

# ZOONO<sup>®</sup>

## ZOONO GROUP LIMITED

### ANNUAL REPORT 2023

ZOONO GROUP LIMITED AND CONTROLLED ENTITIES  
ABN 73 006 645 754  
ANNUAL REPORT FOR THE YEAR ENDED  
30 JUNE 2023

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# MANAGING DIRECTOR'S REVIEW

**WE RECOGNISE THAT THESE LAST 12 MONTHS HAVE BEEN A CHALLENGING PERIOD FOR ZOOONO SHAREHOLDERS AND FIRSTLY, WANT TO THANK THOSE THAT CONTINUE TO SUPPORT US.**

I also thank all those who supported the recent rights issue.

Sales have been extremely challenging, and we have experienced a strong COVID backlash since the days of 2020 and 2021. A number of our distributors are overstocked or have simply gone out of business.

In 2007, Zoono set out to become an enduring business that facilitates healthier and safer environments, by challenging the status quo and successfully commercialising innovative technology around the globe. This remains our ambition. We are not a 'pandemic' business and have never thought of ourselves as such. Economic cycles always create prosperous or challenging conditions, and as a management team, we try not to get overly excited during the upswings, or too dejected during tougher periods.

Despite the recent difficulties, we know to focus on what we can control. To that end, we undertook a significant review of our strategy and business operations in the face of slowing demand. Key outcomes included improved clarity and renewed focus on our core markets and segments, refining our route to market, reducing overheads, and strengthening both the communication of our value proposition, and key strategic partnerships.

We remain laser focussed on executing our strategic plan, which is centred around three pillars – our people, our product applications, and our partners. We believe these efforts will improve revenue generation, return us to profitability and result in appropriate shareholder returns. We provide further updates on our pillars below.

## OUR PEOPLE

We have an enthusiastic, capable, and driven team helping us achieve our global growth aspirations.

## OUR PRODUCT APPLICATIONS

We remain optimistic about the future of our long-lasting antimicrobial coating technology. We believe our technology fundamentally offers a more sustainable and more cost-effective solution than incumbent offerings. We will continue striving to change habits, perceptions and grow market share across our core geographies (Oceania, Americas, UK, Europe, China) and markets (facilities management, transportation, education, hospitality and healthcare). We continue to be used by major global airlines and global hospitality businesses. Further, we are strongly positioned within the facilities management sector in our core geographies with multiple strategic partnerships assisting with our scaling efforts.

Additional segments that are seeing significant positive activity include:

- Packaging: We have run successful trials with companies in both the UK and South Africa to extend the shelf life of produce and continue to progress these commercialisation efforts.
- Mould Remediation and Protection: We are relaunching our Mould Remediation and

- Protection products. Feedback from customers to date has been incredibly supportive.
- Animal Health/Agriculture: Our partners are making considerable progress with market penetration in China, UK and in USA and expect this to become a consistent revenue stream in the coming months.

## OUR PARTNERS

Most of our growth will come via our business-to-business solutions and we are clear that we must be best in class with our efforts to support and maximise the benefits of key partnerships.

With international travel opening up, our senior leadership team is travelling extensively into our key markets to drive initiatives, strengthen relationships and identify growth opportunities.

We are doubling down on successful relationships and proactively addressing historical partnerships that are no longer meeting expectations or delivering value.

## NEXT STEPS

Over the next 12 months, we are focussed on right-sizing our business model to drive sales growth, further strengthening, and maximising the benefit of established partnerships, improving market penetration in core geographies, and developing and improving revenue streams in new segments.

Thank-you to all Zoono shareholders, staff, and stakeholders. We are working hard to maximise the potential of our products and returns to shareholders and, while we recognise the volatility of our recent journey, we are well positioned to continue to capitalise on opportunities into the future. We look forward to keeping you informed on progress during the coming year.



**PAUL HYSLOP**  
**MANAGING DIRECTOR**

# DIRECTORS' REPORT

YOUR DIRECTORS PRESENT THEIR REPORT ON ZOOONO GROUP LIMITED ('COMPANY') AND ITS CONTROLLED ENTITIES (TOGETHER CALLED THE 'GROUP' OR THE 'CONSOLIDATED ENTITY') FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023. ALL NUMBERS STATED IN THIS REPORT ARE IN NEW ZEALAND DOLLARS, UNLESS OTHERWISE STATED OR CONVERTED AT THE EXCHANGE RATES PROVIDED.

## DIRECTORS

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

MR. PAUL HYSLOP  
Managing Director

MR. DON CLARKE  
Non-Executive Director

MS. ELISSA HANSEN  
Non-Executive Director

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\$406,020 (2022: NZ\$12,086,484 loss) for the financial year.

## REVIEW OF OPERATIONS

Market conditions continue to remain challenging. The Company expects the present market conditions to continue for the foreseeable future while many customers, many of which over-ordered at the height of the COVID pandemic, use their existing stocks of Zoono products and/or adjust to the changing environment and public sentiment regarding the use of anti-microbial products of the type produced by the Company.

## GROWTH OPPORTUNITIES

Despite the challenging conditions, driving revenue growth is (and will continue to be) the key focus across the Company. To that end, while the immediate sales outlook is difficult, the Company is encouraged by a number of its sales initiatives which are on track to make a positive contribution to revenues in FY24. Examples of those sales initiatives are below:

- Zoono is currently conducting trials with one of Europe's largest supermarket chains in an effort to eliminate mould and reduce product degradation. To date, the results have been excellent. Further information will be provided once the trials have concluded.
- After successful trials with one of the UK's leading poultry integrators, Zoono has been officially approved for use on over 400 farms. Farm managers are now authorised to transition to Zoono products as the preferred sanitisation product.

To support the Company's laser focused strategy on creating long-term sustainable revenues (and, therefore, maintainable and growing returns to shareholders), the Company has over recent months:

- reviewed and refined the market sectors and products where the Company believes it has a material commercial advantage;
- allocated priority to those opportunities offering the greatest potential for long-term value creation; and
- increased its support of the commercialisation efforts of its strategic partners in animal health and facilities management.

During the year Zoono announced the development of the first of its specialty products for use in the clinical, medical and OTC sectors.

Over the past 18 months, Zoono has been working closely with the Faculty of Medical and Health Sciences at the University of Auckland, examining the effects of Zoono technology on staphylococcus and pseudomonas biofilms in the laboratory.

These pathogens are often detected in patients experiencing sinusitis and can be very resistant to treatment with antibiotics. Chronic rhinosinusitis is a common condition that causes a marked reduction in quality of life for those who suffer from it.

This project has been partially funded by a grant from the New Zealand Government Science and Innovation Agency.

The University team has been led by Professor Richard Douglas - a specialist ORL surgeon with clinical and research interests in the medical and surgical management of chronic rhinosinusitis. He is a consultant surgeon at Auckland City and Gillies Hospitals and is a Professor of Surgery at the University of Auckland. His project team includes Dr Brett Wagner-MacKenzie, a research fellow in the Department of Surgery at the University of Auckland.

The test results from the product trials completed at the University have exceeded all expectations. The testing confirmed:

- a significant reduction in viable staphylococcus aureus biofilms at one hour and eradication at six hours; and
- a significant reduction in viable pseudomonas aeruginosa biofilms at 5 minutes and near eradication within one 1 hour.

The new formulation will be sold as a treatment of chronic rhinosinusitis (CRS) - a condition that is estimated to affect 12.3% of the population in the USA, 10.9% in Europe and 13% in China.

