Zicom Group Limited

ABN 62 009 816 871 • ASX Code : ZGL

ANNUAL REPORT 2012



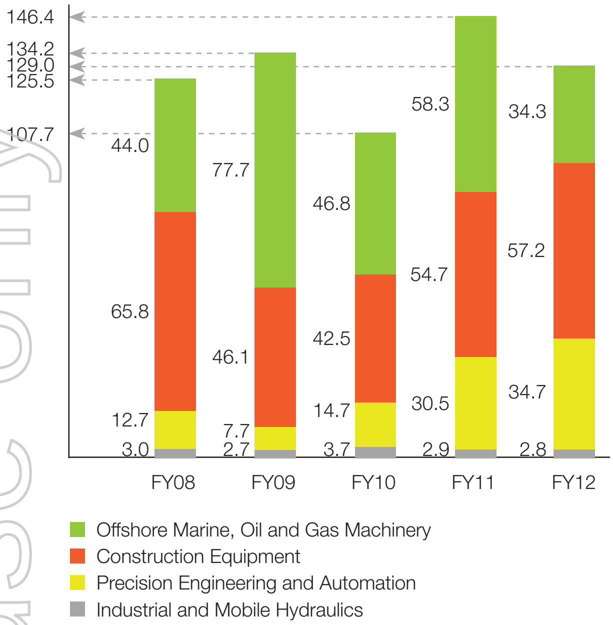
# RIDING THE WAVES......Of Change

"The winds and the waves are always on the side of the ablest navigators."

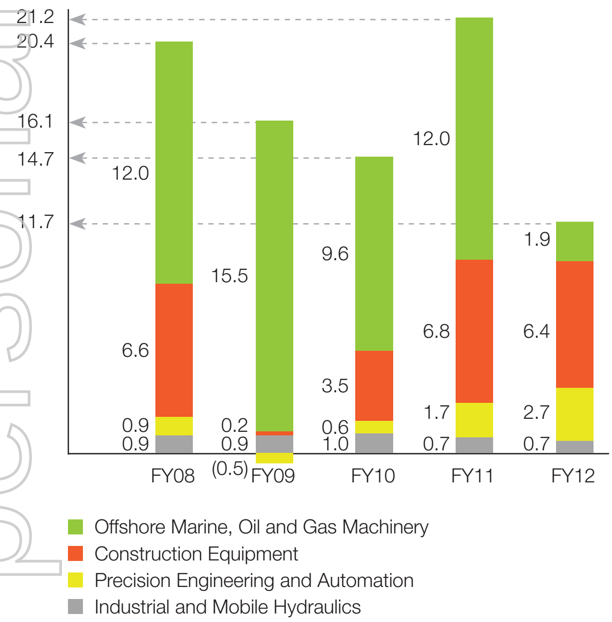
~ Edward Gibbon ~ English Historian (1737-1794)

# Highlights

## SEGMENTAL REVENUE (S$'million)




## SEGMENTAL RESULTS (S$'million)




# Riding the Waves ......Of Change

Managing Competencies In A Turbulent World

Staying at the Leading Edge of Change

Engaging Technologies Of The New Age

## Contents

# Chairman's Message

## Riding the Waves......Of Change

I am pleased to report that notwithstanding the global economic uncertainties in the past year, the Group has achieved a consolidated profit after tax of S$7.84m, representing a return on equity of 9.7%. This is a 44% drop from the previous year. Consolidated revenue is S$130.65m, a drop of 11% from S$147.19m in the previous year. The Group's financial position remains strong.

The Group has been consistently profitable every year since 2006 after acquiring the Asian businesses. Your directors are confident that notwithstanding the continuous challenges ahead, the coming year is expected to be significantly better.

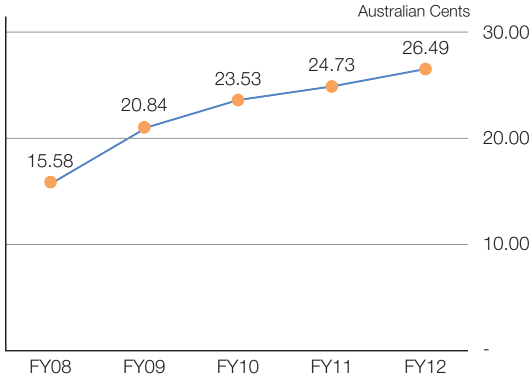
The last 5 years have witnessed a seamless chain of unprecedented economic challenges from the Global Financial Crisis ("GFC") in 2007-2008 to the current Eurozone financial crisis. The Eurozone crisis represents the collateral damage from the GFC whose impact continues to simmer forcing the US to execute further quantitative easing (QE3) recently.

Edward Gibbon (1737-1794), an English Historian once said *"The winds and the waves are always on the side of the ablest navigators"*.

The unprecedented changes in the last 5 years represent a new paradigm wave. The Group has positioned itself to ride the waves. In the midst of the frenzied global economy immediately preceding the GFC in 2006, your Board adopted a prudent financial policy of low gearing. This has enabled us to focus on developing and strengthening our core business capabilities in the midst of the GFC. In Singapore we invested in new factories and machinery for deck machinery manufacturing and precision engineering and created new capability in oil and gas project engineering. In Thailand we invested in a concrete mixer manufacturing hub that consolidates all concrete mixer manufacturing from Australia and South East Asia to achieve economy of scale and minimise idle overheads. In the last 24 months in the face of continuing economic challenges exacerbated by the Euro crisis, the Group invested in disruptive technologies to propel our development into technologies of the new age. These investments have been internally funded without borrowings.

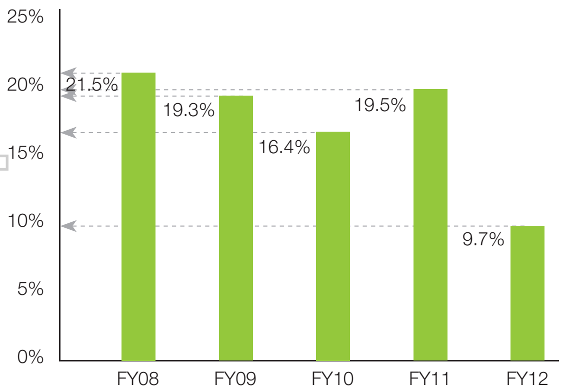
The Group has acquired strong attributes of the *ablest navigators* and is confident of navigating through the challenges ahead and take advantage of opportunities that may arise. Business prospects remain robust.

### NET TANGIBLE ASSETS PER SHARE

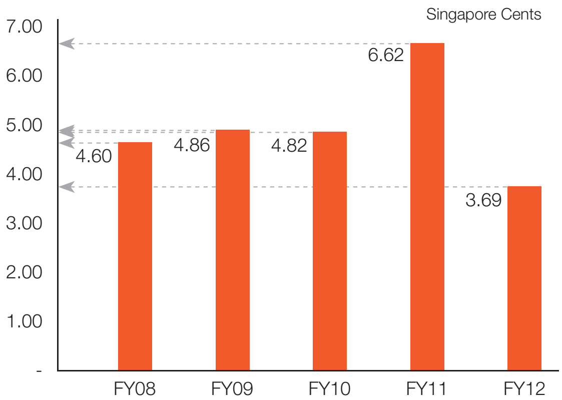



### PRICE CHART


### RETURN ON EQUITY




### EARNINGS PER SHARE




### Appreciation

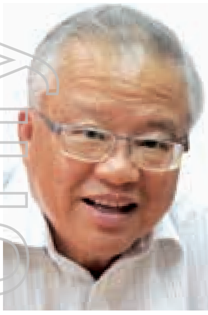
My fellow directors have been a source of support and strength for which I am thankful. The good results of all these years are due to the strong commitment and diligence of our management and the employees; for these I am extremely grateful. The Group will continue to work hard and smart to maintain and enhance shareholders' value to reward our shareholders for their forbearance and support.

**G L Sim**
Chairman

# Directors and Company Secretaries



## Executive Directors



**GIOK LAK SIM,** FCPA
Chairman and Group Managing Director, Age 66

*Experience and Expertise*
Appointed to the Board on 5 April 1995. Chairman and Managing Director of Zicom Group Limited and Executive Chairman of all its subsidiaries. Experienced in public accounting, corporate development, financial and industrial management as well as international trade.

Singapore Ernst & Young Entrepreneur of the Year (Industrial Products), 2008.

Member of the Management Policy Advisory Committee of SPRING, Singapore.

*Other current directorships and former directorships in last 3 years*
None

*Special responsibilities*
Member of Nomination and Remuneration Committee
Executive Chairman of all subsidiaries
Chairman of Curiox Biosystems Pte Ltd

*Relevant interests in shares and options as at date of signing the Directors' Report*
76,085,212 ordinary shares

**KOK HWEE SIM,** BSc, MSc
Executive Director, Age 34

*Experience and expertise*
First appointed to the Board as an Alternate Director on 24 July 2006 and made a full director on 21 November 2007. As Executive Director of the Group, his responsibilities include human resource development, business process improvements, restructuring and acquisitions and treasury management. He graduated with a Bachelors degree in Industrial Engineering and Operations Research from the University of Michigan with Honours (Magna Cum Laude) and a Masters degree in Financial Engineering from Columbia University, New York. Mr Kok Hwee Sim is the eldest son of the Chairman and Managing Director, Mr G L Sim and director of substantial shareholder, SNS Holdings Pte Ltd.

