

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

## 25. SEGMENT INFORMATION

Operating segments are not identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Chief Operating Decision Makers in order to allocate resources to the segment and to assess its performance.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of distributors/customers. Segment assets and liabilities are located in New Zealand and are allocated to individual geographical segments by locations of distributors/customers on a reasonable basis. The Group's segment revenue is assigned to geographical locations as follows;

| | **Product** |
|---|---|
| **Global revenues:** | Hand sanitiser, textile applicator, mould remediation, surface sanitiser |

**Geographical information**

The Group's revenue from external distributors/customers by geographical location

| | 2020 NZ$ | 2019 NZ$ |
|---|---|---|
| **Geographical Revenue** | | |
| Global revenues | 38,329,369 | 1,777,156 |
| Total Group Revenue | 38,329,369 | 1,777,156 |

***i) Revenue by geographical region***

Revenue, including revenue from discontinued operations, attributable to external customers is disclosed below, based on the location of the external customer.

| | NZ$000 |
|---|---|
| Australasia, Asia, US, India | 26,963 |
| UK and Europe | 11,366 |
| Total Revenue | 38,329 |

***ii) Assets by geographical region***

The location of segment assets by geographical location of the assets is disclosed below.

| | |
|---|---|
| Australasia, Asia, US, India | 24,000 |
| UK and Europe | 10,698 |

## 26. FRANKING CREDITS

| | | |
|---|---|---|
| The amount of the franking credits available for subsequent reporting periods are: | 88,384 | 88,384 |

## 27. CONTROLLED ENTITIES

| | Country of Incorporation | Percentage Owned 2019 | Percentage Owned 2020 |
|---|---|---|---|
| Subsidiaries of Zoono Group Limited | | | |
| Zoono Group Limited (NZ) | New Zealand | 100% | 100% |
| Zoono Limited | New Zealand | 100% | 100% |
| Zoono Holdings Limited (UK) | United Kingdom | 100% | 100% |

## 28. FINANCIAL RISK MANAGEMENT

### Financial risk management policies

The Group's financial instruments consist mainly of current accounts with banks, accounts receivable and payable.

i. Treasury risk management

Management considers on a regular basis the financial risk exposure and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to meet the Group's financial targets, whilst minimising potential adverse effects on financial performance.

Management operates under policies approved by the board of directors which approves and reviews risk management policies on a regular basis. These include future cash flow requirements.

ii. Financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

**(a) Foreign currency risk exposure**

Most of the Group's transactions are carried out in US Dollars ($USD), New Zealand Dollars ($NZD), Australian Dollars ($AUD) and British Pound (GBP). Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US Dollars ($USD), Australian Dollars ($AUD) and British Pound (GBP). The Group also holds a bank account in $USD, $AUD and GBP.

**(b) Interest rate risk exposure**

The Group is exposed to interest rate risk through cash and deposits held. The Group continually monitors interest rates and financial markets for the Group's cash on deposit and regularly reviews future cash flow requirements. The following table summarises the interest rate risk for the Group, together with the effective weighted average interest rate for each class of financial assets and liabilities.

| 2020 | INTEREST RATE | FIXED INTEREST MATURING IN 1 YEAR OR LESS $ | OVER 1 TO 5 YEARS $ | OVER 5 YEARS $ | NON-INTEREST BEARING OVER 5 YEARS $ | OVER 1 TO 5 YEARS $ | TOTAL $ |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Cash | 0.8% | 6,534,974 | - | - | 3,788,242 | - | 10,323,216 |
| **Financial liabilities** | | | | | | | |
| Lease liabilities | 4.5% | 201,157 | 898,855 | 460,167 | - | - | 1,560,179 |
| Net exposure to cash-flow interest rate risk | 3.7% | 6,333,817 | (898,855) | (460,167) | 3,788,242 | - | 8,763,037 |
| Weighted average interest rate | 1.29% | - | - | - | - | - | 1.29% |

| 2019 | INTEREST RATE | FIXED INTEREST MATURING IN 1 YEAR OR LESS $ | OVER 1 TO 5 YEARS $ | NON-INTEREST BEARING 1 YEAR OR LESS $ | OVER 1 TO 5 YEARS $ | TOTAL $ |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash | 3.0% | 2,996,386 | - | 128,942 | - | 3,125,328 |
| **Financial liabilities** | | | | | | |
| Borrowings | 9.9% | (22,853) | (68,923) | - | - | (91,776) |
| Net exposure to cash-flow interest rate risk | 6.9% | 2,973,533 | (68,923) | 128,942 | - | 3,033,552 |
| Weighted average interest rate | 6.5% | - | - | - | - | 6.5% |

### (c) Credit risk exposure

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets is the carrying amount, net of any provision for impaired receivables, as disclosed in the statement of financial position and notes to the financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

Receivables due from major debtors are not normally secured by collateral, however the credit worthiness of debtors is monitored.

