

Zoono Limited



Financial Report For the Year Ended 31 March 2016

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Zoono Limited Financial Report 31 March 2016

COMPANY DIRECTORY

Nature of Business	Development and wholesale distribution of antimicrobial products
Registered Office	9 Redmond Street Ponsonby, Auckland
Directors	Paul R Hyslop
Auditor	Hall Chadwick Level 40, 2 Park Street Sydney NSW 2000 Australia
Bankers	ANZ Bank New Zealand Limited
Solicitors	Chapman Tripp
Business Location	281 Victoria Avenue Remuera, Auckland
Shareholder	Zoono Group Limited (100%) 1,000 ordinary shares

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016	2015
		\$	\$
Revenue		944,877	845,501
Cost of sales		(182,143)	(309,687)
Gross profit		762,734	535,814
Other revenue		7,067	52,779
Administration expenses		(71,421)	(36,338)
Depreciation expenses		(28,433)	(12,823)
Directors' fee		(548,000)	(200,000)
Finance costs		(40,888)	(7,730)
Management fee		(400,000)	-
Occupancy expenses		(2,380)	(3,196)
Selling and distribution expenses		(21,133)	(69,555)
Marketing expenses		(265,294)	(161,607)
Other expenses		(23,026)	(21,913)
(Loss)/ profit before income tax		(630,774)	75,431
Income tax expense	3	-	-
(Loss)/ profit for the year		(630,774)	75,431
 Other comprehensive income		 -	 -
 Total comprehensive income for the year		 (630,774)	 75,431

The accompanying notes form part of these financial statements.

Zoono Limited Financial Report 31 March 2016

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	189,880	128,590
Trade and other receivables	5	927,426	944,991
Inventories	6	112,628	84,263
TOTAL CURRENT ASSETS		1,229,934	1,157,844
NON-CURRENT ASSETS			
Plant and equipment	7	108,964	41,066
TOTAL NON-CURRENT ASSETS		108,964	41,066
TOTAL ASSETS		1,338,898	1,198,910
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	2,458,148	1,756,150
Borrowings	9	45,577	7,540
TOTAL CURRENT LIABILITIES		2,503,725	1,763,690
NON-CURRENT LIABILITIES			
Borrowings	9	73,936	43,209
TOTAL NON-CURRENT LIABILITIES		73,936	43,209
TOTAL LIABILITIES		2,577,661	1,806,899
NET ASSETS		(1,238,763)	(607,989)
EQUITY			
Issued capital	10	1	1
Accumulated losses		(1,238,764)	(607,990)
TOTAL EQUITY		(1,238,763)	(607,989)

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Issued Capital (Ordinary Shares)	Accumulated losses	Total
	\$	\$	\$
Balance at 1 April 2014	1	(683,421)	(683,420)
<hr/>			
Comprehensive income			
Profit for the year	-	75,431	75,431
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	75,431	75,431
<hr/>			
Transactions with owners, in their capacity as owners	-	-	-
<hr/>			
Balance at 31 March 2015	1	(607,990)	(607,989)
<hr/>			
Comprehensive income			
Loss for the year	-	(630,774)	(630,774)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(630,774)	(630,774)
<hr/>			
Transactions with owners, in their capacity as owners	-	-	-
<hr/>			
Balance at 31 March 2016	1	(1,238,764)	(1,238,763)
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The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,365,825	842,382
Payments to suppliers and employees		(1,293,368)	(277,947)
Interest received		1,627	45,407
Finance costs		(40,888)	(7,730)
Net cash provided by operating activities	12	1,033,196	602,112
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(35,244)	(4,618)
Loans to related parties		(1,346,925)	(640,955)
Repayment of loan to related parties		363,653	-
Net cash (used in) investing activities		(1,018,516)	(645,573)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of loan from unrelated party		50,000	150,000
Repayment of loan from related parties		(1,904)	(4,002)
Repayment of borrowings		(1,486)	(4,438)
Net cash provided by financing activities		46,610	141,560
Net increase in cash held		61,290	98,099
Cash at beginning of financial year		128,590	30,491
Cash at end of financial year	4	189,880	128,590

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Zoono Limited is a company limited by shares, incorporated and domiciled in New Zealand.