Other current directorships and former directorships in last 3 years
None

*Special responsibilities*
Executive Director of Zicom Holdings Pte Ltd and Director of its subsidiaries
Director of Curiox Biosystems Pte Ltd

*Relevant interests in shares and options as at date of signing the Directors' Report*
1,062,846 ordinary shares and 300,000 options

## Alternate Director

**KOK YEW SIM,** BSc
Alternate Director to Mr Kok Hwee Sim, Age 32

*Experience and expertise*
Appointed as Alternate Director to Mr Kok Hwee Sim on 5 July 2010. Mr Sim is the Chief Executive Officer of Sys-Mac Automation Engineering Pte Ltd (SMAE) and is responsible for SMAE's growth strategies, overall administration and management of its business and operations. Mr Sim graduated with a Bachelors degree in Electrical and Electronics Engineering from the University of Michigan with Honours (Summa Cum Laude). He is the second son of the Chairman and Managing Director, Mr G L Sim and director of substantial shareholder, SNS Holdings Pte Ltd.

*Other current directorships and former directorships in last 3 years*
None

*Special responsibilities*
Alternate Director to Mr Kok Hwee Sim in Zicom Holdings Pte Ltd
Director of Sys-Mac Automation Engineering Pte Ltd and its subsidiaries
Director of Biobot Surgical Pte Ltd

*Relevant interests in shares and options as at date of signing the Directors' Report*
800,717 ordinary shares and 300,000 options

## Independent Directors

**YIAN POH LIM,** BSc, MSc
Independent Director, Age 66

*Experience and expertise*
Appointed to the Board on 24 July 2006. Yian Poh Lim has more than 20 years of extensive experience in the banking and finance industry. In 1993, he set up Yian Poh Associates, a financial consultancy and investment firm. He has been an Honorary Commercial Advisor to The Administrative Committee of Jiaxing Economic Development Zone, China since 2000.

*Other current directorships and former directorships in last 3 years*
Independent Director of Casa Holdings Limited (appointed 4 November 2008)
Independent Director of TTJ Holdings Limited (appointed 5 July 1996)

*Special responsibilities*
Chairman of Nomination and Remuneration Committee
Member of Audit Committee
Independent Director of Zicom Holdings Pte Ltd

*Relevant interests in shares and options as at date of signing the Directors' Report*
438,000 ordinary shares and 75,000 options

**FRANK LEONG YEE YEW,** MBA, ACA, FCPA
Independent Director, Age 69

*Experience and expertise*
Appointed to the Board on 24 July 2006. Extensive experience in auditing, financial management and corporate secretarial work, having practised as a partner in an audit firm and worked as a company secretary, finance manager and financial controller in a leading property development company and involved in acquisitions and major developments.

*Other current directorships and former directorships in last 3 years*
Independent Director of TTJ Holdings Limited (appointed 11 January 2010)

*Special responsibilities*
Member of Nomination and Remuneration Committee
Member of Audit Committee
Independent Director of Zicom Holdings Pte Ltd

*Relevant interests in shares and options as at date of signing the Directors' Report*
426,344 ordinary shares and 75,000 options

**IAN ROBERT MILLARD,** FCA, FAICD
Independent Director, Age 73

*Experience and expertise*
Appointed to the Board on 23 November 2006. Extensive experience in public accounting and corporate secretarial work. Fellow of the Institute of Chartered Accountants with 30 years as a partner in major accounting firms in Queensland and a Fellow of the Australian Institute of Company Directors.

*Other current directorships and former directorships in last 3 years*
None

*Special responsibilities*
Chairman of Audit Committee

*Relevant interests in shares and options as at date of signing the Directors' Report*
542,250 ordinary shares and 75,000 options

# Directors and Company Secretaries

## Independent Directors

**SHAW PAO SZE**
Independent Director, Age 68

*Experience and expertise*
Appointed to the Board on 19 February 2010. Mr Shaw Pao Sze holds a Master Foreign-Going Certificate of Competency and has extensive experiences in maritime industry from managing liner and ship chartering services, and corporate planning in one of the world's largest shipping lines and consultancy services for transport engineering, maritime and logistics planning for infrastructure projects.

*Other current directorships and former directorships in last 3 years*
Synergy Metals Ltd (Australia) (appointed 15 October 2010)

Freight Links Express Holdings (Australia) Ltd (appointed on 6 December 1996, resigned on 16 December 2009)

*Special responsibilities*
None

*Relevant interests in shares and options as at date of signing the Directors' Report*
30,000 options

## Company Secretaries

**LIM BEE CHUN, JENNY,** FCCA
Joint Company Secretary, Age 39

*Experience and expertise*
Ms Jenny Lim has been the Group's Financial Controller since 2005. She is a qualified accountant and a Fellow of the Association of Chartered Certified Accountants from the United Kingdom since 1998. Ms Lim has over 10 years of audit and tax experience in an international public accounting firm prior to joining the Group.

*Other current directorships and former directorships in last 3 years*
None

*Special responsibilities*
Director of Zicom Pte Ltd
Joint Company Secretary of all subsidiaries in Singapore except for MTA-Sysmac Automation Pte Ltd
Joint Company Secretary of Curiox Biosystems Pte Ltd

*Relevant interests in shares and options as at date of signing the Directors' Report*
513,623 ordinary shares and 250,000 options

**SURENDRA KUMAR,** CPA
Joint Company Secretary, Age 52

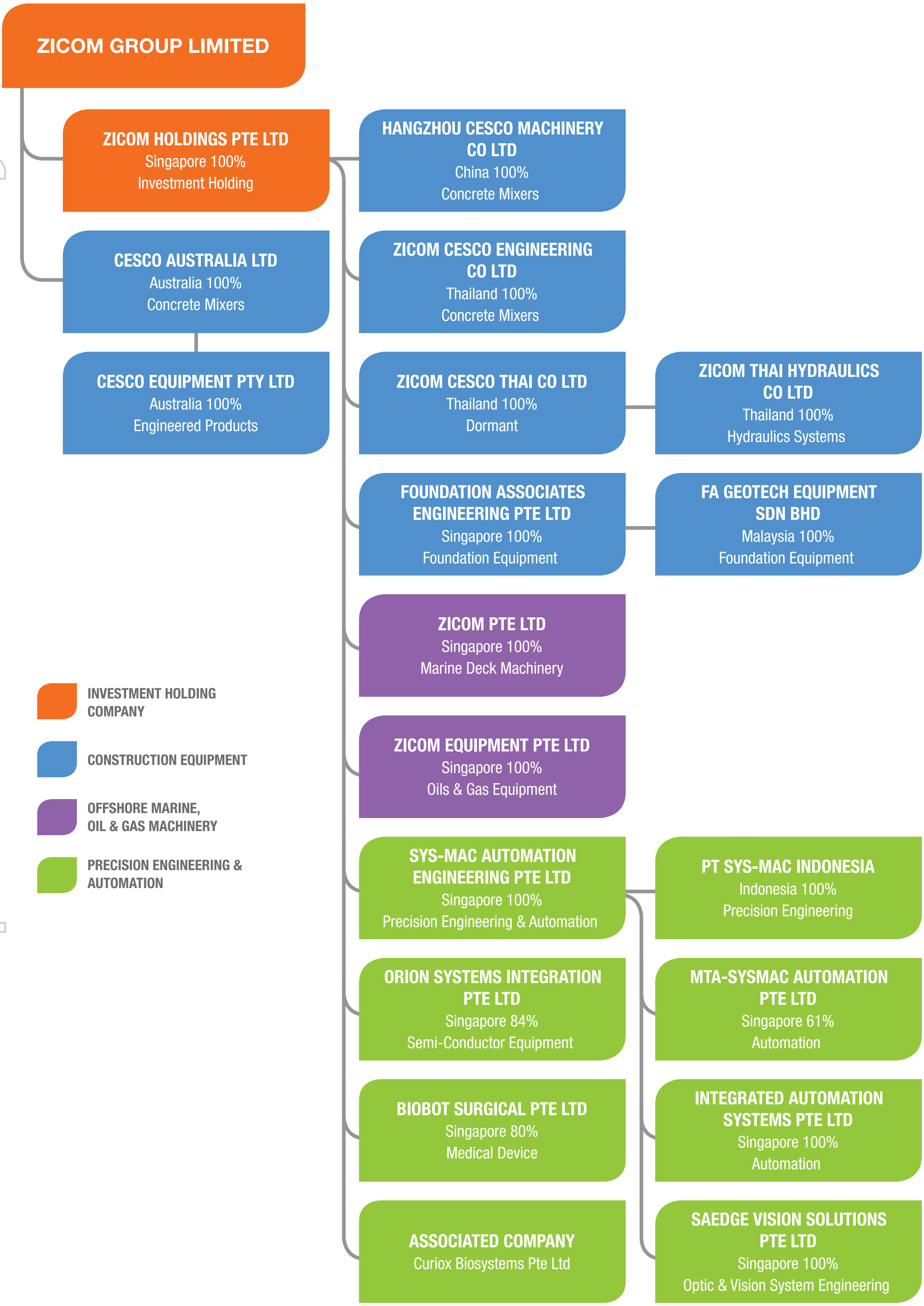
*Experience and expertise*
Mr Kumar is the Finance Manager of Cesco Australia Limited and holds a Bachelors degree in Commerce from Auckland University and is a Certified Practicing Accountant. He has had 30 years of experiences in auditing, industrial and management accounting prior to joining the Group in 2008.

