



ZOONO GROUP LIMITED
AND CONTROLLED ENTITIES

ABN 73 006 645 754

INTERIM FINANCIAL REPORT and ASX
APPENDIX 4D

for the half-year period ended

31 December 2019

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This interim financial report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by Zoono Group Limited during the interim reporting period in accordance with the continuous disclosure requirement of the Corporation Act 2001.

ASX APPENDIX 4D - RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half -year ended 31 December 2019

			6 months 31 Dec 2019 NZ\$	6 months 31 Dec 2018 NZ\$
Revenue from ordinary activities	Increase	144%	1,714,980	702,572
Profit/(loss) from ordinary activities after tax attributable to members	Decrease	(47)%	(727,944)	(1,377,645)
Net profit/(loss) for the period attributable to members	Decrease	(47)%	(727,944)	(1,377,645)

Please refer to the interim financial statements for the half-year ended 31 December 2019 for further explanations of the figures presented above.

Dividends

No final dividend was paid or declared in relation to the year ended 30 June 2019.

No interim dividend will be paid or declared in relation to the half-year ended 31 December 2019.

Net Tangible Assets

	31 Dec 2019 NZ\$	31 Dec 2018 NZ\$
Net tangible asset backing per ordinary share - NZ\$ per share	\$0.02	\$0.03

Review of Results

Refer to Review of Operations and Results included in the Directors' Report.

Audit dispute or qualification

The interim financial statements for the half-year ended 31 December 2019 have been subject to review and are not subject to dispute or qualification.

Control gained or lost over entities during the period, for those having material effect

Not applicable.

Investments in associates and joint ventures

No investments in associate and joint ventures are held by the Group.

Dividend Reinvestment plan

Not applicable.

Foreign entities

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

Not applicable.

Attachments

Details of attachments (if any)

The Condensed Consolidated Interim Financial Report for the half-year period ended 31 December 2019 is attached.

Signed

A handwritten signature in blue ink, appearing to read 'P. Hyslop', is written over a light blue rectangular background.

Paul Hyslop
Managing Director/CEO

Date: 19 February 2020

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 half-year ended 31 December 2019.

All numbers stated in this report are in New Zealand dollars, unless otherwise stated.

Directors

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

Mr. Jon Lamb	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 the half-year ended 31 December 2019 and subsequently 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 half-year were the development and sale of a range of antimicrobial products in multiple countries.

Operating result

The Group recorded an after-tax loss of NZ\$727,944 (2018: NZ\$1,377,645 loss) for the half-year.

Review of operations

Global sales, both off-line and on-line, continue to increase as brand awareness grows and the Company's new distribution strategy starts to produce results.

New distributor agreements have been signed in the half year in the agriculture, childcare and hotel sectors in China and Vietnam, with APIAM (ASX: AHX) [via Zoono Poultry] in Australia and in the USA.

In the agriculture sector, trials have demonstrated two very significant outcomes for the Company:

- Zoono Poultry has completed several trials in New Zealand, Australia and Portugal which have all returned significant improvement in the food conversion ratios where Zoono Z71 has been used in the poultry sheds as the only sanitiser and protectant product.
- Zoono has also been shown to be effective both in the field and in laboratories against African Swine Fever (ASF) and to prevent cross contamination between pig farms. The Company now believes there is a strong case for Zoono to be a part of any country's bio-security protocols to stop the spread of ASF.

Sales are now being generated from these trials in both the poultry and pig sectors. Supply contracts are imminent. In addition, with the Company fielding strong inquiries from many ASEAN and European countries, following on from the successful ASF testing, more contracts and customers are expected in the next half, particularly in the EU.

Online sales continue to improve in New Zealand and Australia. The UK is also experiencing growth month on month with online sales.

Evolution of Zoono business model

The major focus of the Company in the current financial year is the further evolution of its business model, particularly in regard to adding to its network of distributors in key countries and/or regions and building on-line sales. The ultimate objective is to increase repeat sales at better margins from longer term direct contracts with larger and multinational customers. This was achieved in the half-year with an improvement in the gross profit margin (52% compared to 41% for the previous half-year). Several new contracts are also currently under negotiation.

Financial Performance

In the 6 months to 31 December 2019, the Group increased its operating revenue to NZ\$1,012,408. This was primarily due to increased orders received from current and new distributors.

Gross Profit achieved was NZ\$893,443 (52.1% of operating revenue). As noted above, the improved gross profit was due to higher operating revenues and margins from bulk products sales (compared to the sale of finished product sales).