The financial statements were authorised for issue on 2 September 2016 by the directors of the Company.

Basis of Preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP the entity is a for-profit entity.

The Company is a Tier 2 for-profit entity and has elected to report in accordance with Tier 2 For-profit Accounting Standards. The Company is eligible to report in accordance with Tier 2 For-profit Accounting Standards on the basis that it does not have public accountability and is not a large for-profit public sector entity.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The amounts presented in the financial statements have been rounded to the nearest dollar.

Going Concern

This report has been prepared on the going concern basis, which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Company incurred a net loss after tax for the year ended 31 March 2016 of \$630,774 and had a deficiency of net assets of \$1,238,763 on that date.

The Company's ability to continue as a going concern is dependent on continued reliance on the financial support from its current shareholder.

In the event the financial support did not eventuate, the Company may not realise its assets and extinguish its liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Company not continue as a going concern.

Accounting Policies

a. **Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

No deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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) a legally enforceable right of set-off exists; and (b) 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.

b. **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.

c. **Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	13 – 67%
Motor vehicles	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 or losses are recognised immediately in profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

d. **Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

e. **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 company commits itself to either purchase or sell the asset (ie 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment

At the end of each reporting period, the company 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 company 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.

Derecognition

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.

f. **Impairment of Assets**

At the end of each reporting period, the company 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 revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Where it is not possible to estimate the recoverable amount of an individual asset, the company 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

g. **Employee Benefits**

Short-term employee benefits

Provision is made for the company'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 company'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.

h. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

i. **Revenue and Other Income**

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.

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

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 company in those goods.

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

j. **Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

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

k. **Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. Foreign Currency Transactions and Balances

Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the Company's functional 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.

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

n. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 2: (LOSS)/ PROFIT FOR THE YEAR

	2016	2015
	\$	\$
a. Revenue		
Revenue from sale of goods	944,877	845,501
	944,877	845,501
b. Other income		
Rental income	5,440	6,875
Interest income	1,627	45,407
Others	-	497
	7,067	52,779
c. Depreciation expenses		
Depreciation of plant and equipment	(28,433)	(12,823)
	(28,433)	(12,823)
d. Finance costs		
Interest on borrowings	(40,888)	(7,730)
	(40,888)	(7,730)
e. Other expenses		
Audit of the financial statements	16,000	-
Net foreign exchange gain and losses	23,024	21,776
	49,024	21,776

NOTE 3: INCOME TAX EXPENSE

	2016	2015
	\$	\$
a. The components of tax (expense) income comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
b. Reconciliation of prima facie income tax rate		
(Loss)/ profit from operations	(630,774)	75,431
Income tax expense calculated at 28% (2015: 28%):	(176,617)	21,121
Tax effect of:		
– other non-allowable items	-	-
– tax losses not brought to account	176,617	-
– recoupment of prior year tax losses not previously brought to account	-	(21,121)
	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 4: CASH AND CASH EQUIVALENTS

	2016	2015
	\$	\$
Cash on hand	189,880	128,590
	189,880	128,590
	189,880	128,590

NOTE 5: TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
CURRENT		
Trade receivables	14,129	57,425
Provision for impairment	-	-
	14,129	57,425
Other receivables	555	10,096
Loans to related parties	912,742	877,470
	913,297	887,566
	927,426	944,991

Trade and other receivables are stated at cost less any impairment losses. The carrying amounts of the Company's receivables are reviewed at each balance date to determine whether there is any indication of impairment. If any indication exists, the receivables' recoverable amount is estimated.