Zoono is keen to expand its product range into this market as the global inhalation and nasal spray generic drugs market was estimated at USD\$17.50 billion in 2021. Further, it is expected to expand at

a compound annual growth rate of circa 9% from 2022 to 2030.

Another material advantage of the new Zoono product is that it has the potential to substantially reduce the use of antibiotics in the treatment of sinusitis, thereby reducing the potential for the development of antibiotic resistance. The Zoono technology does not promote mutation and pathogens are unable to develop immunity. The World Health Organisation recognises the increasing development of antibiotic resistance as one of the greatest healthcare threats we face.

The next steps for Zoono are to complete further laboratory testing and clinical trials to support commercialisation of its new product. To that end, recognising that Zoono does not have the necessary resources to undertake that task, it has entered into a Co-Development and Licence Agreement with Douglas Pharmaceuticals Limited (Douglas).

Zoono and Douglas will work in close collaboration to develop and commercialise the use of Zoono based specialty products, with the nasal spray being the first such product that is being considered.

The key points arising from the Agreement are:

1. Each party has agreed to grant to the other party a licence to its 'Background IP' to enable the parties to jointly develop specialty products for sale. The initial products may include the nasal spray.
2. All development costs and profits are to be shared equally.

The Zoono / Douglas joint venture has also employed Dr Wagner-MacKenzie to drive the commercialisation of this unique technology, via Douglas channels.

## OVERHEAD REDUCTION INITIATIVES

After the unprecedented and ongoing dip in demand for our products in existing key markets, the Company undertook a detailed review of its operations to identify and action a material reduction in its overhead structure. The primary objective has been to preserve capital while existing growth opportunities come to fruition.

To that end, Mr Barry Woolcott agreed to step down as Chief Executive Officer and left the Company at the end of January 2023

Cost reduction initiatives identified and undertaken in FY23 will drive overhead cost savings of circa NZ\$2.4M for FY23 and in excess of NZ\$4.5M in FY24 compared to the FY22 year. It is not expected that these cost reduction actions will impact the Company's ability to service key markets or execute on key business development and/or growth initiatives.

## THE MARKETS

### Europe

- The trials with the major European supermarket chain focused on increasing the shelf life of fresh food and other products sold in its supermarkets are nearing completion. The results to date continue to be most encouraging and, if the remaining limited number of further trials are successfully concluded, the Company expects product sales to that supermarket customer to commence in Q4 CY23. The Company is also confident of being able to successfully market its products (to extend the shelf life of fresh food and other products) to other supermarket chains and fresh food producers in 2024. Further information will be provided once the trials have ended.

- An independent evaluation has been completed confirming the product being tested meets all requirements for food contact and food safety.
- In store trials are now commencing.

## China

- The Company continues to target the Early Childcare education sector in China. Trials have been arranged for 11 centres in Guangzhou through a group operates 4,000 centres in China.
- The China charity project has a target to raise RMB1B. The Company has been advised it is at RMB700M. Orders are expected once it reaches the RMB1B target for supply to some of the donors.
- Discussions are continuing with several other potential customers in China, including with a large company for a food safety project (similar to the current project being undertaken with the European supermarket chain (as detailed above)).
- The Company has signed an agreement for supply to pig farms and breeding establishments in China. A trial will be commencing shortly. African Swine Fever is again on the rise in China and Zoono products have been tested successfully against this virus.
- Trials are also concluding with a major egg producer in China which produces circa 100m eggs per week. The main issue is mould and, 20-days after application, Zoono treated eggs were totally mould free. One trial is finishing at 28 days and a second trial at 45 days. Zoono sees this as a major opportunity as each egg requires around 2-3ml of product and total egg consumption in China is more than one billion eggs per day. The product Zoono would be replacing is a toxic chlorine-based product. Zoono can supply a new concentrate that delivers a better outcome at the same price.
- In conjunction with a local partner, trials are commencing on privacy curtains in hospitals. If successful, the privacy curtains will be sprayed with Zoono products once a month.
- The Company's online retailer in China has been expanding Ali-Baba sales and is now launching a flagship store on JD.com and some other online channels.
- The Company is also in discussions with a major Chinese pharmaceutical company with a market capitalisation of approx. RMB10B. The discussions are around this company launching OEM products under their own brand, and also adding Zoono technology to some of their existing products. Samples have been sent and evaluation is underway with further meetings scheduled for August.

## India

- The Company is currently involved in product trials in poultry farms in India. Initial results show Zoono treated sheds are delivering the same weight chicken in 39 days rather than 42 days and with a circa 50% reduction in the mortality rate.
- India Rail are also commencing a trial with Zoono products, with the main issue being odour control.
- Successful trials treating fungal diseases have been completed on mangoes in India. To date, the trials have been successful with no fungal or bacterial disease identified on any mangoes 30 days after being treated with Zoono Z71. The Company is now looking to undertake further tests on other fresh produce including apples, bananas, oranges, grapes, and pomegranates.



## Other

- The Company received its first order from Wyndham Resorts in July. While the initial order was for US\$30K only, the Company is expecting further orders from Wyndham Resorts as it expands its use of Zoono products across its network of US resorts.
- The Company has received its second order for US\$28K in the US to supply schools (and school bus companies), after delivering its first order a few months ago.
- Further work is being done in conjunction with Douglas Pharmaceuticals to develop and commercialize new products for two very specific medical needs - a simple to use and effective nasal spray primarily to alleviate the symptoms of rhinosinusitis and a second product for the sanitization of burns. Further testing and clinical studies will be underway shortly.

## WORKING CAPITAL

Zoono announced a rights issue in May 2023 which raised NZ\$1.1M in new funding for the Company, net of issue costs. In addition, if it is required, the Company's major shareholder is willing to further support the Company's future cash requirements on a case-by-case basis.

With the success of its cost reduction program, in conjunction with having the benefit of the above sources of funds, the Company is confident that it has sufficient funding. However, the Board is fully aware that the Company's working capital position remains dependent on the future success of its sales and marketing efforts, and cash receipts from customers, over the next several quarters.

## THE FOCUS

The Company's strategy remains focused on creating long-term sustainable growth which produces consistent, maintainable and growing returns to the shareholders. The key initiatives to support these efforts include:

- prioritisation of opportunities offering the greatest potential for long-term value creation (which, by definition, must include better identifying those market sectors and products where the Company believes it has a material commercial advantage);
- determining how the Company can best leverage its opportunities and tailor its messages for the different market segments;
- growing existing key customers and revenue streams in each of the Company's core markets; and
- supporting the commercialisation efforts of our strategic partners (ZOOONO Animal Health and ZOONEX).

We remain optimistic about the future of long-lasting antimicrobial coating technology. We believe our technology fundamentally offers a more sustainable and more cost-effective solution than incumbent offerings. We will continue to change habits, perceptions and grow market share across our core geographies (Oceania, Americas, UK, Europe, China) and markets (facilities management, transportation, education, hospitality and healthcare). We continue to be used by major global airlines and global hospitality businesses. Further, we are strongly positioned within the facilities management sector in our core geographies with multiple strategic partnerships assisting with our scaling efforts. Additional segments that are seeing significant positive activity include:

**Packaging:** We have run successful trials with companies in both the UK and South Africa to extend the shelf life of produce and continue to progress these commercialisation efforts.