*Other current directorships and former directorships in last 3 years*
None

*Special responsibilities*
Director of Cesco Equipment Pty Limited
Company Secretary of Cesco Australia Limited and Cesco Equipment Pty Limited

*Relevant interests in shares and options as at date of signing the Directors' Report*
15,000 ordinary shares and 100,000 options

# Corporate Chart



# Key Management



## Singapore

### ZICOM PRIVATE LIMITED

**JOINT MANAGING DIRECTORS**
Juat Lim Sim
Hung Seah Tang

**EXECUTIVE DIRECTORS**
Kok Hwee Sim
Jenny Lim Bee Chun
Hong Jun Zhang
Juat Khiang Sim

### ZICOM EQUIPMENT PTE LTD

**MANAGING DIRECTOR**
Rashed Choudhury

**EXECUTIVE DIRECTORS**
Kim Chee Chia
Khwaza Md Rezwanul

### FOUNDATION ASSOCIATES ENGINEERING PTE LTD

**MANAGING DIRECTOR**
Jimmy Teoh Guan Hooi

**EXECUTIVE DIRECTOR**
Peck Hua Ng

### SYS-MAC AUTOMATION ENGINEERING PTE LTD

**MANAGING DIRECTOR**
Juat Koon Sim

**EXECUTIVE DIRECTORS**
Kok Yew Sim - CEO
David Loh Chin Woon
Tony Low Boon Koon

### MTA-SYSMAC AUTOMATION PTE LTD

**MANAGING DIRECTOR**
Juat Koon Sim

**EXECUTIVE DIRECTORS**
Kok Yew Sim - CEO
Tony Low Boon Koon
Bobby Owen Archer
Bryan Raymond Root

### SAEDGE VISION SOLUTIONS PTE LTD

**EXECUTIVE DIRECTORS**
Kok Yew Sim - CEO
Bing Chiang Wong

### ORION SYSTEMS INTEGRATION PTE LTD

**EXECUTIVE DIRECTORS**
Amlan Sen
Chin Guan Khaw
Siew Sarn Lau

## Malaysia

### FA GEOTECH EQUIPMENT SDN BHD

**MANAGING DIRECTOR**
Peck Hua Ng

**EXECUTIVE DIRECTOR**
Teck Meng Liew

## Australia

### CESCO AUSTRALIA LIMITED

**MANAGING DIRECTOR**
Gary Webster

### CESCO EQUIPMENT PTY LTD

**MANAGING DIRECTOR**
Gary Webster

**EXECUTIVE DIRECTORS**
Surendra Kumar
Rick Pearce
Kenny Teh

## Thailand

### ZICOM CESCO ENGINEERING CO LTD

**MANAGING DIRECTOR**
Sammy Ng Siong Teck

**EXECUTIVE DIRECTOR**
Saowaluke Phongchok

### ZICOM THAI HYDRAULICS CO LTD

**MANAGING DIRECTOR**
Sammy Ng Siong Teck

**EXECUTIVE DIRECTOR**
Saowaluke Phongchok

## Indonesia

### PT SYS-MAC INDONESIA

**PRESIDENT DIRECTOR**
Juat Koon Sim

**EXECUTIVE DIRECTORS**
Kok Yew Sim
David Loh Chin Woon
Boon Chye Seah

## China

### HANGZHOU CESCO MACHINERY CO LTD

**MANAGING DIRECTOR**
Chin Ming Tan

# Directors' Report 2012

Your directors present their report on the consolidated accounts of Zicom Group Limited for the year ended 30 June 2012.

## Directors

The following persons were directors of Zicom Group Limited during the financial year and up to the date of this report. Directors were in office for this entire period.

| | |
|---|---|
| Mr. G L Sim | (Chairman and Managing Director) |
| Mr. K H Sim | (Executive Director) |
| Mr. Y P Lim | (Independent) |
| Mr. F Leong | (Independent) |
| Mr. I R Millard | (Independent) |
| Mr. S P Sze | (Independent) |
| Mr. K Y Sim | (Alternate Director to K H Sim) |

## Principal Activities

The Group's principal activities comprise the manufacturing of deck machinery, offshore structures, fluid metering stations, process plants, foundation equipment and concrete mixers, precision engineered machinery and services to the offshore marine, oil and gas, construction, electronics, biomedical and agriculture industries.

## Consolidated Results

The Group recorded the following consolidated results during the year as compared with those of previous year:-

| Key Financials | Change (%) | Year ended 30 June 12 (S$ million) | Year ended 30 June 11 (S$ million) |
|---|---|---|---|
| Revenue | - 11.2 | 130.65 | 147.19 |
| Earnings before interest, tax, depreciation, & amortisation (EBITDA) | - 39.6 | 13.59 | 22.49 |
| Net profits after tax (NPAT) | - 44.4 | 7.84 | 14.09 |

## Dividends

The Group has decided to pay a final dividend of Australian cents 0.55 per share (2011: Australian cents 0.55) making the full year dividends to 1 Australian cent per share. The final dividend will be fully paid out of Conduit Foreign Income under the provisions of the Australian Income Tax Act. Accordingly, withholding tax will not apply to non Australian residents.

The record date for the final dividend will be 16 November 2012 and the payment date is 30 November 2012.

## Review of Operations

The Group's consolidated revenue for the full year is S$130.65m as compared with S$147.19m in the previous year, a decrease of 11%. The Group's full year net consolidated profits after tax attributable to members to 30 June 2012 are S$7.84m as compared with S$14.09m in the previous year, a decrease of 44%.

The net profit margin achieved for the full year is 6.1% as compared with 9.6% in the previous year. The 3.5% decrease is mainly attributable to the slowdown in the offshore marine, oil and gas segment.

Earnings per share dropped from Singapore 6.62 cents to 3.69 cents per share, a decrease of 2.93 cents.

Net tangible assets per share increased from Singapore 32.76 cents to 34.22 cents per share.

Return on equity, based on average of the opening and closing equity, for the year was 9.7% as compared to 19.5% in 2011 and 16.4% in 2010.

# Directors' Report 2012

The average rates for currency translation for revenue and expenses are A$1 to S$1.3031 (2011: S$1.2865) and for balance sheet items A$1 to S$1.2917 (2011: S$1.3245).

The results for the full year have been impacted by the decrease in revenue from the offshore marine segment, losses arising out of initial problems encountered in integrating various skills in the oil and gas segment and pre-commercialisation gestation costs on start-up companies that we invested in 2010.

The sharp spike in oil prices from below US$50 a barrel in 2004 to a record high of US$147 in mid-2008 gave rise to unbridled exuberance and speculation in the marine offshore sector prior to the Global Financial Crisis ("GFC"), resulting in excess capacities. Post GFC, the global financial industry also deleveraged. The combined effect of these factors subsequently impacted against demand for marine equipment which was strongly felt by us in the year just ended, notwithstanding that during the year there has been a strong resurgence in oil rig orders globally. Oil rig orders now parallel the previous peak. Gratuitously, demand for oil as evidenced by its less volatile price range post GFC has appeared to be more stabilized. We believe that the present orders for new offshore vessels giving rise to demand for our deck machinery reflect realistic demand.

The Group's businesses are focused on the Asia Pacific region from Australia to China. The Asia Pacific economies, although decelerating, have proved to be extremely resilient and will continue to grow.

The Group's business is pegged to long term sustainability and prudent financial management. This policy enables the Group to continue to deliver profits for shareholders before and after the GFC and to maintain a strong financial position. The Group's prudence in financial management has withstood the stress of uncertain times. The Group has fully funded its investments on start-up companies possessing disruptive technologies and high growth potentials from available internal resources.

To accelerate commercialisation of the various start-ups, we have committed further investments of up to S$3m into these companies from our internal resources.

The Group is confident of a strong recovery in the marine offshore, oil and gas sector. The Group's other revenue sectors likewise are expected to continue to grow in the financial year 2013. Gestation costs in start-ups taper off as their commercialisation efforts take off. Your directors believe that the global economy remains challenging and may slow down further. Although we cannot escape completely unscathed, the Group's businesses remain robust. We are therefore hopeful to achieve significant growth in profits in the coming year barring no unforeseen deterioration in the world's economic order.