### (d) Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows to ensure that adequate funding is maintained. The Group's financial liabilities consist of trade and other payables in the normal course of business and as such are normally due for payment within 30 days of receipt of a valid tax invoice. The Group does not have any liquidity risk associated with any borrowing.

### (e) Interest rate risk

Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the short- term nature of these financial instruments.

## 29. CAPITAL AND LEASING COMMITMENTS

### a. Finance Lease Commitments

| | 2020 NZ$ | 2019 NZ$ |
|---|---|---|
| Payable – minimum lease payments: | | |
| - not later than 12 months | - | 22,853 |
| - between 12 months and 5 years | - | 68,923 |
| - greater than 5 years | - | - |
| Minimum lease payments | - | 91,776 |
| Less future finance charges | - | (12,226) |
| Present value of minimum lease payments | - | 79,550 |

**b. Operating Lease Commitments**

| | 2020 NZ$ | 2019 NZ$ |
|---|---|---|
| Payable – minimum lease payments: | | |
| - not later than 12 months | - | 52,500 |
| - between 12 months and 5 years | - | 126,875 |
| - greater than 5 years | - | - |
| | - | 179,375 |

The property lease is a non-cancellable lease with a six-year term entered into in November 2016 with rent payable in advance. An option exists to renew the lease at the end of the six-year term for an additional two terms of three years each under the same terms.

## 30. PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

| | PARENT ENTITY | |
|---|---|---|
| | 2020 NZ$ | 2019 NZ$ |
| **Statement of Financial Position** | | |
| ASSETS | | |
| Current assets | 220,442 | 61,390 |
| Non-current assets | 29,316,565 | 28,428,319 |
| TOTAL ASSETS | 29,537,007 | 28,489,709 |
| | | |
| LIABILITIES | | |
| Current liabilities | 137,345 | 65,422 |
| TOTAL LIABILITIES | 137,345 | 65,422 |
| | | |
| EQUITY | | |
| Issued capital | 68,874,321 | 68,233,649 |
| Reserves | 61,917 | 503,728 |
| Accumulated losses | (39,536,576) | (40,313,090) |
| TOTAL EQUITY | 29,399,662 | 28,424,287 |
| | | |
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| Total Profit/(loss) | 776,511 | (575,424) |
| Total comprehensive Profit/(loss) | 776,511 | (575,424) |

## 31. EVENTS SUBSEQUENT TO REPORTING DATE

The Board has approved a final dividend of NZ$3.2 cents per share. The final dividend will be paid on 21st September 2020 with a record date of entitlement of 7th September 2020.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

## 32. COMPANY DETAILS

The registered office of the parent Company is:

Level 12, 225 George Street
Sydney NSW 2000 Australia.

The principal place of business of the Group is:

Unit 3 24 Bishop Dunn Place
Flatbush,
Auckland 2013
New Zealand.

# DIRECTORS' DECLARATION

The directors of Zoono Group Limited declare that:

The consolidated financial statements and associated notes for the financial year ended 30 June 2020 are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standards and the Corporations Regulations 2001 and International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 2; and

(b) give a true and fair view of the financial position of the Company as at 30 June 2020 and the performance of the Group for the financial year then ended.

2. The directors have received the declarations required by section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer.

3. In the opinion of the directors there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.



This declaration is made in accordance with a resolution of the directors.