**Mould Remediation and Protection:** We are relaunching our Mould Remediation and Protection products and feedback from customers to date has been incredibly supportive.

**Animal Health:** Our partners are making considerable progress with market penetration in both the UK and in the USA and expect this to become a consistent revenue stream in the coming months.

Despite the recent difficulties, we are focussed on what we can control. To that end, we undertook a significant review of our strategy and business operations in the face of slowing demand. Key outcomes included improved clarity and renewed focus on our core markets and segments, refining our route to market, reducing overheads, and strengthening both the communication of our value proposition and key strategic partnerships.

## FINANCIAL PERFORMANCE

In the 12 months to 30 June 2023, the Group experienced a decrease in revenue of NZ\$5,678,497 (63.0% decrease) to NZ\$3,336,586 compared to the previous year, largely caused by COVID, disruptions around the world and an overordering of product in April 2020.

Gross profit achieved was NZ\$1,710,256 (51.3% of revenue) in the current year compared to NZ\$5,061,016 (56.1% of revenue) in the previous year.

The decrease in Gross Profit was directly due to decreased revenues, and more volume sales at lower gross margins compared to the previous year.

Operating costs decreased by NZ\$10,535,076 (58.3% decrease) compared to FY22 primarily as a result of Impairment of goodwill of NZ\$6,393,862 for the US entity, NZ\$1,701,255 of legal and consultancy costs for the Sky Scraper settlement reported in the previous year and restructuring savings of approximately \$2,441,214 in this reporting period.

The consolidated Group net loss after tax for the year was NZ\$406,020 compared to a loss of NZ\$12,086,484 in the previous year.

## CAPITAL MANAGEMENT

Operating cash flow was a net cash outflow of NZ \$3,885,181 in the current year, a decrease of NZ2,844,750 on the previous year.

This was predominately due to a combination of lower cash receipts for the year and lower operating costs due to the restructuring undertaken and in particular a reduction in staff costs of NZ\$722,871 and professional fees of NZ\$2,338,986.

The Group ended the year with NZ\$826,495 in cash reserves compared to NZ\$3,659,365 in the previous year, a decrease of NZ\$2,832,878 primarily due to lower revenues and cash receipts achieved for the year.

## DIVIDENDS

No dividends were paid during the financial year.

## FINANCIAL REVIEW

Zoono Group Limited continues to make strategic, operational and financial progress during the year, despite a difficult international climate.

On a consolidated basis, the Group delivered:

- Revenue: NZ\$3.3m (FY22: NZ\$9.0m)
- EBITDA loss: NZ\$0.372m (FY22: NZ\$12.3m EBITDA loss)

## BALANCE SHEET

The Group continues to maintain a strong balance sheet position with net assets of NZ\$11.0m compared to the prior period of NZ\$10.3m.

## EMPLOYEE OPTIONS

During the year 4,200,000 employee options were issued to non-director employees.

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

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

## LIKELY DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

## ENVIRONMENTAL REGULATIONS

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

## NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group.

The Group has decided not to early adopt any of the new and amended pronouncement as the Group assessed that the new and amended pronouncements have no material impact on the Group.

## INFORMATION ON DIRECTORS

### MR. PAUL HYSLOP

#### MANAGING DIRECTOR

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

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

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

#### SPECIAL RESPONSIBILITIES:

Managing Director

#### INTERESTS IN SHARES AND OPTIONS:

74,447,500 Ordinary shares; 4,963,168 Options

#### DIRECTORSHIPS OF OTHER LISTED COMPANIES IN THE PAST THREE YEARS:

None

### MR. DON CLARKE, LLB (HONS)

#### INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

#### SPECIAL RESPONSIBILITIES:

Chairman of the Audit and Risk Committee.

#### INTERESTS IN SHARES AND OPTIONS:

337,500 Ordinary shares; 22,500 Options

**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, resigned 26 October 2020)

**Ms. ELISSA HANSEN, B.COM, GRAD DIP APPLIED CORPORATE GOVERNANCE, GAICD AND FGAI****INDEPENDENT NON-EXECUTIVE DIRECTOR**

Elissa has over 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:**

345,000 Ordinary shares; 23,000 Options

**DIRECTORSHIPS OF OTHER LISTED COMPANIES IN THE PAST THREE YEARS:**

Non-Executive Director, QMines Limited (appointed August 2020)

Non-executive Director, Aeeris Limited (appointed May 2022)

**MEETING OF DIRECTORS**

The number of board meetings of Zoono Group Limited directors held during the financial year ended 30 June 2023, and the number of meetings attended by each director were:

	DIRECTORS MEETINGS		AUDIT & RISK COMMITTEE MEETINGS	
	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND
Paul Hyslop	4	4	-	-
Don Clarke	4	4	2	2
Elissa Hansen	4	4	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 and 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\$186,005 have been paid or accrued by the Group.

**REGULATION**

Zoono and its 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 jurisdiction's 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.

## PROCEEDINGS ON BEHALF OF THE GROUP

Other than a dispute between the Company and its European distributor (refer to the ASX Announcement dated 23 February 2023), as at the date of these financial statements the Company is not involved in any legal proceedings and the Directors are not aware of any pending or threatened against the Company.

## 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 no non-audit services rendered during the year ended 30 June 2023.

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 2023.

Signed in accordance with a resolution of the directors.



Paul Hyslop

**MANAGING DIRECTOR**

# 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.

#### 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 2022 - 30 JUNE 2023	1 JULY 2021 - 30 JUNE 2022
	\$	\$
<b>Base Fee</b>		
Non-executive directors	\$83,732 <sup>1</sup>	\$88,584 <sup>1</sup>

#### NOTES:

1. The net annual fee paid was AU\$78,333 and has been converted at an average exchange rate of 1.06893 (2022:1.1073).

### Company executive and executive director remuneration

Remuneration for executives and executive directors consists of fixed remuneration, short-term incentive payments and options issued.

#### Fixed Remuneration:

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

## 2. DETAILS OF REMUNERATION

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

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

Paul Hyslop - Managing Director

Barry Woolcott - Group Chief Executive Officer (resigned 31 January 2023)

Lew MacKinnon - Group Chief Operating Officer

Paul Ravlich - Group Chief Financial Officer

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



**Table 1: Details of Remuneration 2023 – Directors and Key Management Personnel**

	SHORT-TERM BENEFITS		OTHER BENEFITS		SHARE-BASED PAYMENTS	TOTAL	PERCENTAGE BASED BONUS PAYMENTS	PERCENTAGE SHARE-BASED PAYMENTS
	Cash Salary & Fees	STI Payments	Termination Benefits	Prescribed Benefits	Shares			
	\$NZD	\$NZD	\$NZD	\$NZD	\$NZD	\$NZD		
<b>Year ended 30 June 2023</b>								
<b>Executive directors</b>								
Paul Hyslop	300,000	-	-	-	-	300,000		
<b>Non-Executive directors</b>								
Don Clarke	83,732	-	-	-	-	83,732		
Elissa Hansen	83,732	-	-	-	-	83,732		
<b>Other key management personnel</b>								
Barry Woolcott	210,261	-	-	-	218,152	428,413		50.92%
Lew Mackinnon	165,870	12,000	-	-	5,199	183,069	6.55%	2.84%
Paul Ravlich	236,900	24,700	-	1,800	10,398	273,798	9.02%	3.80%
<b>Total</b>	<b>1,080,495</b>	<b>36,700</b>	<b>-</b>	<b>1,800</b>	<b>233,749</b>	<b>1,352,744</b>	<b>3.00%</b>	<b>17.28%</b>