The Group's cash balances remain strong. As at 30 June 2012, the group's total cash and bank balances were S$24.45m as compared with S$23.67m as at 30 June 2011.

## Revenue by Business Segments

The following is an analysis of the segmental revenue :-

| Revenue by Business Segments | Change (%) | Year ended 30 June 12 (S$ million) | Year ended 30 June 11 (S$ million) |
|---|---|---|---|
| Offshore Marine, Oil & Gas Machinery | - 41.1 | 34.35 | 58.33 |
| Construction Equipment | + 3.9 | 57.39 | 55.23 |
| Precision Engineering & Automation | + 13.9 | 34.90 | 30.65 |
| Industrial & Mobile Hydraulics | - 0.6 | 3.19 | 3.21 |

## Offshore Marine, Oil & Gas Machinery

Rationalisation of the excess capacities in offshore vessels post GFC had slowed demand for deck machinery. Orders for offshore vessels have begun to recover following huge oil rig orders being placed globally, as deep sea oil and gas exploration and production activities have increased in the past 18 months. The demand for our deck machinery usually lags behind the demand for offshore oil rigs by about 2 to 3 years. The Group has developed its capability to supply to offshore vessels for deep seas operations exceeding 500m depth and has recently secured its first order for such deck machinery. At present the bulk of offshore vessels operate below 500m depth and these form the major part of demand for deck machinery. The Group's capability now enables it to align itself with, and to meet the demand of, the oil industry in their foray into deeper sea operations. We remain confident that demand in the offshore marine sector continues to be robust.

Demand for offshore structures for operations of remote operated vehicles in sub-seas operations is expected to likewise strengthen in parallel with the demand for deck machinery for offshore operations.

2 x 3500kw Multipurpose Offshore Vessel

Zicom Supplied Anchor Handling Towing Winch

30MMSFD TEG Gas Dehydration Plant

Our foray into the engineering, procurement and construction (EPC) of oil and gas projects has been relatively recent. Our first 2 EPC projects that involved engineering personnel over 3 countries in Indonesia, Singapore and Bangladesh encountered initial problems in integration of work culture and engineering disciplines. As a result we suffered losses in execution of these projects. We have addressed these problems and are confident that going forward such losses are not likely to recur. Prospects for this sector are strong and we are hopeful of increased orders and to be profitable.

As at the end of the financial year just ended, we have secured confirmed orders of S$23.7m in the marine offshore and oil and gas segment to be delivered in the financial year 2013.

# Directors' Report 2012

Mixers for Thailand Biggest Concrete Company

## Construction Equipment

Demand for construction equipment increased by 3.9% in the current year as compared with the previous year. Concrete mixer demand in Thailand has been strong following swift government's re-construction efforts to rebuild the flood-devastated parts of Thailand including Bangkok. This demand will continue into the next financial year as more rebuilding efforts continue. Our Thailand factory with its fully equipped capacity is well positioned to take on such demand in addition to continue to meet demand for Australia and surrounding region. The consolidation of volume has brought on economy of scales and minimised idle overheads enabling the concrete mixer segment as a whole to be profitable during the year.

Foundation equipment demand in South East Asia continues to be strong following continuous growth in construction and infrastructure investments in the region. This region has a combined population of more than 600 million people. Sound banking structure and prudent financial policies has been established in the region after the last Asian Financial Crisis. The emerging economies that make up this region combine and complement well with China and India to form a broad based growth basin that has escaped relatively unscathed from the GFC and hopefully would be impacted minimally by the Eurozone crisis. Such resilience in the region is foreseen to continue to under-score the sustainability of demand for foundation equipment in the medium future.

Offshore Vibratory Piling

Our Australian business has successfully expanded its product offerings to include the supply of piling and boring equipment for foundation works to complement its core business in concrete mixers. We intend to expand our fleet of piling and boring equipment over the next 12 months for both sales and rental to generate recurrent revenue and cash flow. In addition to this, the Group aims to explore opportunities in the oil and gas sector. We aim to diversify our Australian revenue base supported by the Group's internal capabilities so as to take advantage of our established reputation and capacity in Australia as well as to strengthen the viability of the Group's Australian subsidiary.

Onshore Vibratory Piling

## Precision Engineering & Automation

The precision engineering sector has shown a 13.9% increase in revenue over the previous year. This increase in revenue has been on the back of strong organic growth in both automation and precision engineering driven by demand in the biomedical and consumer electronics customers. The growth in the precision engineering sector has been sustainable.

Sustainability in the growth of our precision engineering business is strongly supported by the Group's commitment in strengthening its engineering excellence in this area and its continuing investments in facilities and high end machinery notwithstanding uncertainties in the global economy. We have recently developed an Innovation Development Center focused on supporting our various start-ups that require precision engineering and manufacturing services and to cross-support each other to strengthen innovation efforts to stay ahead of competition.

Pre-shipment Inspection of Liquid Dispensing Modules

## Industrial & Mobile Hydraulics

This sector is made up of supply of hydraulic system drives and hydraulic services in support of our general core business activities in hydraulic engineering. Variation in this sector is not expected to be significant to the Group.

## Foreign Exchange Exposure

The Group generally prices its sales in foreign currencies based on forward rates. During the full year, we hedged our foreign rates accordingly to ensure our margins were maintained. The net gain attributable to foreign exchange during the current year is S$161,000 as compared with an exchange loss of S$130,000 in the previous year.

Accounting Standards AASB 139 obliges us to fair value our outstanding foreign currency derivatives at the rates ruling on 30 June 2012. The net gain of S$161,000 included the imputed unrealised gain/loss in the valuation of these derivatives as at 30 June 2012.

## Financial Position

The group's financial position has generally improved :-

| Classification | Increase (+) / Decrease (-) S$ million | As at 30 Jun 12 S$ million | As at 30 Jun 11 S$ million |
|---|---|---|---|
| Net Assets | + 4.35 | 84.62 | 80.27 |
| Net Working Capital | + 0.46 | 42.42 | 41.96 |
| Cash in Hand and at Bank | + 0.78 | 24.45 | 23.67 |

## Gearing Ratios

The Group gearing ratio is 0% at the same ratio for the year ended 30 June 2011. Gearing ratio has been arrived at by dividing our net interest bearing debts over total capital.

## Return Per Share

The Group's earnings and net tangible assets per share are as follows: -

| Classification | Increase (+)/ Decrease (-) Singapore Cents | 2012 Singapore Cents | 2011 Singapore Cents |
|---|---|---|---|
| Earnings per share | - 2.93 | 3.69 | 6.62 |

The weighted average shares used to compute basic earnings per share are 212,376,000 for this year and 212,925,000 shares for the previous year.

| Classification | Increase (+)/ Decrease (-) Singapore Cents | As at 30 June 12 Singapore Cents | As at 30 June 11 Singapore Cents |
|---|---|---|---|
| NTA per share | + 1.46 | 34.22 | 32.76 |

## Capital Expenditure

The Group is not likely to incur any significant capital expenditure for FY2013.

## Confirmed Orders

We have a total of S$51.5m (30 Jun 2011: S$63.2m) outstanding confirmed orders in hand as at 30 June 2012. A breakdown of these outstanding confirmed orders is as follows :-

| | S$ m |
|---|---|
| Offshore Marine, Oil & Gas Machinery | 23.7 |
| Construction Equipment | 5.4 |
| Precision Engineering & Automation | 22.2 |
| Industrial & Mobile Hydraulics | 0.2 |
| **Total** | **S$51.5** |

These outstanding orders are scheduled for delivery in the financial year 2013. Our outstanding confirmed orders as at 31 December 2011 were S$41.6m. The higher outstanding orders reflect acceleration in customers' orders in the last 6 months. Prospects for on-going orders continue to be robust. We remain optimistic.

## Investments in Start-Ups

The Group has invested a combined S$10.5m into the 3 start-ups from internal cash resources without external borrowings. All these start-ups have achieved various milestones and gained customer acceptance in trials carried out. Our technologies have been proven to be disruptive. Current efforts are focused to accelerate their commercialisation which requires the completion of industrial design engineering, manufacturing processes, marketing development and setting up of distribution network. The Group has therefore committed to increase its investments of up to S$3m in these start-ups to support such efforts. Once commercialisation gains traction, it will be expected to be accompanied with exponential growth.

