Zoono Group Limited
ABN: 73 006 645 754
Level 12
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Sydney NSW 2000
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Appendix 4E

Preliminary Final Report

1. Company details

Name of entity:	Zoono Group Limited
ABN:	73 006 645 754
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

2. Results for announcement to the market

				30 June 2019
Revenues from ordinary activities	Down	NZ$652,551 (27%)	to	NZ$1,777,156
Profit /(Loss) from ordinary activities after tax attributable to the owners of the Group	Down	NZ$2,498,690 (3,135%)	to	(NZ$2,418,984)
Profit /(Loss) for the year attributable to the owners of the Group	Down	NZ$2,498,690 (3,135%)	to	(NZ$2,418,984)

Dividend Information

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Group after providing for income tax amounted to NZ$2,418,984 (30 June 2018: Profit NZ$79,706).

Refer to 'Business Overview' in the attached annual report for further commentary on results.

3. Statement of Profit or Loss and Other Comprehensive Income with Notes to the Statement

Refer to page 17 of the 30 June 2019 financial report and accompanying notes for Zoono Group Limited.

4. Statement of Financial Position with Notes to the Statement

Refer to page 18 of the 30 June 2019 financial report and accompanying notes for Zoono Group Limited.

5. Statement of Changes in Equity with Notes to the Statement

Refer to pages 19 - 20 of the 30 June 2019 financial report and accompanying notes for Zoono Group Limited.

6. Statement of Cash Flows with Notes to the Statement

Refer to page 21 of the 30 June 2019 financial report and accompanying notes for Zoono Group Limited

7. Net tangible assets

	30 June 2019	30 June 2018
Net tangible assets per security	NZ$0.023	NZ$0.038

8. Control gained over entities

Not applicable.

9. Loss of Control over entities

Not applicable.

10. Dividend

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

11. Dividend reinvestment plans

Not applicable.

12. Details of associates and joint venture entities

Not applicable.

13. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

14. Status of Audit

Details of audit dispute or qualification (if any):

The 30 June 2019 financial statements and accompanying notes for Zoono Group Limited have been audited and are not subject to any disputes or qualifications. Refer to pages 48 - 52 of the 30 June 2019 financial report for a copy of the auditor's report.

15. Attachments

Details of attachments (if any):

The Annual Report of Zoono Group Limited for the year ended 30 June 2019 is attached.

16. Signed

____
Paul Hyslop
Managing Director/CEO

Date: 19 August 2019

ZOONO GROUP LIMITED

AND CONTROLLED ENTITIES

ABN 73 006 645 754

ANNUAL REPORT

for the period ended

30 JUNE 2019

CONTENTS

CEO'S REVIEW

While sales were down for the year, significant progress has been made in building the foundations for longer term sales success and future profitability.

In 2018, 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 does 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 European office (located in the UK) in 2018. In FY19, it has reviewed its distribution arrangements in many countries (including China) and, in recent months, it has opened discussions with its US distributor on revised arrangements for the marketing of Zoono products in North America.

With the strategic focus on putting the building blocks into place, sales have suffered in FY19. However, the Company has made good progress in implementing its strategy. Highlights in the last quarter have been:

The entry by the Company into a global distribution agreement with MicroSonic LLC to supply its innovative antimicrobial products to Turtle Wax Inc. for the car wash, automotive and cruise industries.

Zoono is currently in the process of registering the new Turtle Wax EPA label in all 50 US States (46 States completed by 19 August 2019). This is a necessary precursor to sales to Turtle Wax commencing in the US.

Zoono also entered a sales and distribution with The Z Factor Limited for the supply of its proprietary poultry formulation utilising Zoono Z71 Microbe Shield. The Company is 4 months into the initial testing of the Company's poultry product in Australia, New Zealand and Europe (with one of Europe's largest producers).

Several new distribution agreements (in Europe, China and ASEAN) are under negotiation at the present time. The Company should be in a position to provide a further update on these regions shortly.

New markets are opening up and Zoono has also just shipped and been paid for a significant order to Africa (circa NZ$200k). We are processing our first order to Mexico, albeit a small order circa NZ$12k, and an order circa NZD$35k has recently shipped to Bosnia.

Orders are expected soon from new distributors in Hungary, Bosnia and Herzegovina, Croatia, Montenegro and Serbia.

Significant business in under negotiation in Germany, Austria and Switzerland, expect updates on these regions shortly.

Online sales are showing steady growth with a record month being recorded recently of NZD$35k for

Australia and New Zealand, with winter coming in the UK we expect a corresponding increase in sales in this region also.

The customer base is growing in the UK and with the recent gaining of approvals for food contact sales will increase in this region over the coming months.

Zoono also expects its agreement with Midas Pharma GmbH in Europe to start to produce revenues in FY20 and to build year on year.

In the interim, Zoono has been actively managing its overheads. It has been successful in materially reducing overall annual operating costs, which benefit will be fully realised in FY20.