Operating costs also decreased materially (by NZ\$335,184) as a result of a review of all costs across the Group, with the main decrease (NZ\$248,483) coming from reduced employee costs and fees paid to Directors. Selling and marketing expenses did increase by NZ\$131,533, but in line with the increased revenues.

The consolidated net loss after tax for the half-year was NZ\$727,944 (compared to a loss of NZ\$1,377,645 in the previous half-year).

Cash generation and capital management

Operating cash flow saw an outflow of NZ\$392,862 in the current half-year (compared to an outflow of NZ\$1,510,449 in the previous half-year). Again, the improved cash flow was predominately a result of higher revenues generated in the half year and better cash collections.

Income in advance (primarily from pre-payments received under new Distribution Agreements entered into by the Company) increased from NZ\$323,661 to NZ\$501,097 during the current half-year. The Company expects each of these new Distribution Agreements will add significantly to future operating revenues as stock is delivered and re-ordered.

Trade receivables show a balance of NZ\$759,181 (which the Company fully expects to collect in the third quarter).

The Group ended the half-year with NZ\$2,706,792 in cash reserves. While a decrease of NZ\$418,536 from the year-end balance, the Company remains in a healthy cash position, particularly with the materially increased demand for its products experienced in the current half year.

New Accounting Standards Implemented

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

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

Dividends

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

Employee Options

During the half-year ended 31 December 2019, the Company issued the following options to non-director employees:

Grant Date	Exercise Price	Expiry Date	Number of Options Issued
16 December 2019	A\$0.25	16 December 2021	<u>2,000,000</u>

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

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 half-year ended 31 December 2019.

Signed in accordance with a resolution of the directors.



Paul Hyslop
Managing Director/CEO
19 February 2020

ZOONO GROUP LIMITED
ABN 73 006 645 754

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

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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 review of the financial report of Zoono Group Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review.



Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner

Date: 19 February 2020

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Note	Half-year ended 31 December 2019 NZ\$	Half-year ended 31 December 2018 NZ\$
Revenue	4	1,714,980	702,572
Cost of sales		(821,537)	(415,339)
Gross profit		893,443	287,233
Other revenue	4	54,015	77,701
Administration expenses		(19,300)	(30,743)
Depreciation/Amortisation expenses		(75,726)	(43,667)
Directors' fee		(63,544)	(145,915)
Employee cost		(408,820)	(574,932)
Finance costs		(17,581)	(4,984)
Management fee		(188,969)	(188,969)
Professional and consulting fees		(261,435)	(342,587)
Share Based Payment	14	(68,530)	-
Occupancy expenses		(21,079)	(51,717)
Selling and distribution expenses		(235,197)	(101,594)
Marketing expenses		(116,463)	(118,533)
Listing expenses and other compliance costs		(59,744)	(49,166)
Other expenses		(139,014)	(89,772)
Loss before Income Tax	5	(727,944)	(1,377,645)
Income tax expense		-	-
Loss attributable to members		(727,944)	(1,377,645)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		4,792	(16,475)
Total other comprehensive income		4,792	(16,475)
Total comprehensive loss attributable to members		(723,152)	(1,394,120)
Loss per share attributable to the ordinary equity holders of the company			
Basic loss – cents per share	16	(0.0045)	(0.0084)
Diluted loss – cents per share	16	(0.0045)	(0.0084)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	31 December 2019 NZ\$	30 June 2019 NZ\$
CURRENT ASSETS			
Cash and cash equivalents		2,706,792	3,125,328
Trade and other receivables	7	869,551	820,299
Inventories		298,000	503,125
Other Assets		28,194	64,250
TOTAL CURRENT ASSETS		3,902,537	4,513,002
NON-CURRENT ASSETS			
Property, Plant and equipment	8	45,957	113,349
Intangible assets	9	53,415	69,604
Right of use assets	10	536,871	-
TOTAL NON-CURRENT ASSETS		636,243	182,953
TOTAL ASSETS		4,538,780	4,695,955
CURRENT LIABILITIES			
Trade and other payables	11	761,262	751,592
Lease liabilities	10	418,149	-
Current tax liabilities		-	-
Borrowings	12	-	22,853
TOTAL CURRENT LIABILITIES		1,179,411	774,445
NON-CURRENT LIABILITIES			
Lease liabilities	10	161,405	-
Borrowings	12	-	68,923
TOTAL NON-CURRENT LIABILITIES		161,405	68,923
TOTAL LIABILITIES		1,340,816	843,368
NET ASSETS		3,197,964	3,852,587
EQUITY			
Issued capital	13	11,821,153	11,821,140
Reserves		210,255	75,080
Accumulated losses	6	(8,833,444)	(8,043,633)
TOTAL EQUITY		3,197,964	3,852,587