# Directors' Report 2012

**Biobot Surgical Pte Ltd (Biobot)** has undergone a complete restructuring resulting in the departure of the founder-CEO and the sale of his entire shareholdings to the Group at a nominal price arrived in a legally mandated mediation between the parties. The Group now owns 80% of Biobot. Since the founder-CEO's departure, clinical trials with our long standing clinical partners, the Singapore General Hospital who is also our licensor, have accelerated as working relationships have improved and strengthened. The close cooperation has brought about results that have strengthened Biobot's confidence to launch a sustainable commercialisation of its product and technology in the second quarter of 2013, as compared with the faltering and unsustainable efforts of the previous management. All the funds injected previously were burnt off in half the time for which they had been intended for. Biobot's product has been approved by FDA (USA), CE Mark (EU), TGA (Australia) and DOH (Taiwan). It has now applied for approval from the recently set up Health Science Authority in Singapore. Biobot's on-going development is fully supported in engineering and manufacturing by our wholly owned precision engineering subsidiary, Sys-Mac Automation Engineering Pte Ltd. The Group has committed to increase its investment by S$1m in Biobot and may further augment its working capital as its commercialisation takes off.

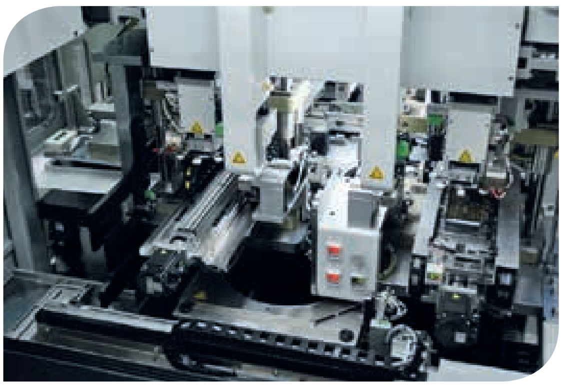
iSROBOT Mona Lisa Surgical Robot

Curiox LT DropArray Machine

Curiox HT DropArray Machine

**Curiox Biosystems Pte Ltd (Curiox)**'s DropArray technology has gained approval by world leading Genentech Inc in USA, considered the founder of the biotechnology industry, and various leading drug research institutes and leading universities in USA, Singapore, the UK and Japan. The DropArray technology has proven to enable drug discovery processes to save more than 50% in disease markers, reagents and man-hours. Being a new technology, the challenges faced by Curiox in a highly conservative industry include lifting customers' psychological barrier to try new technology and processes. Consolidation in the pharmaceutical industries arising from the impending expiry of many drug patents in the near future has affected spending. Curiox's technology that aims to expedite drug discovery has become a timely proposition for the industry. We have expanded our base for customers to pre-trial before buying our product and technology. Such initial efforts are paying off. These efforts coupled with impending scientific publications of positive findings on our technology by leading drug companies and researchers are expected to act as an impetus to our marketing drive. We expect our commercialisation of the DropArray technology to gain traction in next 6-12 months. To accelerate commercialisation efforts, the Group has committed to invest a further S$1-1.5m into Curiox out of our internal resources. The Group currently holds 44.06% in Curiox and would expect this to increase over the next 12 months.

**Orion Systems Integration Pte Ltd (Orion)**'s first commercial Thermal Bonder for fine pitch flip chips has been subjected to lengthy trial tests on bonding various customers' fine pitch flip chip samples. Validation reports have been positive. Following customers' feedback the first unit has been upgraded and is ready for sale. It is hopeful to secure its first order within the next 3 months. Further orders are expected to follow closely as the leading edge features of our machine become wider market knowledge. The Group has increased its investments in Orion after buying out other minority shareholders. The remaining minority interest in Orion is owned by the key executive founder-directors who continue to manage the business. The Group is expected to inject further funds into Orion to augment its working capital in its drive to increase sales.



Orion Phonenix 5000 Thermal Bonder

**Prospects**

The full year's results reflected the impact of the uncertain global conditions. We remain steadfast and committed to growing our organisation organically, integrating the high growth start-ups into our group, and looking out for synergistic acquisitions. The capabilities that we have built continue to strengthen securing for us a strong and competitive platform for sustainable growth.

We are therefore confident that the financial year 2013 is expected to experience a significant increase in profit growth barring no unforeseen deterioration of existing world economic order.

**Share Buy-Back Scheme**

The existing Share Buy-Back Scheme expires on 31 August 2012. The board has decided not to renew the scheme so as to maintain share liquidity.

**Environmental Regulations**

The group is subject to environmental regulations under State and Federal legislations. The group holds environmental licences for its manufacturing site in Brisbane. No significant material environmental incidents occurred during the year.

**Meetings of directors**

The number of meetings of the company's board of directors and of each board committee held since the last Annual General Meeting, and the numbers of meetings attended by each director were:

| | Full meetings of directors | | Meetings of Committees | | | |
|---|---|---|---|---|---|---|
| | | | Audit | | Nomination & Remuneration | |
| | A | B | A | B | A | B |
| Giok Lak Sim | 5 | 5 | – | – | 1 | 1 |
| Kok Hwee Sim | 5 | 5 | – | – | – | – |
| Yian Poh Lim | 5 | 5 | 2 | 2 | 1 | 1 |
| Frank Leong Yee Yew | 5 | 5 | 2 | 2 | 1 | 1 |
| Ian R Millard | 5 | 5 | 2 | 2 | – | – |
| Shaw Pao Sze | 5 | 5 | – | – | – | – |
| Kok Yew Sim | 3 | 5 | – | – | – | – |

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year

**Insurance or indemnification of officers**

During the financial year, Zicom Group Limited paid a premium of A$10,793 to insure against liabilities of the directors and officers of the reporting entity.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against directors or officers in their capacities as officers of the reporting entity.

The policy also provides for certain statutory fines incurred by the reporting entity or officers, and protection for claims made alleging a breach of professional duty arising out of an act, error or omission of the officers of the reporting entity.

**Retirement, election and continuation in office of directors**

Mr Ian R Millard retires by rotation and being eligible, offers himself for re-election.

**Directors' relevant interests in Zicom Group Limited**

In accordance with S300(11) of the *Corporations Act 2001*, the relevant interests of the Directors in the shares and options of Zicom Group Limited as at the date of this report are unchanged to those disclosed within the financial statements as at 30 June 2012.

**Remuneration report (Audited)**

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. This information has been audited as required by section 308(3C) of the Act.

Key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Service Agreements
C Details of remuneration

***A Principles used to determine the nature and amount of remuneration***

A combined Nomination and Remuneration Committee has been formed. The members of the Nomination and Remuneration Committee comprise of Mr Y P Lim as Chairman with Mr Frank Leong and Mr G L Sim as members. The Nomination and Remuneration Committee had approved the Service Agreement of the group managing director, Mr G L Sim and this was subsequently ratified by the full board.

The key principle of Zicom Group Limited's remuneration policy is to ensure remuneration is set at levels that will attract, motivate, reward and retain personnel to improve business results, having regard to the company's financial performance and financial position.

*Non-executive directors*

Remuneration of non-executive directors is determined by the directors within the maximum amount approved by the shareholders. Each non-executive director receives a base fee of A$25,000 for being a director of the Group. An additional fee of A$2,000 is also paid for each Board Committee of which a non-executive director sits and A$5,000 if the director is a Chair of a Board Committee. The payment of additional fees for serving on committees recognises the additional time commitment, and responsibilities of the non-executive directors who serve on one or more sub committees. There is also an attendance fee of A$1,000 for each meeting attended by the non-executive director.

Non-executive directors are eligible to participate in the Zicom Employee Share and Option Plan ("ZESOP"). The Board considers that there should be an appropriate mix of remuneration comprising cash and securities for all Directors to link the remuneration of the Directors to the financial performance of the Company and to align the interests of shareholders and all Directors.

The board recommends that total directors' fees for non-executive directors for the financial year ending 30 June 2013 be fixed at a maximum sum of A$150,000 (S$195,000) at the same level as the previous year.

*Key management personnel – executive directors and senior executives*

All remuneration paid to executive directors and senior executives comprises of the following components:

- Base pay and benefits;
- Short term incentives;
- Other remuneration such as superannuation; and
- Participation in the Zicom Employee Share and Option Plan.

The company's policy does not allow transactions which limit the economic risk in participating in unvested entitlements under equity-based remuneration schemes.

*Base pay*

The level of base pay is set so as to provide a level of remuneration which is appropriate to the position and is competitive in the market. The remuneration of the executive directors is reviewed annually by the board and the remuneration of senior executives is reviewed annually or on promotion by the managing director(s).

*Benefits*

Senior executives receive benefits including health insurance, disability insurance and car allowances.

*Short term incentives*

The objective of short term incentives is to reward the senior executives of the group with performance bonus tied to a minimum profit threshold of the group companies. Such bonuses are paid within 90 days after the year end and completion of audit.

***B Service Agreements***

Group Managing Director

The Group Managing Director, Mr G L Sim is directly employed by Zicom Holdings Private Limited ("ZHPL") and has renewed his service agreement with ZHPL for another 5 years with effect from 1 July 2011. The Group and Mr Sim are required to give each other at least 6 months notice in the termination of the service agreement. Under the terms of his new service agreement, Mr Sim continues to be appointed as the Zicom Group Limited ("ZGL") Group Managing Director and Chairman as well as the Executive Chairman of all the operating subsidiaries.