Importantly, the Company is adequately funded to execute its strategic growth plan in FY20 and beyond. At the end of the year, the Company had NZ$3,125,328 cash at bank, stock of NZ$503,125 and receivables of NZ$584,654.

While, superficially, it may appear that implementation of the new strategy has been slow, the reality is that it often requires months of testing and trials (at a cost to the Company) before business customers will contract with the Company. However, despite the time and cost, the Company has embarked on this course as it believes strongly in its strategy and that it will lead to increased sales and associated revenues in the future.

Further, 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, 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 become profitable in the near future.

We value our shareholder base with many of you known personally or who are customers. Your board and management team are committed to commercialising our range of products across as many trade sectors as we can and working with and appointing distributor partners who have the infrastructures, 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.

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 2019. 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. Jon Lamb	Executive Chairman (Resigned 9 July 2019)
Mr. Paul Hyslop	Managing Director
Mr. Don Clarke	Non-Executive Director
Ms. Elissa Hansen	Non-Executive Director

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 loss of NZ$2,418,984 (2018: Profit NZ$79,706) for the financial year.

Review of operation

During the year the Company opened a UK office and warehouse in Bury St Edmunds, with several staff appointed and stock to the value of NZ$250,000 held at the UK warehouse to support sales. The Company finalised the launch of its online sales platform in the UK and European markets.

The Company's focus this year has been to further develop its business model to include direct sales to end user customers and targeting increased and repeat sales at better margins from long term direct contracts.

Zoono entered into a distribution agreement with Dubai-based Sky Scrapers General Trading LLC with exclusive rights to sell Zoono products in UAE, Oman and Lebanon. An initial deposit was received of US$250,000 and the first shipment of US$150,000 has already been delivered.

The Company announced that its Z-71 Surface Sanitiser passed the notoriously challenging BSI PAS 2424:2014 Quantitative Surface Test. The Test evaluates the residual antimicrobial efficacy of liquid chemical disinfectants on hard non-porous surfaces. It is considered the ultimate test of a product's ability to remain on a surface and maintain an antimicrobial protecting shield for 24 hours or more.

Passing the test demonstrates the significant advantage Zoono has over other products and validates Zoono's ability to be able to deliver the efficacy results demanded by multinational companies worldwide.

Zoono entered into a distribution agreement with Midas Pharma GmbH in Germany for sales and distribution in the EU and selected global markets. This is an important step forward to develop a global B2B business using Midas' developed sales and distribution channels across the global pharmaceutical and healthcare sectors.

Global online sales continue to grow. The Company introduced two new products, Zoono Baby Wipes and Zoono Hand and Body Wipes to be sold online.

The Company entered into a distribution agreement with Zoono USA LLC (Zoono's USA distribution partner), and MicroSonic LLC to supply its innovative antimicrobial products exclusively to Turtle Wax Inc. for the car wash and automotive industries. Minimum MicroSonic Zoono Z-71 purchase commitments under the agreement are US$23m over a four-year period from calendar year 2020 to calendar year 2023, and thereby increasing 10% per annum thereafter from US$12m in calendar year 2023. The agreement also gives MicroSonic rights to the cruise industry which includes those numbers mentioned.

Zoono entered into a sales and distribution agreement with Z Factor Limited for the supply of its proprietary poultry formulation utilising Zoono Z-71 Microbe Shield. Z Factor and Zoono held trials with a highly reputed poultry broiler farm testing the effectiveness of Z-71 Microbe Shield for use in the poultry industry. The test results were outstanding and Zoono sees this as a major global opportunity in the B2B market.

Since year end, the Company has entered into several new distribution agreements; in China where part of the payment will be used to clear an existing trade receivable; in South Africa where the first order has been placed; and in Bosnia and Herzegovina, Croatia and Montenegro where an initial order has been placed and paid for already and we expect a second order to come through in Q2. These three combined agreements are contracted to deliver in excess of NZD$1m in sales in the next 12 months.

Zoono continues to negotiate with several UK distributors for different vertical markets and it is expected to sign at least two more distribution agreements with EU countries by late 2019.

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 2019, the Group experienced a decrease in revenue of NZ$652,551 (26.8% decrease over the FY18 year).

Gross Profit achieved was NZ$816,693 (46.0% of revenue) in the current year compared to NZ$1,695,240 (69.8% of revenue) in the previous year. The decrease in Gross Profit was due to decreased revenues, moving stocks to the UK office and the mix of products sold which negatively affected the margins.

Operating costs increased by NZ$756,134 (28.9%) primarily as a result of the set-up costs for the UK operation.

The consolidated Group net loss after tax for the year was NZ$2,418,984 compared to a profit of NZ$79,706 in the previous year.

Cash generation and capital management

Operating cash flow was an outflow of NZ$2,881,547 in the current year and increased by NZ$844,864 on the previous year. This was predominately due to higher operating cash flow costs for the UK office set-up.