**Table 2: Details of Remuneration 2022 – Directors and Key Management Personnel**

	SHORT-TERM BENEFITS		OTHER BENEFITS		SHARE-BASED PAYMENTS	TOTAL	PERCENTAGE BASED BONUS PAYMENTS	PERCENTAGE SHARE-BASED PAYMENTS
	Cash Salary & Fees	STI Payments	Termination Benefits	Prescribed Benefits	Shares			
	\$NZD	\$NZD	\$NZD	\$NZD	\$NZD	\$NZD		
<b>Year ended 30 June 2022</b>								
<b>Executive directors</b>								
Paul Hyslop <sup>1</sup>	465,000	-	-	-	-	465,000		
<b>Non-Executive directors</b>								
Don Clarke	88,584	-	-	-	-	88,584		
Elissa Hansen	88,584	-	-	-	-	88,584		
<b>Other key management personnel</b>								
Barry Woolcott	161,853	-	-	-	54,002	215,855		25.02%
Lew Mackinnon	166,121	10,000	-	-	11,499	187,620	5.33%	6.13%
Paul Ravlich	246,357	20,000	-	6,102	11,499	283,958	7.04%	4.05%
<b>Total</b>	<b>1,216,499</b>	<b>30,000</b>	<b>-</b>	<b>6,102</b>	<b>77,000</b>	<b>1,329,601</b>	<b>2.26%</b>	<b>5.79%</b>

<sup>1</sup> Managing Director's fee was reduced to a fee of NZ\$300,000 per annum, effective 1 June 2022

### 3. SERVICE AGREEMENTS

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.

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

#### **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

Fee: \$300,000

Term: Two years

Review: Annually

#### **LEW MACKINNON**

##### CHIEF OPERATIONS OFFICER

##### **Employment Conditions**

Commencement Date: 1 June 2007

Base Remuneration: \$120,000

Other Benefits: Car allowance

Term: One year

Review: Annually

Share options of 1,368,632 were issued on 30 September 2022, exercisable at A\$0.35 and expiring 30 September 2025 and 2026 including options under the Rights Issue.

#### **PAUL RAVLICH**

##### CHIEF FINANCIAL OFFICER

##### **Employment Conditions**

Commencement Date: 1 May 2007

Fee: \$247,200

Other Benefits: Entitlement to a cash payment of \$40,000 contingent on the Group achieving budgeted results in the year.

Term: One year

Review: Annually

Share options of 2,275,000 were issued on 30 September 2022, exercisable at A\$0.35 and expiring 30 September 2025 and 2026 including options under the Rights Issue.

#### **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 2022 was passed by way of a poll with a 98.22% 'yes' vote. The Company received no specific feedback on Remuneration Report either at the Annual General Meeting or at other times.

# AUDITOR'S STATEMENT OF INDEPENDENCE



ZOONO GROUP LIMITED ABN 73 006 645 754  
AND CONTROLLED ENTITIES

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 2022, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

A handwritten signature in cursive script that reads 'Hall Chadwick'.

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

A handwritten signature in cursive script that reads 'Drew Townsend'.

**DREW TOWNSEND**  
Partner  
Dated: 25 August 2022

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Note	2023 NZ\$	2022 NZ\$
Revenue	5	3,336,586	9,015,083
Cost of sales		(1,626,330)	(3,954,067)
Gross profit		1,710,256	5,061,016
Other revenue	5	5,119,463	294,551
Administration expenses		(1,641,888)	(1,822,080)
Depreciation/Amortisation expenses		(255,365)	(310,027)
Directors' fee		(167,464)	(174,989)
Employee costs		(1,546,947)	(2,269,818)
Finance costs		(63,669)	(74,532)
Management fee		(300,000)	(465,000)
Professional fees		(1,777,079)	(4,116,065)
Share based payments		(591,983)	(241,545)
Selling and distribution expenses		(339,006)	(757,590)
Marketing expenses		(317,738)	(947,167)
Listing expenses and other acquisition costs		(63,026)	(91,837)
Compliance costs		(11,774)	(34,620)
Impairment of goodwill		-	(6,393,862)
Other expenses		(444,654)	(361,012)
<b>Loss before income tax</b>		<b>(690,874)</b>	<b>(12,704,577)</b>
Income tax benefit	7	284,854	618,093
<b>Loss after income tax</b>	6	<b>(406,020)</b>	<b>(12,086,484)</b>
<b>Other comprehensive income/(loss)</b>			
Exchange differences on translation of foreign operations		(515,318)	285,130
<b>Total other comprehensive income/(loss)</b>		<b>(515,318)</b>	<b>285,130</b>
<b>Total comprehensive income/(loss)</b>		<b>(921,338)</b>	<b>(11,801,354)</b>
<b>Profit/(Loss) attributable to:</b>			
Owners of the parent entity		(350,398)	(11,394,684)
Non-controlling interest		(55,622)	(691,800)
		<b>(406,020)</b>	<b>(12,086,484)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the parent entity		(892,511)	(11,095,466)
Non-controlling interest		(28,827)	(705,888)
		<b>(921,338)</b>	<b>(11,801,354)</b>
<b>Earnings per share attributable to the ordinary equity holders of the company</b>			
Basic earnings per share (cents)	23	(0.21)	(6.82)
Diluted earnings per share (cents)	23	(0.21)	(6.82)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Note	2023 NZ\$	2022 NZ\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	22(a)	826,495	3,659,365
Trade and other receivables	8	431,688	998,197
Inventories	9	11,692,177	12,870,420
Other assets	13	155,178	329,370
<b>TOTAL CURRENT ASSETS</b>		<b>13,105,538</b>	<b>17,857,352</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	10	591,334	666,762
Intangible assets	11	3,042	5,618
Right of use assets	12	871,887	1,046,069
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,466,263</b>	<b>1,718,449</b>
<b>TOTAL ASSETS</b>		<b>14,571,801</b>	<b>19,575,801</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	1,080,102	1,907,810
Lease liabilities	12	153,586	164,747
Current tax liabilities		11,700	106,506
Provisions	15	45,970	58,008
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,291,358</b>	<b>2,237,071</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	12	791,454	946,496
Provisions	15	1,439,708	6,130,559
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,231,162</b>	<b>7,077,055</b>
<b>TOTAL LIABILITIES</b>		<b>3,522,520</b>	<b>9,314,126</b>
<b>NET ASSETS</b>		<b>11,049,281</b>	<b>10,261,675</b>
<b>EQUITY</b>			
Issued capital	16	14,933,001	13,723,690
Reserves	17	128,202	502,336
Accumulated losses		(4,011,922)	(3,157,428)
Equity attributable to owners of the parent entity		11,049,281	11,068,598
Non-controlling interest		-	(806,923)
<b>TOTAL EQUITY</b>		<b>11,049,281</b>	<b>10,261,675</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