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Issued capital		Reserves		Accumulated losses	Total
	Note	Ordinary shares NZ\$	Foreign currency translation reserve NZ\$	Share based payment reserve NZ\$	NZ\$	NZ\$
Balance at 1 July 2018		11,781,716	103,816	-	(5,624,649)	6,260,883
Loss for the year		-	-	-	(1,377,645)	(1,377,645)
Other comprehensive income for the year		-	(27,969)	-	11,494	(16,475)
Total comprehensive loss for the year		-	(27,969)	-	(1,366,151)	(1,394,120)
Transactions with owners in their capacity as owners						
Shares issued during the year, net of issue costs		190	-	-	-	190
Dividends paid or provided for		-	-	-	-	-
Total transactions with owners		190	-	-	-	190
Balance at 31 December 2018		11,781,906	75,847	-	(6,990,800)	4,866,953

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Issued capital		Reserves		Accumulated	Total
		Ordinary shares	Foreign currency translation	Share based payment reserve		losses	
		NZ\$	NZ\$	NZ\$		NZ\$	
Balance at 1 July 2019		11,821,140	75,080	-		(8,043,633)	3,852,587
Cumulated adjustments upon adoption of new accounting standard – AASB 16		-	-	-		(15,623)	(15,623)
Balance at 1 July 2019 (restated)		11,821,140	75,080	-		(8,059,256)	3,836,964
Share based payments	14			68,529			68,529
Loss for the half-year	5	-	-	-		(727,944)	(727,944)
Other comprehensive income for the half-year		13	66,646	-		(46,244)	20,415
Total comprehensive income/(loss) for the half-year		13	66,646	68,529		(774,188)	(639,000)
Transactions with owners in their capacity as owners:							
Shares issued during the half-year, net of issue costs		-	-	-		-	-
Total transactions with owners		-	-	-		-	-
Balance at 31 December 2019		11,821,153	141,726	68,529		(8,833,444)	3,197,964

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Half- year ended 31 December 2019 NZ\$	Half- year ended 31 December 2018 NZ\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		1,864,162	742,724
Payments to suppliers and employees		(2,272,460)	(2,349,656)
Interest received		33,017	101,468
Finance costs		(17,581)	(4,985)
Net cash provided/(used in) operating activities		<u>(392,862)</u>	<u>(1,510,449)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		(2,123)	(32,210)
Net cash provided/(used in) investing activities		<u>(2,123)</u>	<u>(32,210)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the issuance of shares		13	-
Repayment of borrowings and lease liabilities		(43,965)	(16,163)
Net cash provided by/ (used in) financing activities		<u>(43,952)</u>	<u>(16,163)</u>
Net (decrease) in cash and cash equivalents held		(438,937)	(1,558,822)
Effects of foreign exchange on cash balance		20,642	(21,262)
Cash and cash equivalents at beginning of the period		3,125,087	6,096,314
Cash and cash equivalents at end of the period		<u><u>2,706,792</u></u>	<u><u>4,516,230</u></u>

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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

These general purpose interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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's registered address is Level 12, 225 George Street Sydney NSW 2000 Australia.

This interim financial report is intended to provide users with an update on the latest half-year financial statements of Zoono Group Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the following half-year.

These interim financial statements were authorised to be issued on 19th February 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for those described in Note 3 (d).

b. Functional and Presentation Currencies

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

c. Leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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

Lease payments included in the measurement of the lease liability are as follows:

- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

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

d. New and Amended Accounting Policies Adopted by the Group

Initial application of AASB 16

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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

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

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

Adjustments recognised in the balance sheet on 1 July 2019

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

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

Measurement of lease liabilities

	\$
Operating lease commitments disclosed as at 30 June 2019	179,375
Add: finance lease liabilities recognised as at 30 June 2019	91,776
Add: Adjustments as a result of a different treatment of extension and termination options	363,676
Lease liabilities recognised as at 1 July 2019	634,827

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 31 DECEMBER 2019**

Represented by:

–	Current lease liabilities	105,336
–	Non-current lease liabilities	529,491
		634,827