The reduction in cash received from distributors and customers was primarily as a result of cash received from our distributors in prior years for pre-paid stock. This meant we had sales during the financial year for which cash was received in prior years. Our Income in advance account in the balance sheet as a result of these sales reduced from NZ$448,104 to NZ$323,661 – a movement of NZ$124,443. If we had received these distributor receipts in the current year, our operating cash flow would have reduced to an outflow of NZ$2,757,104 instead of an outflow of NZ$2,881,547.

On the 18 March 2019 the Group issued 300,000 fully paid ordinary shares as part of the remuneration package for the Regional Manager UK/EU market.

The Group ended the year with NZ$3,125,328 in cash reserves compared to NZ$6,096,313 in the previous year.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

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

Mr Jon Lamb resigned as Executive Chairman on 9 July 2019.

Apart from the above no 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

AASB 15 Revenue from Contracts with Customers
The Group has adopted AASB 15 Revenue from Contracts with Customers with an initial application date of 1 July 2018. The Group has applied AASB 15 retrospectively with the cumulative effect of initially applying the Standard recognised in retained earnings. The cumulative effect of initially applying the Standard was Nil, so no adjustments were required to net profit or opening retained earnings on transition as the timing of revenue recognition has not changed for the Group's contracts that were in progress at 1 July 2018.

AASB 9 Financial Instruments
The Group has adopted AASB 9 Financial Instruments with an initial application date of 1 July 2018. The Group has applied AASB 9 retrospectively with the cumulative effect of initially applying the Standard recognised in retained earnings. The cumulative effect of initially applying the Standard was NZ$1,242 so an adjustment was required to net profit on transition.

Information on Directors

Mr. Jon Lamb, CIM
Executive Chairman (Resigned 9 July 2019)

Jon has led strategic planning, marketing and restructuring of companies throughout his career. He worked in and headed a multinational pharmaceutical company successfully launching global brands.

He created the kiwifruit brand Zespri and restructured the company into a retail focused operation.

He has been a board director on a number of public and private companies, for example a recent a start-up that was developing an antiviral against AIDS where he worked closely with Harvard Medical School who sponsored the clinical trials.

He was Deputy Chair of an Australian diagnostic company that had a real time tool for measuring the Hepatitis B virus.

Special responsibilities:
Chairman, member of the Audit and Risk Committee

Interests in shares and options:
500,000 ordinary shares

Directorships of other listed companies in the past three years:
Non-executive director, AFT Pharmaceuticals Ltd

Mr. Paul Hyslop,
Managing Director

Paul founded Zoono Group in 2009 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:
83,358,000 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 firsthand 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:
500,000 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)

Mrs. Elissa Hansen, B.Comm, Grad Dip Applied Corporate Governance, GAICD and FGIA.
Independent Non-Executive Director

Elissa has nearly 20 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:
167,000 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 2019, 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	5	5	2	2
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$56,746 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 2019.

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 and will meet all costs arising from this action less any insurance excess payable.

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.

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 2019.

Auditor's independence declaration

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 2019.

Signed in accordance with a resolution of the directors.

Paul Hyslop
Managing Director/CEO
19 August 2019

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 2018 - 30 June 2019 $	1 July 2017 - 30 June 2018 $
Chairman's Fee	$144,000[1]	$162,000[1]
Base Fee		
Non-executive directors	$63,983[2]	$65,104[2]

Notes:

1. The net annual fee was AU$60,000 to each director and has been converted at an average exchange rate of 1.0664 along with an additional Executive Chairman's fee of AU$75,035 which has also been converted at an average exchange rate of 1.0664.
2. The net annual fee was AU$60,000 to each director and has been converted at an average exchange rate of 1.0664.

b. Company executive and executive director remuneration

Remuneration for executives and executive directors consists of fixed remuneration only.

***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.

REMUNERATION REPORT (Continued)

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	STI Payments	Termination Benefits	Prescribed Benefits	Shares			
	NZ$	NZ$	NZ$	NZ$	NZ$	NZ$		
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.

REMUNERATION REPORT (Continued)

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	STI Payments	Termination Benefits	Prescribed Benefits	Shares			
	NZ$	NZ$	NZ$	NZ$	NZ$	NZ$		
Year ended 30 June 2018								
Executive directors								
Jon Lamb	162,000	-	-	-	-	162,000	-	-
Paul Hyslop	377,938	-	-	-	-	377,938	-	-
Non-Executive directors								
Don Clarke	65,104	-	-	-	-	65,104	-	-
Elissa Hansen	110,677	-	-	-	-	110,677	-	-
Other key management personnel								
Lew Mackinnon	116,215	4,000	-	-	-	120,215	-	-
Paul Ravlich	205,370	6,000	-	6,107	-	217,477	-	-
Total	**1,037,304**	**10,000**	**-**	**6,107**	**-**	**1,053,411**		

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 1.0851.

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 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

<u>Paul Ravlich- Chief Financial Officer</u>

Base Remuneration:	$220,000
Other Benefits:	Entitlement to a cash payment of up to $40,000 contingent on the Group achieving certain financial targets.

Employment Conditions

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

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 2018 was passed unanimously by Shareholders on a show of hands at the Annual General Meeting. Proxy results received prior to the meeting showed a 91% 'yes' vote on the Remuneration Report. The Company received no specific feedback on Remuneration Report either at the Annual General Meeting or at other times.