		ISSUED CAPITAL		RESERVES	ACCUMULATED LOSSES	NON-CONTROLLING INTERESTS	TOTAL
	NOTE	ORDINARY SHARES	FOREIGN CURRENCY TRANSLATION	SHARED BASED PAYMENT RESERVE			
		NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
<b>Balance at 1 July 2021</b>		12,841,407	(356,724)	453,022	8,237,256	(101,035)	21,073,926
Profit/(loss) for the year		-	-	-	(11,394,684)	(691,800)	(12,086,484)
Other comprehensive income for the year		-	299,218	-	-	(14,088)	285,130
<b>Total comprehensive income for the year</b>			299,218	-	(11,394,684)	(705,888)	(11,801,354)
<b>Transactions with owners in their capacity as owners:</b>							
Shares issued	16	747,558	-	-	-	-	747,558
Transfers from reserve on exercise of options	16	134,725	-	(134,725)	-	-	-
Share based payments	17	-	-	241,545	-	-	241,545
<b>Total transactions with owners</b>		882,283	-	106,820	-	-	989,103
<b>Balance at 30 June 2022</b>		<b>13,723,690</b>	<b>(57,506)</b>	<b>559,842</b>	<b>(3,157,428)</b>	<b>(806,923)</b>	<b>10,261,675</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

		ISSUED CAPITAL	RESERVES	ACCUMULATED LOSSES	NON- CONTROLLING INTERESTS	TOTAL	
	NOTE	ORDINARY SHARES	FOREIGN CURRENCY TRANSLATION	SHARED BASED PAYMENT RESERVE			
		NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	
<b>Balance at 1 July 2022</b>		13,723,690	(57,506)	559,842	(3,157,428)	(806,923)	10,261,675
Profit/(loss) for the year		-	-	-	(350,398)	(55,622)	(406,020)
Other comprehensive income for the year		-	(542,113)	-	-	26,795	(515,318)
Total comprehensive income for the year		-	(542,113)	-	(350,398)	(28,827)	(921,338)
<b>Transactions with owners in their capacity as owners:</b>							
Acquisition of non-controlling interest			(85,276)	-	(750,474)	835,750	-
Shares issued net of issue costs	16	1,006,004					1,006,004
Transfer to retained earnings		-	-	(246,378)	246,378	-	-
Share based payments	17	203,307	-	499,633	-	-	702,940
Total transactions with owners		1,209,311	(85,276)	253,255	(504,096)	835,750	1,708,944
<b>Balance at 30 June 2023</b>		<b>14,933,001</b>	<b>(684,895)</b>	<b>813,097</b>	<b>(4,011,922)</b>	<b>-</b>	<b>11,049,281</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Note	2023 NZ\$	2022 NZ\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers		4,226,975	14,226,466
Payments to suppliers and employees		(8,238,535)	(15,298,542)
Interest received		-	-
Finance cost		(63,669)	(1,793)
Income tax paid		190,048	33,438
Net cash used in operating activities	22(b)	(3,885,181)	(1,040,431)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Payments for property, plant and equipment		-	(24,034)
Payments for acquisition of business	15	(58,511)	(95,295)
Net cash used in investing activities		(58,511)	(119,329)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from the exercise of options		-	211,258
Proceeds from issuance of shares		1,116,961	-
Repayment of borrowings and lease liabilities		(166,202)	(272,232)
Net cash used in financing activities		950,759	(60,974)
Net decrease in cash held		(2,992,933)	(1,220,734)
Effects of foreign exchange on cash balance		160,063	(19,830)
Cash and cash equivalents at beginning of year		3,659,365	4,899,929
Cash and cash equivalents at end of year	22(a)	826,495	3,659,365

# NOTES TO THE FINANCIAL STATEMENTS

## 1. NATURE OF OPERATIONS

Zono 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.

Zono Group Limited (the Company) is the Ultimate Parent Company, Zono Group Limited is a Public Company incorporated in Australia and domiciled in New Zealand. The Company registered address is Level 8, 210 George Street Sydney NSW 2000 Australia.

The Consolidated financial statements of the Group as at and for the year ended 30 June 2023 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 2023 were approved and authorised for issue by the board of Directors on 24 August 2023.

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.

### Going Concern

Notwithstanding the group incurred a loss after tax of \$406,020 and net cash outflows from operating activities of \$3,885,181 for the year ended 30 June 2023, the financial report has been prepared on the going concern basis, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In making this assessment, the directors have considered:

- The group held cash and cash equivalents of \$826,495 as at 30 June 2023;
- The plans and forecasts reviewed by the directors for the next twelve months anticipate the business will continue to produce improved results;
- Effective working capital management including the ability to control and scale back any expenditures and commitments to conserve cash resources if required.

The directors therefore are of the opinion that the group will be able to pay its debts as and when they become due and payable, and no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report.

Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the group not continue as a going concern.

### 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

### New Accounting Standards for application in future periods

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

## 4. SUMMARY OF ACCOUNTING POLICIES

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

### (a) General

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

#### Reporting basis and conventions

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

#### Critical accounting estimates and judgements

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

#### *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.

#### *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 2023.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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

The consolidation of a subsidiary is discontinued from the date that control ceases.

Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation.

Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

## **(c) Business Combinations**

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

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

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

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

The functional currency of each of the Group entities is measured using the currency of the primary economic environment in which that entity operates.

The consolidated financial statements are presented in New Zealand dollars, which is the parent entity’s functional and presentation currency.

## Transactions and balances

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

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

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

## Group companies

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

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

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

## (e) Cash and cash equivalents

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

## (f) Income tax

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

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

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

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

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

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

### **(g) Inventories**

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

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

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

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

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

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

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

### **(j) Impairment of Assets**

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

Any impairment loss of a re-valued asset is treated as a revaluation decrease. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill and intangible.

### **(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

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

## (n) Financial Instruments

Financial assets and financial liabilities are recognised when the Group become a party to the contractual provisions of the financial instrument.

Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risk and rewards are transferred. A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires.

### Classification and initial measurement of financial assets

The Group's financial liabilities include borrowings, trade and other payables and contract liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit and loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gain or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Financial assets are classified into one of the following categories:

- Fair value through profit or loss (FVTPL), or
- Fair value through other comprehensive income (FVOCI)

The classification is determined by both:

- The entity's business model for managing the financial asset, and
- The contractual cash flow characteristics of the financial asset.

All revenue and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within administration expenses.

In the periods presented the Group does not have any financial assets categorised as FVTPL and FVOCI.



## Financial assets at amortised cost

Financial assets are measured at amortised cost if the asset meet the following condition (and are not designated as FVTPL):

They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and

The contractual terms of the financial assets give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial.

## Impairment of financial assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

## Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and contract liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gain or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

### (o) Receivables

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

### (p) Employee Benefits

#### Short-term employee benefits

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

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

## **(q) Share-based payments**

The cost to the Company of share options granted to directors and executive officers is included at fair value as part of the directors' and executive officers' aggregate remuneration in the financial year the options are granted.

The fair value of the share option are calculated using the Black Scholes option pricing model, which takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

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

## **(r) Revenue**

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

Revenue from the sale of goods is recognised when the removal from the warehouse occurs as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement by the Group in those goods.

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

### **Other income**

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

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

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

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

The Statement of Profit or Loss and Other Comprehensive Income has been prepared so that all components are stated exclusive of GST, except where the amount of GST incurred is not recoverable from the tax office. All items in the Statement of Financial Position are stated exclusive of GST, with the exception of receivables and payables, which include GST.

## **(t) Earnings per share**

### **i) Basic earnings per share:**

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

## ii) Diluted earnings per share

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

## (u) Segment reporting

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

## (v) Leases

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (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.