Measurement of right of use assets

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

4. REVENUE AND OTHER INCOME

	Half-Year	
	2019 NZ\$	2018 NZ\$
Revenue from operating activities		
Operating activities		
- Revenue from sale of goods	1,714,980	702,572
Total revenue from operating activities	1,714,980	702,572
Dividends received	375	380
Interest received	21,186	75,123
New Zealand Trade & Enterprise	10,206	-
Expenses recovery	22,248	2,198
Total other income	54,015	77,701

5. LOSS FOR THE HALF-YEAR

Loss before income tax has been determined after:

Depreciation	59,537	24,482
Gain on disposal of property, plant and equipment	-	-
Rental expense on operating leases	-	51,717
Amortisation	16,189	19,185
Salary costs (including directors' fees and management fees)	661,333	909,816
Interest on borrowings	-	-
Net foreign exchange (gain) and losses	41,934	31,256

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 31 DECEMBER 2019**

	31 December 2019	30 June 2019
6. ACCUMULATED PROFIT/(LOSSES)		
Accumulated losses at beginning of period	(8,059,256)	(5,624,649)
Net profit/(loss) attributable to members of the company	(774,188)	(2,418,984)
Accumulated losses at end of period	(8,833,444)	(8,043,633)
 7. TRADE AND OTHER RECEIVABLES		
Trade receivables	760,563	585,896
Provision for expected credit loss	(1,382)	(1,242)
Net GST/VAT receivable	42,058	82,818
Other receivables	68,312	152,827
	869,551	820,299
 8. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	28,860	28,832
Accumulated depreciation	(15,011)	(13,468)
	13,849	15,364
Furniture and fittings:		
At cost	49,679	47,631
Accumulated depreciation	(19,548)	(15,311)
	30,131	32,320
Motor vehicles:		
At cost	*	119,155
Accumulated depreciation	*	(56,241)
	-	62,914
Computer software and equipment:		
At cost	21,997	21,959
Accumulated depreciation	(20,020)	(19,208)
	1,977	2,751
Total Property, Plant and Equipment	45,957	113,349

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR
 ENDED 31 DECEMBER 2019

	31 December 2019 NZ\$	30 June 2019 NZ\$
9. INTANGIBLE ASSETS		
Trademarks and patents and Website Development:		
Trademarks, Website Development and patents at cost	226,270	226,270
Accumulated amortisation	(172,855)	(156,666)
	53,415	69,604

	Consolidated Group	
	As at 31 December 2019	As at 1 July 2019 *
	\$	\$
10. LEASES		
a. Right of use assets		
Buildings	483,392	527,272
Equipment and motor vehicles	53,479	65,678
	536,871	592,950
b. Lease liabilities		
Current	418,149	105,336
Non-current	161,405	529,491
	579,554	634,827

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR
 ENDED 31 DECEMBER 2019**

c. Movements in carrying amounts

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

	Buildings \$	Equipment and motor vehicles \$	Total \$
Consolidated Group			
Balance at 1 July 2019	527,272	65,678	592,950
Additions	-	-	-
Disposals – written-down value	-	-	-
Depreciation expense	(43,880)	(12,199)	(56,079)
Carrying amount at 31 December 2019	<u>483,392</u>	<u>53,479</u>	<u>536,871</u>

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

	Half-year Ended 31 December 2019
Depreciation charge related to right of use assets	56,079
Interest expense on lease liabilities	10,673
Short-term and low-value asset leases expense	-
Variable lease payment expense	<u>21,079</u>

11. TRADE AND OTHER PAYABLES

Trade creditors	160,556	299,137
Sundry creditors and accruals	99,609	77,751
Other payables	-	51,043
Income in advance	501,097	323,661
	<u>761,262</u>	<u>751,592</u>

12. BORROWINGS

CURRENT

Hire purchase liability ¹	-*	<u>22,853</u>
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NON-CURRENT

Hire purchase liability ¹	-*	<u>68,923</u>
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* see Note 3(d) for adjustments recognised on adoption of AASB 16 on 1 July 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 31 DECEMBER 2019**

13. ISSUED CAPITAL

	31 December 2019 No. Shares	30 June 2019 No. Shares	31 December 2019 NZ\$	30 June 2019 NZ\$
(a) Issued shares:				
Beginning of the year	163,312,707	163,011,827	11,821,140	11,781,716
Issued during the year:				
Recognition of shares in Zoono Holdings Ltd				
Shares issued as share-based payment/options				
Share issue cost	-	300,880	13	39,424
	<u>163,312,707</u>	<u>163,312,707</u>	<u>11,821,153</u>	<u>11,821,140</u>

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 a winding up of the Company, ordinary shareholders are ranked after all other creditors and are entitled to any remaining 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.