HALL CHADWICK (NSW)

SYDNEY
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Australia
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ZOONO GROUP LIMITED AND CONTROLLED ENTITIES
ABN 73 006 645 754

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 2019, 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
Level 40, 2 Park Street
Sydney NSW 2000

DREW TOWNSEND
Partner
Dated: 19 August 2019

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 NZ$	2018 NZ$
Revenue	5	1,777,156	2,429,707
Cost of sales		(960,463)	(734,467)
Gross profit		816,693	1,695,240
Other revenue	5	136,142	1,000,151
Administration expenses		(46,495)	(25,528)
Depreciation/Amortisation expenses		(90,012)	(60,186)
Directors' fee		(271,967)	(290,589)
Employee costs		(1,070,819)	(483,414)
Finance costs		(10,140)	(11,302)
Management fee		(377,938)	(377,938)
Professional fees		(591,881)	(483,778)
Occupancy expenses		(127,188)	(63,631)
Selling and distribution expenses		(290,018)	(296,761)
Marketing expenses		(197,874)	(188,247)
Listing expenses and other acquisition costs		(94,741)	(100,271)
Other expenses		(202,746)	(234,040)
(Loss)/Profit before Income Tax	6	(2,418,984)	79,706
Income tax expense	7	-	-
(Loss)/Profit attributable to members		**(2,418,984)**	**79,706**
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	17	(28,736)	(9,686)
Total other comprehensive income		**(28,736)**	**(9,686)**
Total comprehensive (loss)/profit attributable to members		**(2,447,720)**	**70,020**
(Loss)/Profit per share attributable to the ordinary equity holders of the company			
Basic (loss)/profit per share	24	($1.48)	$0.05
Diluted (loss)/profit per share	24	($1.48)	$0.05

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 NZ$	2018 NZ$
CURRENT ASSETS			
Cash and cash equivalents	23(a)	3,125,328	6,096,313
Trade and other receivables	9	820,299	237,807
Inventories	10	503,125	671,500
Other assets	13	64,250	84,393
TOTAL CURRENT ASSETS		4,513,002	7,090,013
NON-CURRENT ASSETS			
Plant and equipment	11	113,349	118,406
Intangible assets	12	69,604	119,961
TOTAL NON-CURRENT ASSETS		182,953	238,367
TOTAL ASSETS		4,695,955	7,328,380
CURRENT LIABILITIES			
Trade and other payables	14	751,592	950,341
Borrowings	15	22,853	30,798
TOTAL CURRENT LIABILITIES		774,445	981,139
NON-CURRENT LIABILITIES			
Borrowings	15	68,923	86,358
TOTAL NON-CURRENT LIABILITIES		68,923	86,358
TOTAL LIABILITIES		843,368	1,067,497
NET ASSETS		3,852,587	6,260,883
EQUITY			
Issued capital	16	11,821,140	11,781,716
Reserves	17	75,080	103,816
Accumulated losses	8	(8,043,633)	(5,624,649)
TOTAL EQUITY		3,852,587	6,260,883

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		Issued capital	Reserves	Accumulated losses	Total
		Ordinary shares	Foreign currency translation reserve		
	Note	**NZ$**	**NZ$**	**NZ$**	**NZ$**
Balance at 1 July 2018		11,781,716	103,816	(5,624,649)	6,260,883
Loss for the year	8	-	-	(2,418,984)	(2,418,984)
Other comprehensive income for the year	17	-	(28,736)		(28,736)
Total comprehensive 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	16	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 CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Issued capital	Reserves	Accumulated losses	Total
		Ordinary shares	Foreign currency translation reserve		
	Note	**NZ$**	**NZ$**	**NZ$**	**NZ$**
Balance at 1 July 2017		11,781,716	113,502	(5,704,355)	6,190,863
Loss for the year	8	-	-	79,706	79,706
Other comprehensive income for the year	17	-	(9,686)	-	(9,686)
Total comprehensive income/(loss) for the year		-	(9,686)	79,706	70,020
Transactions with owners in their capacity as owners					
Shares issued during the year, net of issue costs	16	-	-	-	-
Total transactions with owners		-	-	-	-
Balance at 30 June 2018		11,781,716	103,816	(5,624,649)	6,260,883

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 NZ$	2018 NZ$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		1,129,303	1,295,363
Payments to suppliers and employees		(4,117,836)	(3,525,773)
Interest received		117,126	205,029
Finance cost		(10,140)	(11,302)
Net cash used in operating activities	23(b)	(2,881,547)	(2,036,683)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		(34,359)	(89,658)
Amounts provided to/(from) third party		-	104,239
Net cash provided by investing activities		(34,359)	14,581
CASH FLOWS FROM FINANCING ACTIVITIES:			
Share issue costs		(1,884)	-
Proceeds from loans		-	(7,820)
Repayment of borrowings		(25,620)	-
Net cash used in financing activities		(27,504)	(7,820)
Net increase/(decrease) in cash and cash equivalents held		(2,943,410)	(2,029,922)
Effects of foreign exchange on cash balance		(27,575)	(18,455)
Cash and cash equivalents at beginning of year		6,096,313	8,144,690
Cash and cash equivalents at end of year	23(a)	3,125,328	6,096,313

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 2019 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 2019 were approved and authorised for issue by the board of Directors on 19 August 2019.