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

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

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

## (w) Comparative information

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

## 5. REVENUE AND OTHER INCOME

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
<b>Revenue from operating activities</b>		
Operating activities		
- Revenue from sale of goods/contracts with customers	3,336,586	9,015,083
Total revenue from operating activities	3,336,586	9,015,083
<b>Other income</b>		
- Dividends received	303	303
- Contingent consideration gain	4,795,781	-
- Interest received	4,944	4,905
- Expenses recovery	318,435	289,343
Total other income	5,119,463	294,551

### Revenue from Contracts

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

## 6. LOSS FOR THE YEAR

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
Loss before income tax has been determined after:		
Depreciation	252,789	299,408
Amortisation	2,576	10,619
Expected credit loss allowance	138,891	688,382
Salary costs (including directors' fees and management fees)	2,014,441	2,909,807
Interest on borrowings	63,669	74,532
Net foreign exchange (gain) and losses	(12,893)	(100,537)
<b>AASB 16 related amounts recognised in the statement of profit or loss:</b>		
Depreciation charge related to right of use assets	174,181	205,072
Interest expense on lease liabilities	49,000	72,739

## 7. INCOME TAX

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

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
Prime facie tax payable on loss before income tax at 28% (2022: 28%)	(193,445)	(3,557,281)
Add: tax effect of:		
- Other assessable and non-allowable items	579,748	23,976
- Reduction in US purchase price	(1,007,114)	-
- Goodwill non-allowable	-	1,790,281
- Net of current year tax losses not recognised and deductible items	(540,838)	1,049,339
- Deferred tax losses not recognised in accounts	1,233,452	524,264
- Utilisation of carry-forward losses	(186,480)	-
- Effect of foreign exchange rates and different tax rates	(170,177)	(448,672)
Income tax expense/(benefit)	<b>(284,854)</b>	<b>(618,093)</b>

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\$9,556,018 to 30 June 2023.

The net deferred tax asset will only be obtained if:

- 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;
- the Company continues to comply with the conditions for deductibility imposed by law; and
- 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.

## 8. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
Trade receivables	400,674	1,289,967
Provision for expected credit loss	(138,891)	(642,029)
	261,783	647,938
Net GST/VAT receivable	118,358	267,105
Other receivables	51,547	83,154
	431,688	998,197

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 2023 and 30 June 2022.

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

	PAST DUE BUT NOT IMPAIRED (DAYS OVERDUE)				TOTAL
	< 30 NZ\$	31-60 NZ\$	61-90 NZ\$	> 90 NZ\$	NZ\$
<b>2023</b>					
Expected Loss Rate	0.0%	0.40%	0.40%	99.2%	
Trade and term receivables	217,625	3,676	125,242	54,131	400,674
Other receivables	-	(15)	(501)	(138,375)	(138,891)
Total	217,625	3,661	124,741	(84,244)	261,783
<b>2022</b>					
Expected Loss Rate	0.2%	0.18%	0.3%	99.3%	
Trade and term receivables	210,810	326,368	107,593	645,196	1,289,967
Other receivables	(421)	(594)	(322)	(640,692)	(642,029)
Total	210,389	325,774	107,271	4,504	647,938

## 9. INVENTORIES

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
Finished goods at cost	11,692,177	12,870,420
	11,692,177	12,870,420

## 10. PLANT AND EQUIPMENT

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
Plant and equipment:		
Plant and equipment at cost	740,587	739,552
Accumulated depreciation	(198,046)	(140,912)
	542,541	598,640
Furniture and equipment:		
Furniture and equipment at cost	84,489	81,508
Accumulated depreciation	(52,045)	(43,074)
	32,444	38,434
Computer equipment:		
Computer equipment at cost	81,399	80,422
Accumulated depreciation	(65,050)	(50,734)
	16,349	29,688
Total plant and equipment	591,334	666,762

### (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\$	Furniture and equipment NZ\$	Computer equipment NZ\$	Total NZ\$
<b>Balance at 1 July 2022</b>	598,640	38,434	29,688	666,762
Additions	1,035	2,981	977	4,993
Disposals – written down value	-	-	-	-
Depreciation expense	(57,134)	(8,971)	(14,316)	(80,421)
<b>Carrying amount at 30 June 2023</b>	542,541	32,444	16,349	591,334

	Plant and equipment NZ\$	Furniture and equipment NZ\$	Computer equipment NZ\$	Total NZ\$
<b>Balance at 1 July 2021</b>	658,434	47,730	30,900	737,064
Additions	8,906	-	15,128	24,034
Disposals – written-down value	-	(722)	-	(722)
Depreciation expense	(68,700)	(8,574)	(16,340)	(93,614)
<b>Carrying amount at 30 June 2022</b>	<b>598,640</b>	<b>38,434</b>	<b>29,688</b>	<b>666,762</b>

## 11. INTANGIBLE ASSETS

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
Trademarks and patents:		
Trademarks and patents at cost	-	150,220
Accumulated amortization	-	(150,220)
	-	-
Website Development:		
Website development at cost	78,450	78,450
Accumulated amortization	(75,408)	(72,832)
	3,042	5,618

### (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:

	TRADEMARKS AND PATENTS NZ\$	WEBSITE DEVELOPMENT NZ\$	GOODWILL NZ\$	TOTAL NZ\$
<b>Balance as at 1 July 2022</b>	-	5,618	-	5,618
Amortisation expense	-	(2,576)	-	(2,576)
Foreign exchange	-	-	-	-
Impairment expense	-	-	-	-
<b>Carrying amount at 30 June 2023</b>	<b>-</b>	<b>3,042</b>	<b>-</b>	<b>3,042</b>



**12. LEASES**

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
<b>a. Right of use assets</b>		
Buildings	871,887	1,046,069
	<u>871,887</u>	<u>1,046,069</u>
<b>b. Lease liabilities</b>		
Current	153,586	164,747
Non-current	791,454	946,496
	<u>945,040</u>	<u>1,111,243</u>

**13. OTHER ASSETS****Current**

Prepayments	155,178	329,370
	<u>155,178</u>	<u>329,370</u>

**14. TRADE AND OTHE PAYABLES**

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
Trade creditors	527,638	914,044
Sundry creditors and accruals	284,976	234,742
Other payables	2,636	380,535
Income in advance	264,852	378,489
	<u>1,080,102</u>	<u>1,907,810</u>

**15. PROVISIONS**

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
<b>CURRENT</b>		
Employee benefit	45,970	58,008
	<u>45,970</u>	<u>58,008</u>
<b>NON-CURRENT</b>		
Contingent consideration	1,439,708	6,130,559
	<u>1,439,708</u>	<u>6,130,559</u>

## Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

## Provision for contingent consideration

With the major downturn in the Company's business in the US, the Company has successfully re-negotiated its agreement of June 2020 pursuant to which it bought back the US business from its US distributor, Zoono USA LLC.

The revised terms are:

- the consideration payable is now US\$910,000 (down from the US\$3.8M (NZ\$5.7M))
- the consideration is payable in the form of US\$60,000 over the next two quarters plus a 10% royalty charge (previously 15%) on future sales by the US business (up to a cumulative sales cap of US\$8,500,000) and
- all legacy issues (other than in respect of stock bought back by the Company) which occurred prior to 1 November 2020 shall remain the responsibility of Zoono USA LLC and, if the Company incurs any future liabilities relating to such matters, the Company may deduct any such payments from the purchase amount then owing.
- The Company now owns 100% of Zoono Holdings USA LLC (2022: 90% ownership).