At balance date, there were no past due but not impaired trade and other receivables (2015: \$nil)

NOTE 6: INVENTORIES

	2016	2015
	\$	\$
CURRENT		
Finished goods at cost	112,628	84,263
	112,628	84,263
	112,628	84,263

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 7: PLANT AND EQUIPMENT

	2016	2015
	\$	\$
Plant and equipment:		
Plant and equipment at cost	38,773	20,703
Accumulated depreciation	(17,437)	(15,378)
	21,336	5,325
Motor vehicles:		
Motor vehicles at cost	125,915	47,654
Accumulated depreciation	(38,287)	(11,913)
	87,628	35,741
Total plant and equipment	108,964	41,066

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	Motor vehicles	Total
	\$	\$	\$
Balance at 1 April 2014	1,282	-	1,282
Additions	4,953	47,654	52,607
Disposals – written-down value	-	-	-
Depreciation expense	(910)	(11,913)	(12,823)
Carrying amount at 31 March 2015	5,325	35,741	41,066
Additions	18,070	78,261	96,331
Disposals – written-down value	-	-	-
Depreciation expense	(2,059)	(26,374)	(28,433)
Carrying amount at 31 March 2016	21,336	87,628	108,964

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 8: TRADE AND OTHER PAYABLES

	Note	2016	2015
		\$	\$
CURRENT			
Trade payables		19,918	51,285
Sundry payables and accrued expenses		9,329	653
Income in advance		1,066,661	390,068
Loan from an unrelated party	a	200,000	150,000
Loan from a related party	b	148,696	148,696
Loan from parent entity	b	1,013,544	1,015,448
		2,458,148	1,756,150

- a. Loan from an unrelated party is unsecured, bears interest of 12% (2015: 12%) per annum and repayable on 19 February 2017.
- b. Loan from a related party and parent entity are unsecured, bear no interest and repayable on demand.

NOTE 9: BORROWINGS

	Note	2016	2015
		\$	\$
CURRENT			
Lease liability	11	45,577	7,540
		45,577	7,540
NON-CURRENT			
Lease liability	11	73,936	43,209
		73,936	43,209

NOTE 10: ISSUED CAPITAL

	2016	2015
	\$	\$
1,000 (2015: 1,000) fully paid ordinary shares	1	1

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 11: CAPITAL AND LEASING COMMITMENTS

	Note	2016	2015
		\$	\$
Finance Leasing and Hire Purchase Commitments			
Payable – minimum lease payments:			
– not later than 12 months		54,584	13,281
– between 12 months and five years		75,477	47,455
– later than five years		-	-
Minimum lease payments		130,061	60,736
Less future finance charges		(10,548)	(9,986)
Present value of minimum lease payments	9	119,513	50,749

NOTE 12: CASH FLOW INFORMATION

	2016	2015
	\$	\$
Reconciliation of Cash Flows from Operating Activities with (Loss)/ Profit after Income Tax		
(Loss)/ profit after income tax	(987,905)	75,431
Non-cash flows in (loss)/ profit:		
– Depreciation of plant and equipment	28,433	12,823
– Accrued management fee	400,000	-
– Accrued directors' fee	548,000	200,000
Changes in assets and liabilities:		
– Decrease/(increase) in receivables	52,837	(32,150)
– (Increase) in inventories	(28,365)	(9,263)
– Increase in payables	1,020,196	355,271
	1,033,196	602,112

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 13: RELATED PARTY TRANSACTIONS

Related Parties

The Company's main related parties are as follows:

a. Entities exercising control over the Company

The parent entity, which exercises control over the Company, is Zoono Group Limited.

b. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, is considered key management personnel.

c. Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

d. Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Note	2016 \$	2015 \$
(i) <i>Trade and other receivables</i>			
Loans to director:			
– beginning of the year		877,470	436,515
– loans advanced to/ (from)		1,346,925	640,955
– loan repayment (received)/ paid		(363,653)	-
– management fee		(400,000)	-
– directors' fee		(548,000)	(200,000)
– end of the year	5	912,742	877,470
Loan to a director and a related entity are unsecured, bears interest of 5.77% (2015: 5.77%) per annum and repayable on demand.			
(ii) <i>Trade and other payables</i>			
Loans from a entity associated with the director:			
– beginning of the year		148,696	150,000
– loans repayment		-	(1,304)
– end of the year	8	148,696	148,696
Ultimate parent:			
Zoono Group Limited has made loans to the Company. These loans are interest free, unsecured and at call	8	1,013,544	1,015,448

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 14: FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from related and unrelated parties and leases.