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:

AASB 15 Revenue from contracts with customers

The Group has adopted AASB 15 revenue from contracts with customers with an initial application date of 01 July 2018. The Group has applied AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised in opening retained earnings. The cumulative effect of initially applying the standard was nil, so no adjustment was required to net profit or opening retained earnings on transition as the timing of the revenue recognition has not changed for the Group's contracts that were in progress at 1 July 2018.

Below is a summary of the revenue from contracts and the Group's accounting policy on recognition as a result of adopting AASB 15.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

Revenue from Contracts	Nature of Performance Obligations	Revenue Recognition under AASB 15	Impact of AASB 15
Contract revenue from the sale of goods	The group receives consideration for the development and sale of a range of antimicrobial products in multiple countries	Income is recognised at a point in time when the goods have been delivered which corresponds with their performance obligation and the group has the right to invoice.	No impact on the group's accounting policies

AASB 9 Financial Instruments

The Group has adopted AASB 9 Financial Instruments with an initial application date of 1 July 2018. The Group has applied AASB 9 retrospectively with the cumulative effect of initially applying the Standard recognised in retained earnings. The cumulative effect of initially applying the Standard was NZ$1,242 so an adjustment was required to net profit on transition.

(b) New Accounting Standards for application in future periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 July 2019). When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes introduced by the new Standard are as follows:
  - recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
  - depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
  - inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
  - application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
  - inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, the impact is not likely to be material where applicable.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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 2019. 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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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 combination

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

(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 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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

(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) 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 Group, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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.

(q) 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.

(r) 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.

(s) 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.

(t) 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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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.

(u) 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.

(v) 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.

(w) Comparative information

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

		Consolidated	
5.	**REVENUE AND OTHER INCOME**	**2019**	**2018**
	Revenue from operating activities	**NZ$**	**NZ$**
	Operating activities		
	- Revenue from sale of goods/contracts with customers	1,777,156	2,429,707
	Total revenue from operating activities	1,777,156	2,429,707
	Other income		
	- Dividends received	380	350
	- Breaches of distributor agreements	-	773,112
	- Interest received	122,024	219,112
	- Expenses recovery	13,738	7,577
	Total other income	136,142	1,000,151

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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.

	Consolidated	
	2019	**2018**
	NZ$	**NZ$**
6. LOSS FOR THE YEAR		
Loss before income tax has been determined after:		
Depreciation	39,656	39,265
Rental expense on operating leases	113,330	60,903
Amortisation	50,356	20,921
Expected credit loss allowance	1,242	-
Salary costs (including directors' fees and management fees)	1,720,724	1,151,941
Interest on borrowings	10,140	11,302
Net foreign exchange (gain) and losses	44,876	(2,666)
Write off of Receivables	-	112,164

7. INCOME TAX

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

Prime facie tax payable on loss before income tax at 28% (2018: 28%)	(677,316)	22,318
Add: tax effect of:		
- Other assessable and non-allowable items	(146,309)	(145,278)
- Deferred tax losses not recognised in accounts	823,625	122,960
Income tax expense/(benefit)	-	-

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$2,727,745 to 30 June 2018.

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, no deferred tax asset has been recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	Consolidated 2019 NZ$	Consolidated 2018 NZ$
8. ACCUMULATED LOSSES		
Accumulated losses at beginning of year	(5,624,649)	(5,704,355)
Net (Loss)/profit attributable to members of the company	(2,418,984)	79,706
Accumulated losses at end of year	(8,043,633)	(5,624,649)

	2019 NZ$	2018 NZ$
9. TRADE AND OTHER RECEIVABLES		
Trade receivables	585,896	25,518
Provision for expected credit loss	(1,242)	-
	584,654	25,518
Net GST/VAT receivable	82,818	98,652
Other receivables	152,827	113,637
	820,299	237,807

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 2019 and 30 June 2018.

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.