A payment of NZ\$58,511 has been made to Zoono USA LLC this financial year.

## 16. ISSUED CAPITAL

	2023	2022	2023	2022
	No. Shares	No. Shares	NZ\$	NZ\$
<b>(a) Issued shares:</b>				
Beginning of the year	166,411,705	164,237,707	13,723,690	12,841,407
Issued during the year:				
Shares issued net of issue costs	23,515,970	1,098,998	1,209,311	536,300
Exercise of options	-	1,075,000	-	345,983
End of the year	189,927,675	166,411,705	14,933,001	13,723,690

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) Issued shares:**

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

**(c) 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 requirements. The Group's capital includes ordinary share capital share options and reserves.

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.

**17. RESERVES**

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
<b>(a) Foreign currency translation reserve</b>		
Balance at beginning of year	(57,506)	(356,724)
Exchange differences on translation of foreign operations	(542,113)	299,218
Acquisition of non-controlling interest	(85,276)	-
Balance at end of year	<u>(684,895)</u>	<u>(57,506)</u>

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.

**(b) Equity settled share-based payment****Employee share option scheme**

Zoono's Employee Securities Plan was adopted by the Company on 7 November 2019 as a long-term incentive scheme to recognise talent, retain and motivate employees to strive for Group performance. All employees are entitled to participate in the Share Securities Plan. In 2022, employees and consultants who have been with the Group for more than one year were invited to receive options which vest in 1-3 years, provided the recipient is still employed by the Company. The options were issued for no consideration with an exercise price of A\$0.35. 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 30 September 2022, Zoono granted senior management and staff 4,200,000 options, vesting on 30 September 2023 through to 30 September 2025, exercisable at A\$0.35 and expiring on 30 September 2025 and 30 September 2026. The total fair value of the options granted were NZ\$148,774.

As part of the rights issue in June 2023 free attaching options of 7,248,264 were issued to shareholders. These are unlisted options exercisable at A\$0.10 expiring on 2 June 2026. The total value is NZ\$110,957.

During the year, Nil options were exercised. The Group has 17,648,264 share options on issue at year end (2022: 6,200,000).

The share-based payment reserve at 30 June 2023 amounted to NZ\$813,097 (2022: NZ\$559,842).

## 18. REMUNERATION OF AUDITORS

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
Amounts received or due and receivable by the auditors for:		
- the review and the audit of the financial reports for the consolidated group	134,123	88,851
	<u>134,123</u>	<u>88,851</u>

## 19. 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 jurisdiction's 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.

## 20. CONTINGENT LIABILITIES

The directors are aware of a claim against the Company as at the date these financial statements are signed, are made up as follows:

- A dispute has arisen between Zoono and a European Zoono distributor where the distributor is claiming 350,000 Euros for products that were supplied by Zoono were defective and in breach of the warranties provided by Zoono. Zoono believes this is not the case and there is no merit to the claim and have responding accordingly. Furthermore, the claim has been withdrawn by the plaintiff in New Zealand (under the agreement the matter is supposed to be dealt with in a New Zealand Court).

## 21. 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 directors and key management personnel of the Company during the year are as follows:

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
Short-term employee benefits	1,117,195	1,246,499
Other Benefits	1,800	6,102
Share based payments	233,749	77,000
	<u>1,352,744</u>	<u>1,329,601</u>

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 of Zoono Group and provides consulting services to the Group. Charges for services provided during the year amounted to NZ\$300,000 (2022: NZ\$465,000).

Kota Management Limited provided legal services to the Company and was paid NZ\$1,677 (2022: NZ\$3,105) for their services. The daughter of Mr Hyslop owns Kota Management Limited.

## 22. STATEMENT OF CASH FLOWS

### (a) Reconciliation of cash:

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
Cash at bank	826,495	3,249,760
Cash on short term deposit	-	409,605
	<u>826,495</u>	<u>3,659,365</u>

For the prior year the effective interest rate on short term bank deposits was 0.17% per annum (0.45% per annum) and these deposits have an average maturity of 30 days.

**(b) Reconciliation statement:**

A reconciliation of “net cash used in operating activities” to “operating cash flows” is as follows:

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
(Loss)/Profit after income tax	(406,020)	(12,086,484)
<u>Add/(less)</u>		
Amortisation	2,576	10,619
Depreciation	252,789	299,408
Foreign exchange differences	(515,318)	(243,324)
Gain on revaluation of provision for contingent consideration	(4,795,583)	-
Goodwill impairment	-	6,393,862
Issue of shares to Sky Scrapers	-	536,300
Share based payments	591,983	241,545
Changes in assets and liabilities:		
Trade and other receivables	566,509	4,297,759
Inventories	1,178,243	(6,630)
Prepayments	174,192	(133,495)
Current tax liabilities	(94,806)	(580,570)
Trade and other payables	(827,708)	(305,635)
Provisions	(12,038)	(536,214)
Net cash used in operating activities	<u>(3,885,181)</u>	<u>(1,040,431)</u>

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

**23. 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	(0.21) cents	(6.82) cents
Diluted (loss)/profit per share	(0.21) cents	(6.82) cents
Weighted average number of ordinary shares outstanding during the year used to calculated basic EPS	168,892,706	165,286,480
Weighted average number of ordinary shares outstanding during the year used to calculated diluted EPS	168,892,706	165,286,480
(Loss)/Profit from continuing operations used to calculated basic EPS and diluted EPS	(406,020)	(11,394,684)

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.

## 24. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Chief Operating Decision Makers in order to allocate resources to the segment and to assess its performance.

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

	Product
<b>Global revenues</b>	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.

	CONSOLIDATED	
	2023	2022
	NZ\$	NZ\$
<b>Geographical Revenue</b>		
Global revenues	3,336,586	9,015,083
Total Group Revenue	3,336,586	9,015,083

#### i) Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer.

	CONSOLIDATED	
	2023	2022
	NZ\$	NZ\$
Australasia, Asia, US, India	2,843,374	4,910,322
UK and Europe	493,212	4,104,761
Total Revenue	3,336,586	9,015,083

#### i) Assets by geographical region

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

	CONSOLIDATED	
	2023	2022
	NZ\$	NZ\$
Australasia, Asia, US, India	4,430,315	9,157,151
UK and Europe	10,141,486	10,418,650
Total Group Assets	14,571,801	19,575,801

## 25. FRANKING CREDITS

	CONSOLIDATED	
	2023 NZ\$	2022 NZ\$
The amount of the franking credits available for subsequent reporting periods	88,384	88,384

## 26. CONTROLLED ENTITIES

	Country of Incorporation	Percentage owned 2023	Percentage owned 2022
Subsidiaries of Zono Group Limited			
Zono Group Limited (NZ)	New Zealand	100%	100%
Zono Limited	New Zealand	100%	100%
Zono Holdings Limited (UK)	United Kingdom	100%	100%
Zono EU Limited	United Kingdom	100%	100%
Zono (Shanghai) Biotech Co. Limited	China	100%	100%
Zono Holdings USA LLC	USA	100%	90%
Zono South Africa (Pty) Ltd	South Africa	100%	100%