14. SHARE BASED PAYMENT

Employee share option scheme

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

Option granted to employees of the Company:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

15. CONTINGENT LIABILITIES

The directors are aware of a claim against the Company as at the date 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 Company's insurers have accepted the claim and our liability is limited to a deductible of NZ\$50,000 which has already been expensed in the financial statements.

	31 December 2019	31 December 2018
16. EARNINGS PER SHARE		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share (EPS):		
Basic profit/(loss) cents per share	(0.0045)	(0.0084)
Diluted profit/(loss) cents per share	(0.0045)	(0.0084)
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
Profit/(Loss) from continuing operations used to calculated basic EPS and diluted EPS	(727,944)	(1,377,645)

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.

17. SEGMENT INFORMATION

The Group does not disclose segment revenues for commercial reasons.

Global revenues Hand sanitiser, textile applicator, mould remediation, surface sanitiser

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 31 DECEMBER 2019**

Geographical information

The Group's revenue from external distributors/customers by geographical location has been excluded for competitive reasons.

Geographical Revenue	2019 NZ\$	2018 NZ\$
Global revenues	1,714,980	702,572
Total Group Revenue	1,714,980	702,572

18. EVENTS SUBSEQUENT TO REPORTING DATE

Unaudited revenues so far this quarter (7 weeks into a 13 week quarter) are NZ\$3.5 million. Please refer to the Company update for further details.

No other matters or circumstances have arisen since the end of the half-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.

19. COMPANY DETAILS

The registered office of the Company is:

Level 12, 225 George Street
Sydney NSW 2000
Australia.

The principal place of business of the Company is:

31 Hannigan Drive,
St Johns, Auckland 1072
New Zealand

From March 2 2020 the Company's new premises are situated at:

Unit 3,
24 Bishop Dunn Place
Botany South
Auckland 2013
New Zealand

DIRECTORS' DECLARATION

The directors of Zoono Group Limited declare that:

1. The consolidated financial statements and associated notes for the financial half-year ended 31 December 2019:
 - (a) are in accordance with the Corporations Act 2001;
 - (b) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (c) the consolidated financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 1; and
 - (d) give a true and fair view of the financial position of the Consolidated entity as at 31 December 2019 and the performance of the Group for the financial half-year then ended.
2. The chief executive officer/chief financial officer has declared that:
 - (a) the financial records of the Consolidated entity for the financial half-year have been properly maintained in accordance with section 295A of the Corporations Act 2001;
 - (b) the consolidated financial statements and notes for the financial half-year comply with Accounting Standards in particular Accounting Standard 134: Interim Financial Reporting; and
 - (c) the financial statements and notes for the financial half-year give a true and fair view.
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 February 2020

**ZOONO GROUP LIMITED
ABN 73 006 645 754
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
ZOONO GROUP LIMITED**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Zoono Group Limited, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, notes to the financial statements including a summary of significant accounting policies, other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Zoono Group Limited are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Zoono Group Limited's financial position as at 31 December 2019 and its performance for the period ended on that date, and complying with Accounting Standard AASB 134: Half-year Financial Reporting and the Corporations Regulations 2001. As the auditor of Zoono Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Zoono Group Limited, would be in the same terms if given to the directors as at the time of this audit report.

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**ZOONO GROUP LIMITED
ABN 73 006 645 754
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
ZOONO GROUP LIMITED**

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Zoono Group Limited is not in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of Zoono Group Limited's financial position as at 31 December 2019 and of its performance for the period ended on that date; and
- (ii) complying with AASB 134: Half-year Financial Reporting and the Corporations Regulations 2001.



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner

Dated: 19 February 2020

CORPORATE DIRECTORY

Directors

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

Company Secretary

Elissa Hansen

Management

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

Registered Office

Level 12
225 George Street
Sydney, NSW, 2000
Ph: +61 2 8042 8481

Principle Place of Business

31E Hannigan Drive
St Johns
Auckland 1072
New Zealand
Ph: +64 21 659 977
E: info@zoono.com

Share Registry

Boardroom Pty Limited
Level 12
225 George Street
Sydney, NSW, 2000
Telephone +61 2 9290 9600
Facsimile +61 2 9279 0664

Australian Legal Advisers

Murdock Cheng Legal Practice
Level 10, 50 Clarence Street
Sydney, NSW, 2000

Auditors

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

ASX Code

ZNO

From 2 March 2020 the Company's new premises are situated at:

Unit 3,
24 Bishop Dunn Place
Botany South
Auckland 2013
New Zealand