	Gross Amount	Past Due and Impaired	Past Due but Not Impaired (Days Overdue)				Within Initial Trade Terms
			< 30	31–60	61–90	> 90	
	NZ$	NZ$	NZ$	NZ$	NZ$	NZ$	NZ$
2019							
Expected Loss Rate			0.1%	0.1%	0.1%	0.75%	
Trade and term receivables	584,654	-	216,176	236,885	29,643	101,950	216,176
Other receivables	235,645	-	-	235,645	-	-	235,645
Total	820,299	-	216,176	472,530	29,643	101,950	451,821
2018							
Expected Loss Rate			0%	0%	0%	0%	
Trade and term receivables	25,518	-	2,760	8,511	7,990	6,257	2,760
Other receivables	212,289	-	-	212,289	-	-	212,289
Total	237,807	-	2,760	220,800	7,990	6,257	215,049

At balance date, there were past nil due but not impaired trade and other receivables (2018: $Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

		Consolidated	
		2019	2018
		NZ$	NZ$
10.	**INVENTORIES**		
	Finished goods at cost	503,125	671,500
		503,125	671,500
11.	**PLANT AND EQUIPMENT**		
	Plant and equipment:		
	Plant and equipment at cost	28,832	28,397
	Accumulated depreciation	(13,468)	(9,422)
		15,364	18,975
	Motor vehicles:		
	Motor vehicles at cost	119,155	119,155
	Accumulated depreciation	(56,241)	(29,276)
		62,914	89,879
	Furniture and equipment:		
	Furniture and equipment at cost	47,631	16,388
	Accumulated depreciation	(15,311)	(8,454)
		32,320	7,934
	Computer equipment:		
	Computer equipment at cost	21,949	19,091
	Accumulated depreciation	(19,208)	(17,473)
		2,741	1,618
	Total plant and equipment	113,349	118,406

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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 2017	18,862	16,480	10,331	4,083	49,756
Additions	5,240	119,155	-	-	124,395
Disposals – written down value	-	(16,480)	-	-	(16,480)
Depreciation expense	(5,127)	(29,276)	(2,397)	(2,465)	(39,265)
Carrying amount at 30 June 2018	18,975	89,879	7,934	1,618	118,406
Additions	435	-	31,243	2,921	34,599
Disposals – written-down value	-	-	-	-	-
Gain on sale	-	-	-	-	-
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

	2019 NZ$	2018 NZ$
12. INTANGIBLE ASSETS		
Trademarks and patents:		
Trademarks and patents at cost	147,820	147,820
Accumulated amortization	(114,172)	(99,772)
	33,648	48,048
Website Development:		
Website development at cost	78,450	78,450
Accumulated amortization	(42,494)	(6,537)
	35,956	71,913

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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	119,961	62,432
Additions	-	78,450
Amortisation expense	(50,357)	(20,921)
Closing Balance	69,604	119,961

	Consolidated	
	2019	**2018**
	NZ$	**NZ$**
13. OTHER ASSETS		
Current		
Prepayments	64,250	84,393
	64,250	84,393
14. TRADE AND OTHER PAYABLES		
Trade creditors	299,137	338,834
Sundry creditors and accruals	77,751	157,185
Other payables	51,043	6,218
Income in advance	323,661	448,104
	751,592	950,341
15. BORROWINGS		
CURRENT		
Lease liability	22,853	30,798
NON-CURRENT		
Lease liability	68,923	86,358

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

16. ISSUED CAPITAL

	2019 No. Shares	2018 No. Shares	2019 NZ$	2018 NZ$
(a) Issued shares:				
Beginning of the year	163,011,827	163,011,827	11,781,716	11,781,716
Issued during the year:				
Recognition of shares in Zoono Holdings Limited	880	-	190	-
Shares issued as share-based payment (refer Note 18)	300,000	-	41,118	-
Share issue cost	-	-	(1,884)	-
	163,312,707	163,011,827	11,821,140	11,781,716

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:

The Company had no quoted or unquoted options issue at the date of this report.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	Consolidated	
	2019	**2018**
	NZ$	**NZ$**
17. RESERVES		
Foreign currency translation reserve		
Balance at beginning of year	103,816	113,502
Exchange differences on translation of foreign operations	(28,736)	(9,686)
Balance at end of year	75,080	103,816

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.

18. SHARE-BASED PAYMENTS

(a) Share-based payment:

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 (2018: Nil).

(b) Equity settled share-based payment and reconciliations:

The Consolidated Group has not issued or has any outstanding share options on issue during the financial year (2018: Nil)

	Consolidated	
	2019	**2018**
19. REMUNERATION OF AUDITORS	**NZ$**	**NZ$**
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	41,508
	55,000	41,508

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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 and will meet all costs arising from this action less any insurance excess payable.

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	
	2019	**2018**
	NZ$	**NZ$**
Short–term employee benefits	1,023,996	1,037,304
Other Benefits	6,102	16,107
	1,030,098	1,053,411

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$377,938 (2018: 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$44,788 (2018: NZ$45,573). 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$6,000 for their services. The wife of Mr Paul Hyslop owns Morgan Recruitment Limited.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

23. STATEMENT OF CASH FLOWS

(a) Reconciliation of cash:

	Consolidated	
	2019	**2018**
	NZ$	**NZ$**
Cash at bank	128,942	488,095
Cash on short term deposit	2,996,386	5,608,218
	3,125,328	6,096,313

The effective interest rate on short-term bank deposits was 2.7% per annum (2018: 3.3% per annum) and these deposits have an average maturity of 120 days.