Mr Sim is entitled to an annual review of his monthly salary if the company's results exceed 15% return on shareholders' funds. Mr Sim has frozen his monthly salary since 2007. Mr Sim will continue to draw the monthly salary at the 2007 level for the next 5 years from 1 July 2011 and waive all salary increments. Apart from this, all other benefits, terms and conditions in his service agreement remain unchanged.

Mr Sim is paid a monthly salary and a car allowance. Mr Sim is entitled to a performance bonus not exceeding 5% of the pre-tax consolidated profits of ZHPL upon achieving agreed minimum profit targets. He is entitled to convert part of this performance bonus up to no more than 50% of the amount payable, into shares of ZGL at the average of the closing prices of the last 5 trading days before the end of the relevant financial year. However, such entitlement must be exercised within 7 working days after the financial year end. ZHPL's profits exceeded the target for the financial year just ended and Mr Sim will be paid a bonus accordingly. Mr Sim has elected to convert 50% of his performance bonus amounting to S$175,000 (2011: S$nil) into ZGL shares, fully paid at A$0.155 per share. This is subject to shareholders' approval.

Mr Sim is not paid any salary or fees by ZGL, Cesco Australia Limited ("CAL") or any other group companies. In the event CAL achieves the minimum pre-tax profits, Mr Sim will be paid a bonus not exceeding 5% of CAL's profits. During the year just ended, Mr Sim was not paid any bonus by CAL as the profit target was not achieved.

Other Senior Executives

All senior executives have rolling contracts. The company and the senior executives are required to give each other 6 months' notice to terminate the service contracts. The senior executives are entitled to a monthly salary and a car allowance. The senior executives are paid a performance bonus on their respective companies achieving agreed minimum profit targets. These senior executives are also entitled to convert part of their performance bonus, up to no more than 50% of the amount payable, into shares in ZGL at the average of the closing prices of the last 5 trading days before the end of the relevant financial year. However, such entitlement must be exercised within 7 working days after the financial year end. During the year, some executives have elected to convert part of their performance bonus into ZGL shares amounting to S$84,750 (2011: S$nil), fully paid at A$0.155 per share.

During the year, Messrs K H Sim and K Y Sim have also elected to convert part of their performance bonus into shares in ZGL amounting to S$38,500 (2011: S$nil) and S$53,125 (2011: S$nil) respectively, fully paid at A$0.155 per share. These are subject to shareholders' approval.

*Zicom Employee Share and Option Plan*

Options are granted under the Zicom Employee Share and Option Plan ("ZESOP") which was approved by shareholders on 23 November 2006.

A person is eligible to participate in ZESOP if he or she is a director or an employee of a group company. The board may at any time make invitations to eligible employees to participate in the ZESOP. The invitation will specify the total number of options each eligible employee may acquire, the exercise price, period and exercise conditions. All options shall lapse upon the expiry of the exercise period as determined by the board or 10 years after grant of the option whichever is earlier.

If an eligible participant ceases to be employed by any member of the group his or her options shall lapse. In the event an eligible participant, who, by reason of death, physical or mental incapacity or such other reasons as the Board may approve, ceases to be an eligible participant before the participant has exercised all options under ZESOP, then those options shall continue to be capable of being exercised in accordance with the rules.

Options granted under ZESOP carry no voting rights or entitlement to dividends.

At the date of this report, there were 8,985,000 unissued ordinary shares under options (6,375,000 at the reporting date).

Options are granted at no cost to employees. When exercised, each option is convertible into one ordinary share, pursuant to a resolution passed at a meeting of the Board, which shall be credited as fully paid up and rank equally with all other fully paid ordinary share capital.

During the financial year, employees have exercised options to acquire 292,500 fully paid ordinary shares in Zicom Group Limited at a weighted average exercise price of A$0.18 per share.

*Company Performance*

The table below shows the performance of the Group for the past 5 financial years:

| | **2012** | **2011** | **2010** | **2009** | **2008** |
|---|---|---|---|---|---|
| Earnings per share (Australian cents) | 2.83 | 5.15 | 4.02 | 4.47 | 3.53 |
| Dividend per share (Australian cents) | 1.00 | 1.00 | 0.85 | 0.60 | 0.80 |
| Closing share price (Australian cents) | 15.0 | 50.0 | 12.5 | 10.0 | 20.0 |
| Net tangible assets per share (Australian cents) | 26.49 | 24.73 | 23.53 | 20.84 | 15.58 |

***C Details of remuneration (audited)***

Details of the remuneration to the directors and the key management personnel of Zicom Group Limited for the years ended 30 June 2012 and 30 June 2011 are set out in the following tables. All performance related bonus and share-based payment listed in the table were 100% vested for both financial years.

| 2012 | Short Term Employee Benefits | | | | Post Employment Benefit | Share-Based Payment | | |
|---|---|---|---|---|---|---|---|---|
| **Name** | **Cash Salary and Fees** | **Short Term Cash** | **Non-Monetary Benefits** | **Other Short-Term Employee Benefits** | **Superannuation** | **Equity-Based** | **Total** | **Performance Related** |
| | S$ | S$ | S$ | S$ | S$ | S$ | S$ | % |
| *Non-executive Directors* | | | | | | | | |
| Y P Lim | 48,215 | – | – | – | – | 3,218 | 51,433 | – |
| F Leong | 44,305 | – | – | – | – | 3,218 | 47,523 | – |
| I R Millard | 45,609 | – | – | – | – | 3,218 | 48,827 | – |
| S P Sze | 39,093 | – | – | – | – | 1,908 | 41,001 | – |
| **Sub-total non-executive directors** | 177,222 | – | – | – | – | 11,562 | 188,784 | – |
| *Executive Directors* | | | | | | | | |
| G L Sim - Chairman | 432,000 | 175,000 | – | 24,000 | 5,307 | 175,000 | 811,307 | 43.1 |
| K H Sim | 120,186 | 71,500 | – | 12,000 | 13,130 | 51,233 | 268,049 | 41.0 |
| K Y Sim (*alternate to K H Sim*) | 165,172 | 159,375 | – | 44,362 | 9,522 | 65,858 | 444,289 | 47.8 |
| **Sub-total executive directors** | 717,358 | 405,875 | – | 80,362 | 27,959 | 292,091 | 1,523,645 | |
| *Other key management personnel* | | | | | | | | |
| G H Teoh[(1)] | 216,000 | 286,303 | – | 60,000 | 6,331 | 9,868 | 578,502 | 49.5 |
| J Koon Sim[(2)] | 157,614 | 200,351 | – | 18,000 | 7,162 | – | 383,127 | 52.3 |
| J L Sim[(3)] | 216,907 | 80,000 | – | 21,600 | 7,367 | 9,342 | 335,216 | 23.9 |
| H S Tang[(4)] | 180,187 | 60,000 | – | 20,400 | 5,310 | 9,605 | 275,502 | 21.8 |
| **Sub-total other key management personnel** | 770,708 | 626,654 | – | 120,000 | 26,170 | 28,815 | 1,572,347 | |
| **Grand total** | 1,665,288 | 1,032,529 | – | 200,362 | 54,129 | 332,468 | 3,284,776 | |
| **2011** | | | | | | | | |
| *Non-executive Directors* | | | | | | | | |
| Y P Lim | 47,601 | – | – | – | – | 3,969 | 51,570 | – |
| F Leong | 43,741 | – | – | – | – | 3,969 | 47,710 | – |
| I R Millard | 45,028 | – | – | – | – | 3,969 | 48,997 | – |
| S P Sze | 38,595 | – | – | – | – | 2,070 | 40,665 | – |
| **Sub-total non-executive directors** | 174,965 | – | – | – | – | 13,977 | 188,942 | – |
| *Executive Directors* | | | | | | | | |
| G L Sim - Chairman | 432,000 | 710,000 | – | 24,000 | 4,262 | – | 1,170,262 | 60.7 |
| K H Sim | 119,058 | 165,000 | – | 12,000 | 11,523 | 14,895 | 322,476 | 51.2 |
| K Y Sim (*alternate to K H Sim, appointed 5 Jul 2010*) | 144,640 | 159,500 | – | 12,000 | 14,318 | 14,895 | 345,353 | 46.2 |
| **Sub-total executive directors** | 695,698 | 1,034,500 | – | 48,000 | 30,103 | 29,790 | 1,838,091 | |
| *Other key management personnel* | | | | | | | | |
| J L Sim[(3)] | 202,495 | 500,000 | – | 21,600 | 5,973 | 20,115 | 750,183 | 66.7 |
| G H Teoh[(1)] | 200,700 | 295,250 | – | 39,000 | 8,213 | 17,256 | 560,419 | 52.7 |
| H S Tang[(4)] | 184,073 | 300,000 | – | 20,400 | 4,062 | 17,449 | 525,984 | 57.0 |
| J Koon Sim[(2)] | 202,370 | 201,500 | 3,857 | 18,000 | 14,538 | – | 440,265 | 45.8 |
| **Sub-total other key management personnel** | 789,638 | 1,296,750 | 3,857 | 99,000 | 32,786 | 54,820 | 2,276,851 | |
| **Grand total** | 1,660,301 | 2,331,250 | 3,857 | 147,000 | 62,889 | 98,587 | 4,303,884 | |

(1) G H Teoh is the managing director of Foundation Associates Engineering Pte Ltd
(2) J Koon Sim is the president of Sys-Mac Automation Engineering Pte Ltd
(3) J L Sim is the joint managing director of Zicom Pte Ltd
(4) H S Tang is the joint managing director of Zicom Pte Ltd

**Share options granted to key management personnel**

There were no share options awarded, exercised or lapsed during the year ended 30 June 2012.