## 27. FINANCIAL RISK MANAGEMENT

### Financial risk management policies

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

### i) Treasury risk management

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

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

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

### ii) Financial risk exposures and management

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

#### (a) Foreign currency risk exposure

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



**(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.

2023	FLOATING INTEREST RATE	FIXED INTEREST MATURING IN		NON-INTEREST BEARING		TOTAL \$
		1 YEAR OR LESS \$	OVER 1 TO 5 YEARS \$	OVER 5 YEARS \$	OVER 1 TO 5 YEARS \$	
<b>Financial assets</b>						
Cash	-	-	-	-	826,495	826,495
<b>Financial liabilities</b>						
Lease liabilities	4.50%	(153,586)	(791,454)	-	-	(945,040)
Net exposure to cashflow interest rate risk	4.50%	(153,586)	(791,454)	-	826,495	(115,545)
Weighted average interest rate	-	-	-	-	-	-

2022	FLOATING INTEREST RATE	FIXED INTEREST MATURING IN		NON-INTEREST BEARING		TOTAL \$
		1 YEAR OR LESS \$	OVER 1 TO 5 YEARS \$	OVER 5 YEARS \$	OVER 1 TO 5 YEARS \$	
<b>Financial assets</b>						
Cash	0.17%	409,605	-	-	3,249,760	3,659,365
<b>Financial liabilities</b>						
Lease liabilities	4.50%	(164,747)	(849,216)	(97,280)	-	(1,111,243)
Net exposure to cashflow interest rate risk	4.33%	244,858	(849,216)	(97,280)	3,249,760	(2,548,122)
Weighted average interest rate	0.17%	-	-	-	-	0.17%

**(c) Credit risk exposure**

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

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

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

**(d) Liquidity risk**

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

**(e) Interest rate risk**

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

**28. PARENT INFORMATION**

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

	PARENT ENTITY	
	2023	2022
	NZ\$	NZ\$
<b>Statement of Financial Position</b>		
ASSETS		
Current assets	73,391	901,430
Non-current assets	27,993,938	26,488,892
TOTAL ASSETS	<u>28,067,329</u>	<u>27,390,322</u>
LIABILITIES		
Current liabilities	<u>166,566</u>	<u>301,512</u>
TOTAL LIABILITIES	166,566	301,512
EQUITY		
Issued capital	14,933,001	13,723,690
Reserves	813,097	559,842
Retained earnings	<u>12,154,665</u>	<u>12,805,278</u>
TOTAL EQUITY	<u>27,900,763</u>	<u>27,088,810</u>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Total loss for the year	<u>(807,086)</u>	<u>(223,031)</u>
Total comprehensive loss	<u>(807,086)</u>	<u>(223,031)</u>

**29. EVENTS SUBSEQUENT TO REPORTING DATE**

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.

**30. COMPANY DETAILS.**

The registered office of the parent Company is:  
Level 8, 210 George Street  
Sydney NSW 2000 Australia

The principal place of business of the Group is:  
Unit 3 24 Bishop Dunn Place  
Flatbush, Auckland 2013  
New Zealand

# DIRECTORS' DECLARATION

The directors of Zoono Group Limited declare that:

The consolidated financial statements and associated notes for the financial year ended 30 June 2023 are in accordance with the Corporations Act 2001 and:

- 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
- give a true and fair view of the financial position of the Company as at 30 June 2023 and the performance of the Group for the financial year then ended.

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

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

24 August 2023

# AUDITOR'S REPORT

**AUDITOR'S REPORT (CONT.)**

**AUDITOR'S REPORT (CONT.)**

**AUDITOR'S REPORT (CONT.)**

**AUDITOR'S REPORT (CONT.)**



# ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 2 August 2023.

The Company has the following securities on issue:

Security Description	No. of Securities	No. of Security Holders
Fully Paid Ordinary Shares	189,927,675	4,548
Unlisted Options exercisable at \$0.10 and expiring 2 June 2026*	7,248,264	197
Employee Options exercisable at \$0.35 and expiring 30 September 2025	3,500,000	3
Employee Options exercisable at \$0.35 and expiring 30 September 2026	4,700,000	8
Employee Options exercisable at \$0.25 and expiring 16 December 2023	300,000	2
Employee Options exercisable at \$0.65 and expiring 1 November 2025	1,900,000	13

\* Paul Russell Hyslop & Margaret Jane Morgan & NPT Meg Trustee Limited <Meg A/C> hold 4,963,167 (68.47%) of these unlisted options.

## 20 LARGEST SHAREHOLDERS

No.	Name	Number of Ordinary Shares Held	% of Issued Capital
1	PAUL RUSSELL HYSLOP & MARGARET JANE MORGAN & NPT MEG TRUSTEE LIMITED <MEG A/C>	74,447,500	39.198%
2	CITICORP NOMINEES PTY LIMITED	11,247,662	5.922%
3	UBS NOMINEES PTY LTD	9,289,905	4.891%
4	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	6,322,229	3.329%
5	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	4,251,197	2.238%
6	BUTTONWOOD NOMINEES PTY LTD	3,260,660	1.717%
7	MR EELCO WIERSMA	2,873,420	1.513%
8	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	2,265,134	1.193%
9	NATIONAL NOMINEES LIMITED	2,062,125	1.086%
10	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	2,021,479	1.064%
11	LEWIS ANDREW CRAIG MACKINNON	1,700,464	0.895%
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,398,912	0.737%
13	WOOLCOTT INVESTMENTS LIMITED <THE WOOLCOTT INVESTMENT A/C>	1,257,861	0.662%
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	938,422	0.494%
15	FUTIN PTY LTD	881,901	0.464%
16	BISSAPP SOFTWARE PTY LTD <SUPER FUND ACCOUNT>	868,200	0.457%
17	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED <EQUITY FINANCE A/C>	757,588	0.399%
18	BNP PARIBAS NOMS PTY LTD <DRP>	752,702	0.396%
19	BISSAPP SOFTWARE PTY LTD <BISAPP SOFTWARE SF A/C>	630,860	0.332%
20	MR DAVID MAHER & MRS CLAUDIA MAHER <D & C MAHER S/F A/C>	627,605	0.330%
		<u>127,855,826</u>	<u>67.318%</u>

Distribution of Shareholders Fully Paid Ordinary Shares Holdings Ranges	Holders	Number Units	%
1-1,000	1,631	798,821	0.420
1,001-5,000	1,422	3,814,517	2.010
5,001-10,000	508	3,952,039	2.080
10,001-100,000	852	26,103,728	13.740
100,001- and over	135	155,258,570	81.750
<b>TOTALS</b>	<b>4,548</b>	<b>189,927,675</b>	<b>100.000</b>

## 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	74,447,500	39.2%
Regal Funds Management Pty Ltd	19,733,425	10.39%

## 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 3,428 shareholders holding less than a marketable parcel of shares based on the closing price of AUD 0.051 on 2 August 2023 representing a total of 7,235,819 shares.

## RESTRICTED SECURITIES

The Company does not have any restricted securities on issue.

## ON-MARKET BUY BACK

The Company is not undertaking an on-market buy-back.

# 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 8  
210 George Street  
Sydney, NSW, 2000  
Ph: +61 2 8042 8481

## **PRINCIPAL PLACE OF BUSINESS**

Unit 3 24 Bishop Dunn Place  
Flatbush  
Auckland 2013  
New Zealand  
Ph: +64 21 659 977  
E: [info@zoono.com](mailto:info@zoono.com)

## **AUDITORS**

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

## **ASX CODE**

ZNO

## **SHARE REGISTRY**

Boardroom Pty Limited  
Level 8  
210 George Street  
Sydney, NSW, 2000  
Telephone +61 2 9290 9600