	Consolidated	
	2019	**2018**
(b) Reconciliation statement:	**NZ$**	**NZ$**
A reconciliation of "net cash used in operating activities" to "operating cash flows" is as follows:		
(Loss)/Profit after income tax	(2,418,984)	79,706
Add/(less)		
Amortisation	50,357	20,921
Depreciation	39,656	39,265
Share based payments	41,308	-
Write-off of receivables	-	112,164
Provision for expected loss on trade receivables	1,242	-
Foreign exchange differences	(1,161)	8,769
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(583,734)	32,581
(Increase)/decrease in inventories	168,375	(461,309)
(Increase)/decrease in prepayments	20,143	(67,269)
Increase/(decrease) in trade and other payables	(198,749)	(1,801,511)
Net cash used in operating activities	(2,881,547)	(2,036,683)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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 (loss)/profit per share	($1.48) cents	$0.05 cents
Diluted (loss)/profit per share	($1.48) cents	$0.05 cents
Weighted average number of ordinary shares outstanding during the year used to calculated basic EPS	163,099,772	163,011,827
Weighted average number of ordinary shares outstanding during the year used to calculated diluted EPS	163,099,772	163,011,827
(Loss)/Profit from continuing operations used to calculated basic EPS and diluted EPS	(2,418,984)	79,706

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 not based on the geographical location of distributors/customers. Segment assets and liabilities are located in New Zealand and are unable to be allocated to individual geographical segments by locations of distributors/customers on a reasonable basis. The Group's segment revenue is not assigned to any one geographical location 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 has been excluded for competitive reasons.

	2019	**2018**
	NZ$	**NZ$**
Geographical Revenue		
Global revenues	1,777,156	2,429,707
Total Group Revenue	1,777,156	2,429,707

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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 2018
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 $NZD and British Pound (GBP). Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US Dollars ($USD), Australian Dollars ($AUD) and 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	Note	Floating interest rate	Fixed interest maturing in 1 year or less	Fixed interest maturing in over 1 to 5 years	Non-interest bearing 1 year or less	Non-interest bearing over 1 to 5 years	Total
2019			**$**	**$**	**$**	**$**	**$**
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 cashflow interest rate risk		6.9%	2,973,533	(68,923)	128,942	-	3,033,552
Weighted average interest rate		6.5%	-	-	-	-	6.5%

	Note	Floating interest rate	Fixed interest maturing in 1 year or less	Fixed interest maturing in over 1 to 5 years	Non-interest bearing 1 year or less	Non-interest bearing over 1 to 5 years	Total
2018			**$**	**$**	**$**	**$**	**$**
Financial assets							
Cash		3.4%	5,608,218	-	488,095	-	6,096,313
Financial liabilities							
Borrowings		9.9%	(30,798)	(86,358)	-	-	(117,156)
Net exposure to cashflow interest rate risk		6.5%	5,577,420	(86,358)	488,095	-	5,979,157
Weighted average interest rate		6.7%	-	-	-	-	6.7%

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

(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

	Consolidated	
	2019 NZ$	**2018 NZ$**
a. Finance Lease Commitments		
Payable – minimum lease payments:		
– not later than 12 months	22,853	30,798
– between 12 months and 5 years	68,923	86,358
– greater than 5 years	-	-
Minimum lease payments	91,776	117,156
Less future finance charges	(12,226)	(19,340)
Present value of minimum lease payments	79,550	97,816

The finance lease on the Motor Vehicle at 30 June 2017 was paid out in full in July 2017 and new agreements were entered into.

b. Operating Lease Commitments		
Payable – minimum lease payments:		
– not later than 12 months	52,500	52,500
– between 12 months and 5 years	126,875	179,375
– greater than 5 years	-	-
	179,375	231,875

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.

c. Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
Plant, inventory and equipment purchases	-	174,973

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

30. PARENT INFORMATION

	PARENT ENTITY	
	2019 NZ$	2018 NZ$
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.		
Statement of Financial Position		
ASSETS		
Current assets	61,390	38,979
Non-current assets	28,428,319	29,012,238
TOTAL ASSETS	28,489,709	29,051,217
LIABILITIES		
Current liabilities	65,422	99,568
TOTAL LIABILITIES	65,422	99,568
EQUITY		
Issued capital	68,233,649	68,194,413
Reserves	503,728	509,345
Accumulated losses	(40,313,090)	(39,752,109)
TOTAL EQUITY	28,424,287	28,951,649
Statement of Profit or Loss and Other Comprehensive Income		
Total loss	(575,424)	(503,654)
Total comprehensive loss	(575,424)	(503,654)

31. EVENTS SUBSEQUENT TO REPORTING DATE

Mr. Jon Lamb resigned as Executive Chairman on 9 July 2019.

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:

31 E Hannigan Drive
St Johns, Auckland 1072
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 2019 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 2019 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.

Paul Hyslop
Managing Director/CEO
19 August 2019

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ZOONO GROUP LIMITED ABN 73 006 645 754
AND CONTROLLED ENTITIES

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

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 2019, the consolidated statement of profit or loss, the consolidated statement of 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 2019 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 2019. 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.