The totals for each category of financial instruments as detailed in the accounting policies to these financial statements, are as follows:

	Note	2016 \$	2015 \$
Financial assets			
Cash and cash equivalents	4	189,880	128,590
Loans and receivables	5	927,426	944,991
Total financial assets		1,117,306	1,073,581
Financial liabilities			
Financial liabilities at amortised cost:			
– trade and other payables	8	2,458,148	1,756,150
– borrowings	9	119,513	50,749
Total financial liabilities		2,577,661	1,806,899

Financial Risk Management

The directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance.

The main risks the Company is exposed to through its financial instruments are credit risk, liquidity risk, and market risk relating to foreign exchange risk.

There have been no substantive changes in the types of risks the Company is exposed to, how these risks arise, or the Directors' objectives and processes for managing or measuring the risks from the previous period.

a. **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. The credit terms are generally 30 days from the date of invoice.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Company has no significant concentrations of credit risk with any single counterparty or group of counterparties.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 14: FINANCIAL RISK MANAGEMENT

b. **Liquidity risk**

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- obtaining funding from a variety of sources;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Trade and other payables (excluding income in advance)	1,391,487	1,366,082	-	-	-	-	1,391,487	1,366,082
Finance lease liabilities	54,584	13,281	75,477	47,455	-	-	130,061	60,736
Total expected outflows	1,446,071	1,379,363	75,477	47,455	-	-	1,521,548	1,426,818
Financial assets – cash flows realisable								
Cash and cash equivalents	189,880	128,590	-	-	-	-	189,880	128,590
Trade and other receivables	927,426	944,991	-	-	-	-	927,426	944,991
Total anticipated inflows	1,117,306	1,073,581	-	-	-	-	1,117,306	1,073,581
Net (outflow)/inflow on financial instruments	(328,765)	(306,782)	(75,477)	(47,455)	-	-	(404,242)	(353,237)

Zoono Limited Financial Report 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 14: FINANCIAL RISK MANAGEMENT

c. **Market risk**

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Company's exposure to foreign currency risk at the end of the reporting period, expressed in New Zealand dollar, was as follows:

	2016	2015
	USD	USD
Trade and other payables	608,848	270,140

Sensitivity analysis

Based on the financial instruments held at 31 March 2016, had the New Zealand dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Company's post-tax profit for the year would have been \$79,922 lower/\$79,922 higher (2015: \$32,863 lower/\$32,863 higher).

d. **Fair Values**

The estimated fair values of the Company's financial instruments are represented by the carrying values.

NOTE 15: CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March 2016 and 31 March 2015.

NOTE 16: EVENTS AFTER THE REPORTING PERIOD

The director is not aware of any significant events since the end of the reporting period.

DIRECTORS' DECLARATION

In the opinion of the director of Zoono Limited, the financial statements and notes, as set out on pages 3 to 21:

- a. comply with New Zealand generally accepted accounting principles and NZ IFRS and give a true and fair view of the Company as at 31 March 2016 and the results of its operations and cash flows for the year ended on that date; and
- b. have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

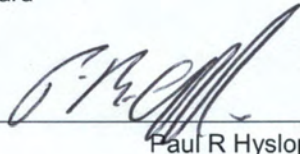
The director believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

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

The director is pleased to present the financial statements of Zoono Limited for the year ended 31 March 2016.

For and on behalf of the Board

Director



Paul R Hyslop

Dated: 2 September 2016

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ZONO LIMITED**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

Report on the Financial Statements

We have audited the financial statements of Zono Limited on pages 3 to 21, which comprises the statement of financial position as at 31 March 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibilities

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

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

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

Other than in our capacity as auditor we have no relationship with, or interests in Zono Limited.

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ZONO LIMITED**

Basis for Qualified Opinion

We were not appointed as auditors of the company until 17 June 2016 and accordingly we did not observe the counting of physical inventories at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 March 2015 and 2016, which are stated in the statements of financial position at \$84,263 and \$112,628, respectively. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories, and the elements making up the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows in both the current period and the comparative period.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the financial statements on pages 3 to 21 present fairly, in all material respects, the financial position of Zono Limited as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 1 in the financial report which indicates that the company incurred a net loss after tax for the year ended 31 March 2016 of \$630,774 and had a deficiency of net assets of \$1,238,763 on that date. These conditions, along with other matters as set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner

Dated: 2 September 2016