For details on the valuation of options, including models and assumption used, please refer to note 25.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

**Legal Proceedings**

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity or to intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings.

**Non-Audit Services**

There were no non-audit services provided by the entity's auditor and related practices of the entity auditor, Ernst & Young, during the year.

**Auditors' Independence Declaration**

A copy of the auditor's signed independence declaration as required under Section 307C of the *Corporations Act 2001* is attached to this report.

**Rounding of Amounts**

The company is an entity to which the Class Order 98/100 applies and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest S$1,000 unless otherwise stated.

This report was made in accordance with a resolution of the board of directors.

G L Sim
Chairman/Managing Director
Brisbane
28 September 2012

# Auditor’s Independence Declaration

to the Directors of Zicom Group Limited

In relation to our audit of the financial report of Zicom Group Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ric Roach

Partner

28 September 2012

# Corporate Governance Statement

**Introduction**

The Board of Directors is responsible for the Corporate Governance of Zicom Group Limited and its controlled entities (referred to in this document as "the Company"). The Directors are focused on fulfilling their responsibilities individually and as a Board to all of the Company's stakeholders. This involves recognition of and a need to adopt principles of good corporate governance having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations.

The Company has reviewed its Corporate Governance procedures over the past year to ensure compliance with the principles of good corporate governance.

At the end of this Corporate Governance Statement there is a table detailing the recommendations with which the Company does not strictly comply.

A description of the Company's practices in complying with the principles is set out below.

**Principle 1: Laying Solid Foundations for Management and Oversight**

The role of the Board is to lead and oversee the management and direction of the Company and its controlled entities.

After appropriate consultation with executive management the Board:

- defines and sets the business objectives. It subsequently monitors performance and achievement of the Company's objectives;
- oversees the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes and reviews executive management of the Company;
- monitors and approves business plans, financial performance and budgets, and available resources and major capital expenditure initiatives of the Company;
- maintains liaison with the Company's auditor; and
- reports to Shareholders.

Senior Executives and Executive Directors have letters of appointments or service contracts describing their terms of office, duties, rights and responsibilities.

The performance of the board and key executives is reviewed regularly against both measureable and qualitative indicators. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of Zicom Group Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

**Principle 2: Structure the Board to Add Value**

The recommendations of the Corporate Governance Council are that the composition of the Board be determined so as to provide the Company with a broad base of industry, business, technical, administrative and corporate skill and experience considered necessary to represent Shareholders and fulfil the business objectives of the Company.

The recommendations of best practice are that the majority of the directors and in particular the chairperson should be independent. An independent director is one who:

- does not hold an executive position;
- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

- has not within the last three years been employed in an executive capacity by the Company or other group member, or been a director after ceasing to hold any such employment;

- is not a principal of a significant professional adviser or a significant consultant of the Company or other group member, or an employee materially associated with the service provided;

- is not a significant supplier or customer of the Company or other group member, or an officer of, or otherwise associated directly or indirectly with a significant supplier or customer;

- has no significant contractual relationship with the Company or other group member other than as a Director of the Company; and

- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Individual board members do not fulfil all of these criteria but the overall profile of the Board is considered the most appropriate for the activities of the Company.

Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are included in the "Directors" section within the annual report.

Materiality thresholds in determining the independence of non-executive directors are:

- A relationship that accounts for more than 10% of the Director's gross income (other than director's fees paid by the company).

- Where the relationship is with a firm, company or entity, in respect of which the Director (or any associate) has more than a 20% shareholding if a private company or 2% if a listed company.

Mr G L Sim was appointed Managing Director of Zicom Group Limited commencing 1 July 2006, and Chairman of Zicom Group Limited with effect from 23 November 2006. He is a major shareholder in Zicom Group Limited through his interest in his family company, SNS Holdings Pte Ltd. Previously Mr Sim had been the major shareholder (through SNS Holdings Pte Ltd) of Zicom Holdings Pte Ltd ("ZHPL"). Mr Sim has been the Managing Director of ZHPL since founding the company and was appointed the Chairman of ZHPL on 17 August 2007, in line with his position as the Group chairman. The Board has determined that Mr Sim is, and was not independent.

Mr Frank Leong has no relationships or interests that would affect his role as an independent director.

Mr Y P Lim has no relationships or interests that would affect his role as an independent director.

Mr Ian R Millard has no relationships or interests that would affect his role as an independent director.

Mr S P Sze has no relationships or interests that would affect his role as an independent director.

Mr K H Sim is an Executive Director and therefore is considered by the Board to be not independent.

Mr K Y Sim is an alternate director of Mr K H Sim and therefore is considered by the Board to be not independent.

**Term of Office**

The Company's Constitution specifies that at the annual general meeting in every year, one third of the Directors for the time being but not exceeding one-third (with the exception of the Managing Director) must retire from office by rotation.

**Independent Professional Advice**

Directors and Board Committees have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, and this will not be unreasonably withheld.

# Corporate Governance Statement



**Board Committees**

The Company has a Nomination and Remuneration Committee and an Audit Committee, the details of which are set out below:

***Nomination and Remuneration Committee***

The Nomination and Remuneration Committee is a combined committee, comprising of the following members:

- Mr Y P Lim (Chairman)
- Mr G L Sim
- Mr Frank Leong

The Committee has the responsibility for recruitment and evaluation of Board Members. In addition the committee formulates the remuneration policies for the Board Members and Managing Director of the Group.

***Audit Committee***

The Audit Committee comprises of the following members:

- Mr Ian R Millard (Chairman)
- Mr Frank Leong
- Mr Y P Lim

The Audit Committee operates in accordance with a charter. The main responsibilities of the Audit Committee are to:

- Review, assess and approve the annual report, the half year financial report and all other financial information published by the Company or released to the market.
- Review the effectiveness of the Group's internal control environment, including effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.
- Oversee the effective operation of the risk management framework.
- Recommend the appointment, removal and remuneration of the external Auditor, and review the terms of their engagement, the scope and quality of their audit and assess their performance.
- Consider the independence and competence of the external Auditor on an ongoing basis.
- Review and monitor related party transactions and assess their propriety.
- Report on matters relevant to the committee's role and responsibilities.

**The Board and the Company Secretaries**

The Company Secretaries are accountable to the Board and the appointment or removal of the Company Secretary is a matter of the Board as a whole.

Each Director is entitled to access the advice and services of the Company Secretary.

# Corporate Governance Statement

**Principle 3: Promote Ethical and Responsible Decision-Making**

*Code of Conduct*

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour and business ethics on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. The Company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director or the interests of any other party in so far as it affects the activities of the Company. When applicable, directors are to act in accordance with the *Corporations Act* if a conflict cannot be removed or it persists. Directors would be restricted from taking part in the decision making process or discussions where that conflict does arise.

Directors are required to make disclosure of any share trading. The key principles of the Share Trading Policy are that Directors and officers are prohibited to trade while in possession of unpublished price sensitive information and during the following closed periods:

- The period between 1 January and the release of the Company's Half Year results to the Stock Exchange
- The period between 1 July and the release of the Company's Full Year results to the Stock Exchange
- The twenty-four hours following an announcement of price sensitive information on the Stock Exchange
- Other periods as may be imposed by the Company when price sensitive, non-public information may exist in relation to a matter

Price sensitive information is information that a reasonable person would expect to have a material effect on the price or value of the company shares. The undertaking of any trading in shares must be notified to the Company Secretary who makes disclosure to the ASX.

*Diversity Policy*

The Company does not have a written diversity policy, however, the Company recognises the importance of benefitting from all available talent regardless of gender, age, ethnicity and cultural background. The Company promotes an environment conducive to the appointment of well qualified employees, senior management and board candidates so that there is appropriate diversity to maximise the achievement of corporate goals.

The Company has employees including executives from diversified cultural background and nationalities such as Australians, Bangladeshis, Chinese, Indians, Indonesians, Filipinos, Malaysians, New Zealanders, Singaporeans and Thais. In addition, approximately 18% of the Company's workforce is made up of female employees.

**Principal 4: Safeguard Integrity in Financial Reporting**

As stated above the Company's Audit Committee is made up of independent directors.

To ensure the integrity of the Company's financial reports, the managing director and the Group Financial Controller are required to declare annually, in writing to the board, that the financial records of the Company for the respective financial year have been properly maintained, the Company's financial reports comply with accounting standards and present a true and fair view of the Company's financial condition and operational results.