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Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Inventory Existence and Valuation Refer to Note 10 "Inventories"	

The Group recognised inventory of $503,125 as at 30 June 2019.
Inventory is held by the Group in various countries (Mainly New Zealand, China and UK). Within each country/location, inventory is stored in warehouses.
As disclosed in Note 4(g), inventories are held at the lower of cost and net realisable value.
We focused on this matter because of the:
• significance of the inventory balance to the profit and loss statement and statement of financial position
• complexity involved in determining inventory quantities on hand due to the number, location and diversity of inventory storage locations
	Our procedures included, amongst others:
	• Hall Chadwick network component auditors attended inventory counts at locations, selected based on financial significance and risk. Where locations were not attended we tested certain controls over inventory existence across the Group.
	• For locations attended in New Zealand, we performed the following procedures at each site:
	  ○ selected a sample of inventory items and compared the quantities we counted to the quantities recorded
	  ○ observed a sample of management's inventory count procedures to assess compliance with Group policy
	  ○ made enquiries regarding obsolete inventory items and looked at the condition of items counted
	• For a sample of inventory items, we identified the input costs attributed to the items and compared this to the last purchase invoices.
	• On a sample basis we tested the net realisable value of inventory items to recent selling prices.
	• Verifying a sample of transactions on either side of the accounting period to ensure they were recorded in the correct period.
	We also made enquiries of management, including those outside the finance function, and considered the results of our testing above to determine whether any specific write downs were required.

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Revenue Recognition

Refer to Note 4(s) "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. 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: • Obtaining an understanding of the key controls in the revenue recognition cycle. • Obtaining a sample of contracts and tracing the terms and conditions to ensure that revenue was recognised in accordance with accounting standards. • Verifying a sample of income in advance released to sales to supporting documentation to ensure the revenue was earned and appropriately recognised. • Verifying a sample of transactions on either side of the accounting period to ensure they were recorded in the correct period.

Going Concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal trading activities and realisation of assets and settlement of liabilities in the normal course of business. The company incurred a net loss of $2,418,984 and net operating cash outflows of $2,881,547 for the year ended 30 June 2019. The Directors of the Company consider that the cash flow projections and assumptions provided support to the ability of the company to pay its debts as and when they fall due and that there is no requirement to raise additional capital to fund the company's daily operations.	Our procedures included amongst others the following: • We obtained the cash flow forecast prepared by management for the period until 30 September 2020. • We assessed the underlying assumptions and inputs to the cash flow forecast. • We discussed the key assumptions used in the cash flow forecast with management. • We reviewed the appropriateness of the going concern disclosures in the financial statements.

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 2019, 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.

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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.

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.

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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.

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 10 to 16 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Zoono Group Limited for the year ended 30 June 2019 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
Level 40, 2 Park Street
Sydney, NSW 2000

DREW TOWNSEND
Partner
Dated: 19 August 2019

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 1 August 2019.

Distribution of Shareholders

Fully Paid Ordinary Shares	Number		
Holdings Ranges	**Holders**	**Units**	**%**
1-1,000	163	30,903	0.019
1,001-5,000	493	1,423,046	0.871
5,001-10,000	255	2,093,956	1.282
10,001-100,000	516	18,290,375	11.200
100,001- and over	130	141,474,427	86.628
Totals	**1,557**	**163,312,707**	**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 <MEG A/C>	83,358,000	51.042%
2	MR EELCO WIERSMA	8,892,696	5.445%
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,603,182	3.431%
4	CITICORP NOMINEES PTY LIMITED	2,171,006	1.329%
5	JB ADVISORY PTY LIMITED	1,750,000	1.072%
6	LEWIS ANDREW CRAIG MACKINNON	1,500,000	0.918%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,157,599	0.709%
8	NOELENE RAMSAY	1,005,000	0.615%
9	MR JIEXIONG WEN <WEN FAMILY A/C>	1,000,000	0.612%
10	MR IAN STUART WATSON & MRS CATHERINE JANE WATSON <WATSON SUPER A/C>	800,000	0.490%
11	MR TONY ADAMS	800,000	0.490%
12	COLENEW PTY LIMITED <PAUL XIRADIS ACCOUNT>	750,000	0.459%
13	MR CHRISTOPHER IAN SWITZER <C SWITZER FAMILY A/C>	732,000	0.448%
14	ALAN S CAMERON PTY LTD <PEAK SUPER FUND A/C>	675,000	0.413%
15	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	666,200	0.408%
16	ODONNELL FAMILY PTY LTD <J ODONNELL FAMILY SMSF A/C>	620,000	0.380%
17	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	609,626	0.373%
18	CELINE-MARIE LAMBERTON	592,754	0.363%
19	MS MARIE TANIA GENN	591,300	0.362%
20	FARR PTY LTD	565,000	0.346%
		113,839,363	69.706%

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 <Meg A/C>	83,358,000	51.04%
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 694 shareholders holding less than a marketable parcel of shares based on the closing price of AUD 0.085 on 31 July 2018 representing a total of 1,659,820 shares.

Restricted Securities

The Company has the 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

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ASX Code
ZNO

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