**MR. PAUL HYSLOP**
MANAGING DIRECTOR/CEO
20 August 2020

# AUDITOR'S INDEPENDENT REPORT

HALL CHADWICK (NSW)

**ZOONO GROUP LIMITED ABN 73 006 645 754**
**AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE OWNERS OF ZOONO GROUP LIMITED**

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

### Report on the Financial Report

***Opinion***

We have audited the financial report of Zoono Group Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant account policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of Zoono Group Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

***Basis for Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2020. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# AUDITOR'S INDEPENDENT REPORT

HALL CHADWICK (NSW)

**ZOONO GROUP LIMITED ABN 73 006 645 754**
**AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE OWNERS OF**
**ZOONO GROUP LIMITED**

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|---|---|
| **Revenue Recognition**<br>Refer to Note 4(r) "Revenue" | |
| Under the group's business model consideration is sometimes received before the sale of goods occurs and is recognised as deferred income. Revenue is subsequently recognised when the goods are delivered.<br><br>We focused on this matter as a key audit matter as there is a risk that revenue may be recognised prior to the sale of goods. | Our procedures included, amongst others:<br>• Obtaining an understanding of the key controls in the revenue recognition cycle.<br>• Obtaining a sample of contracts and tracing the terms and conditions to ensure that revenue was recognised in accordance with AASB 15 *Revenue from Contracts with Customers*.<br>• Verifying a sample of income in advance transactions to supporting documentation to ensure the revenue was earned and recognised in the correct accounting period.<br>• Verifying a sample of transactions on either side of the accounting period end to ensure they were recorded in the correct period. |

### *Information Other than the Financial Report and Auditor's Report Thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon in connection with our audit of the financial report. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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.

HALL CHADWICK (NSW)

**ZOONO GROUP LIMITED ABN 73 006 645 754**
**AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE OWNERS OF**
**ZOONO GROUP LIMITED**

***Auditor's Responsibilities for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

# AUDITOR'S INDEPENDENT REPORT

HALL CHADWICK (NSW)

**ZOONO GROUP LIMITED ABN 73 006 645 754**
**AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE OWNERS OF**
**ZOONO GROUP LIMITED**

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 16 to 19 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Zoono Group Limited for the year ended 30 June 2020 complies with s 300A of the *Corporations Act 2001*.

***Responsibilities***

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Hall Chadwick

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

**DREW TOWNSEND**
Partner
Dated: 20 August 2020

# STRATEGIC KEY ALLIANCE

# ZOONO ANIMAL HEALTH LIMITED

Being appointed as the exclusive animal health distributor for Zoono products in February 2019 provided the opportunity to invest and develop intellectual property in various animal markets by way of specific biological data against various strains of microbes that significantly impact in particular the livestock production markets. It also provided the opportunity to engage creditable sub – distributors in various global markets to develop the intellectual property and grow the distribution of the technology.

Registration of the products in each country is a process in its own right has presented challenges and delays, together with the basic product registration we have commissioned a range of microbial studies in each country to allow claims to be made on product labelling and marketing.

We anticipate the registrations in priority regions to be completed over the next 6 months with viral studies being completed by December 2020, this will significantly expand our sales market particularly in the US and Europe.

As a result, the following has been achieved in the past 18 months.

Completed field studies on poultry and swine farms in New Zealand, Australia, US, Portugal and Hungary providing solid data proving the effectiveness of Zoono's Z-71 in livestock production facilities. These studies have proven without doubt the Zoono technology lowers the microbial levels within the animal growing facilities for sustained periods of time which in turn provides healthier animals that eat less food and gain more weight and reduces mortality.

POULTRY TRIALS AND STUDIES IN PORTUGAL AND HUNGARY

**Appointed distributors:**
APIAM Animal Health, ASX listed company and APIAM Solutions Inc, US registered company.

APIAM Animal Health have various global territories under their sub - distribution agreement including Australia, United States, Canada and Vietnam. APIAM Animal Health also own APIAM Solutions Inc in the US which commands no less than 60% of The State of IOWA swine production market providing veterinary services across the state. IOWA provides no less than 60% of the total US swine market.

The APIAM partnership is providing access to over 2,500 veterinary doctors and their clients as well as a sales team through procurement of over 3,000 mobile sales representatives.

Our distributors in Portugal and Hungary are collectively establishing a customer base in Iberia and Eastern Europe. We are encouraged by the interest particularly for the poultry sector in Portugal, Spain, Hungary, Romania and Czech Republic.

It is without question the Covid pandemic has slowed progress, without the ability to travel and with the impact on livestock production globally we have lost ground. Fortunately, we spent 2019 establishing key distributors in Europe, US and Australia in particular, we also carried out suffient credible field studies to provide the confidence for these distributors to make inroads albeit slower than anticipated into the target markets.

Zoono Animal Health has exceeded its first volume performance milestone after 18 months and expect growth to increase significantly as registrations and particular viral studies become available.

Please visit our website
**www.zoonoanimalhealth.com**
for more information.

# ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 6 August 2020.

| DISTRIBUTION OF SHAREHOLDERS FULLY PAID ORDINARY SHARES HOLDINGS RANGES | NUMBER HOLDERS | NUMBERS | % |
|---|---|---|---|
| 1-1,000 | 2,943 | 1,521,251 | 0.930 |
| 1,001-5,000 | 2,344 | 6,190,645 | 3.780 |
| 5,001-10,000 | 668 | 5,233,592 | 3.200 |
| 10,001-100,000 | 699 | 20,562,204 | 12.570 |
| 100,001- AND OVER | 94 | 130,105,015 | 79.520 |
| **TOTALS** | **6,748** | **163,612,707** | **100.000** |

## 20 LARGEST SHAREHOLDERS

| No. | Name | Number of Ordinary Shares Held | % of Issued Capital |
|---|---|---|---|
| 1 | PAUL RUSSELL HYSLOP & MARGARET JANE MORGAN & NPT MEG TRUSTEES LIMITED | 66,558,000 | 40.680% |
| 2 | CITIBANK NOMINEES PTY LIMITED | 16,210,662 | 9.908% |
| 3 | MR EELCO WIERSMA & MRS BARBARA DIANE WIERSMA | 7,660,466 | 4.682% |
| 4 | MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 3,344,282 | 2.044% |
| 5 | HSBC CUSTODY NOMINEES | 2,191,376 | 1.339% |
| 6 | CS FOURTH NOMINEES PTY LIMITED | 2,067,144 | 1.263% |
| 7 | NATIONAL NOMINEES LIMITED | 1,695,204 | 1.036% |
| 8 | BNP PARIBAS NOMINEES PTY LTD | 1,318,230 | 0.806% |
| 9 | MR MALCOLM MILNE SMITH | 1,008,000 | 0.616% |
| 10 | LEWIS ANDREW CRAIG MACKINNON | 1,000,000 | 0.611% |
| 11 | MR JIEXIONG WEN | 1,000,000 | 0.611% |
| 12 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 914,706 | 0.559% |
| 13 | VELKOV FUNDS MANAGEMENT PTY LTD | 820,000 | 0.501% |
| 14 | MR EELCO WIERSMA | 767,718 | 0.469% |
| 15 | MS CHRISTINE MARY HOSKINS | 735,749 | 0.450% |
| 16 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 730,030 | 0.446% |
| 17 | MR VICTOR VELKOV | 635,000 | 0.388% |
| 18 | MR DAVID MAHER & MRS CLAUDIA MAHER | 627,605 | 0.384% |
| 19 | BRISPOT NOMINEES PTY LTD | 617,846 | 0.378% |
| 20 | BNP PARIBAS NOMS PTY LTD | 615,480 | 0.376% |
| | | 110,517,498 | 67.548% |

**Substantial Holders**

The following shareholders are substantial holders:

| Holder Name | Number of shares | Voting Power |
|---|---|---|
| Paul Russell Hyslop & Margaret Jane Morgan & NPT Meg Trustees Limited | 66,558,000 | 40.68% |
| Regal Funds Management Pty Ltd | 16,651,110 | 10.18% |
| Bank of America | 12,192,054 | 8.06% |
| Mr. Eelco Wiersma | 8,892,696 | 5.44% |

**Voting Rights**

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands. There are no other classes of equity securities.

**Unmarketable Holders**

There are 409 shareholders holding less than a marketable parcel of shares based on the closing price of AUD 2.44 on 6 August 2020 representing a total of 49,130 shares.

**Restricted Securities**

The Company has the 100,000 fully paid ordinary restricted securities which are voluntarily escrowed for 6 months to 4 December 2020 together with 300,000 fully paid ordinary restricted securities which are voluntarily escrowed for 24 months to 15 March 2021.

# CORPORATE DIRECTORY

**Directors**
Paul Hyslop, Managing Director
Don Clarke, Non-Executive Director
Elissa Hansen, Non-Executive Director

**Company Secretary**
Elissa Hansen

**Management**
Paul Ravlich, Chief Financial Officer
Lew MacKinnon, Chief Operating Officer

**Registered Office**
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**Principal Place of Business**
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New Zealand
Ph: +64 21 659 977
E: info@zoono.com

**Auditors**
Hall Chadwick Pty Limited Level 40,
2 Park Street
Sydney, NSW, 2000

**ASX Code**
ZNO

**Share Registry**
Boardroom Pty Limited Level 12
225 George Street
Sydney, NSW, 2000
Telephone +61 2 9290 9600

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