Each member of the Board has access to the external Auditor and the Auditor has access to each Board member.

**Principal 5: Make Timely and Balanced Disclosure**

The Joint Company Secretaries are persons responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communication with the ASX. This involves compliance with the continuous disclosure requirements of the Listing Rules.

**Principal 6: Respect the Rights of Shareholders**

Pursuant to Principle 6, the Board's objective is to promote effective communication with its shareholders at all times.

Zicom Group Limited is committed to:

- Ensuring that shareholders and financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way

- Complying with continuous disclosure obligations contained in the ASX listing rules and the *Corporations Act* in Australia

- Communicate effectively with its shareholders and making it easier for shareholders to communicate with the Company

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX

- Through the distribution of annual report and Notice of Annual General Meeting

- Through shareholder meetings and investor relations presentations

- Through letters and other forms of communications directly with shareholders when deemed necessary

- Hosting all of the above on the Company website at www.zicomgroup.com

The external auditors are required to attend the Annual General Meeting and are available to answer any shareholder questions about the conduct of the audit preparation of the audit report.

**Principle 7: Recognise and Manage Risk**

The Board is conscious of the need to continually maintain systems of risk management and controls in order to create long-term shareholders value. In recognition of this, the board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies and internal controls. The Company has in place policies and procedures for risk management which cover areas including workplace health and safety, control of key resources, manufacturing, financial and other critical business processes. The operational risks are managed by senior management level and escalated to the board for direction where the issue is exceptional, non-recurring or may have a material financial or operational impact on the Company.

In accordance with Section 295A of the *Corporations Act*, the Group Managing Director (Chief Executive Officer equivalent) and the Group Financial Controller (Chief Financial Officer equivalent) have provided a written statement to the board that:

- The view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the Board's policies; and

- The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The board notes that due to its nature, such internal control assurance can only be reasonable rather than absolute as the inherent limitations in internal controls cannot be designed to detect all weaknesses in control procedures.

**Principle 8: Remunerate Fairly and Responsibly**

As stated above, a Nomination and Remuneration Committee has been established by the board.

Details of the remuneration for Directors and Key Management Personnel can be found in the Directors Report within the Annual Report.

# Corporate Governance Statement

The Group Managing Director and Group Executive Director receive performance based remuneration. In addition, the Group Managing Director has renewed his service agreement with the Group for a term of another 5 years from 1 July 2011. The other Directors do not receive any performance based remuneration and do not have contracts with the Company that give them any form of certain tenure. One third of the Directors retire annually and are free to seek re-election by Shareholders.

Each member of the Board has committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

A maximum amount of remuneration for non-executive Directors is fixed by Shareholders in general meeting and can be varied in the same manner. In determining the allocation (if any) the Board must take account of the time demands on the Directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.

The Directors with the exception of Mr G L Sim were granted options after it was approved by the shareholders in an Extraordinary General Meeting on 28 August 2008. The Board considers that there should be an appropriate mix of remuneration comprising cash and securities for all Directors to link the remuneration of the Directors to the financial performance of the Company. The Directors consider this remuneration policy to be a sensible and balanced policy which aligns the interests of shareholders and all Directors. The hedging policy regarding unvested options is detailed within the Directors' Report.

**Departures from the Recommendations of the ASX Corporate Governance Council**

| Recommendation Number | Departure from Recommendation | Explanation for Departure |
|---|---|---|
| 1.1 | There is no formalisation of the separation of functions between the Board and Management. | Throughout the reporting period the Board consisted of a majority of non-executive Directors. Practices followed are consistent with the Principle. |
| 1.2 and 2.5 | There is no written process for performance evaluation of the Board, committees, individual Directors and key executives. | The Nomination and Remuneration Committee monitors, reviews and discusses the performance of the Board and key executives and implements changes where necessary. |
| 2.2 | The Chair is not an independent director. | The Chairperson and Managing Director positions are held by the same non-independent director. The Board has chosen a director who has significant experience in the business who will lead the Company in the best interests of the shareholders. |
| 2.3 | The Chair and Managing Director positions are held by the same non-independent director. | The Board has agreed on the responsibilities and division between Chairman and Managing Director. |
| 3.3 | There is no written Diversity Policy and there are no established measureable objectives for achieving gender diversity. | Although there are no written policies and measureable objectives in place, practices followed are consistent with the Principle. |
| 5.1 | There are no written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements. | Although there are no written policies in place, the responsibility for compliance with the ASX Listing Rules is handled by the Board, in conjunction with the Company Secretaries. |
| 6.1 | The Company has no formally designed or disclosed communication strategy with Shareholders. | The Board is conscious of the need to keep Shareholders and markets advised. The procedures adopted within the Company, although not written, are weighted towards informing Shareholders and markets. |
| 7.1 and 7.2 | There has been no written implementation of policy on risk oversight and management or for senior management to make statements to the Board concerning those matters. | Given the nature and size of the Company, its business interests and the involvement of all Directors, all of whom have business management skills, it was not considered necessary to establish a written policy. The Company adheres to the Recommendations under this Principle for statements by senior management to the Board. |

# Consolidated Statement of Comprehensive Income

for the year ended 30 June 2012 (In Singapore dollars)

| | Note | 2012 S$'000 | 2011 S$'000 |
|---|---|---|---|
| **Revenue from continuing operations** | 4 | 128,959 | 146,444 |
| Other operating income | 4 | 1,689 | 750 |
| Cost of materials | | (73,776) | (81,536) |
| Employee, contract labour and related costs | | (27,318) | (26,585) |
| Depreciation and amortisation | | (4,931) | (4,600) |
| Property related expenses | | (2,528) | (2,133) |
| Other operating expenses | 4 | (12,081) | (13,561) |
| Finance costs | | (878) | (1,079) |
| Share of results of associates | | (1,357) | (892) |
| **Profit before taxation** | | 7,779 | 16,808 |
| Tax expense | 5 | (553) | (2,684) |
| **Profit for the year from continuing operations after taxation** | | 7,226 | 14,124 |
| **Other comprehensive income:** | | | |
| Foreign currency translation on consolidation | | (135) | (22) |
| Effect of tax on other comprehensive income | | – | – |
| | | (135) | (22) |
| **Total comprehensive income** | | 7,091 | 14,102 |
| **Profit attributable to:** | | | |
| Owners of parent | | 7,836 | 14,087 |
| Non-controlling interest | | (610) | 37 |
| **Profit for the year** | | 7,226 | 14,124 |
| **Total comprehensive income attributable to:** | | | |
| Owners of parent | | 7,701 | 14,065 |
| Non-controlling interest | | (610) | 37 |
| | | 7,091 | 14,102 |
| **Earnings per share (cents)** | | | |
| Basic earnings per share | 6 | 3.69 | 6.62 |
| Diluted earnings per share | 6 | 3.67 | 6.60 |

# Consolidated Balance Sheet

as at 30 June 2012 (In Singapore dollars)

| | Note | 2012 S$'000 | 2011 S$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 35,833 | 35,343 |
| Intangible assets | 9 | 11,918 | 10,757 |
| Deferred tax assets | 5 | 754 | 840 |
| Finance lease receivable | 13 | – | 26 |
| Investment in associates | 11 | 2,768 | 4,845 |
| Others | | 1 | 1 |
| | | 51,274 | 51,812 |
| **Current assets** | | | |
| Cash and bank balances | 20 | 24,446 | 23,675 |
| Inventories | 12 | 28,255 | 30,306 |
| Trade and other receivables | 13 | 33,169 | 34,012 |
| Prepayments | | 908 | 690 |
| Tax recoverable | | 205 | 142 |
| Financial asset recorded at fair value through profit or loss | 15 | 300 | – |
| | | 87,283 | 88,825 |
| **TOTAL ASSETS** | | 138,557 | 140,637 |
| **Current liabilities** | | | |
| Payables | 16 | 31,547 | 31,611 |
| Interest-bearing liabilities | 17 | 10,425 | 11,211 |
| Provisions | 18 | 1,315 | 1,401 |
| Provision for taxation | | 1,015 | 2,406 |
| Unearned income | | 64 | 125 |
| Unrealised loss on derivatives | | 497 | 110 |
| | | 44,863 | 46,864 |
| **NET CURRENT ASSETS** | | 42,420 | 41,961 |
| **Non-current liabilities** | | | |
| Interest-bearing liabilities | 17 | 6,535 | 10,638 |
| Deferred tax liabilities | 5 | 2,161 | 2,459 |
| Provisions | 18 | 317 | 283 |
| Unearned income | | 63 | 127 |
| | | 9,076 | 13,507 |
| **TOTAL LIABILITIES** | | 53,939 | 60,371 |
| **NET ASSETS** | | 84,618 | 80,266 |
| **Equity attributable to equity holders of the Company** | | | |
| Contributed equity | 19 | 37,083 | 36,983 |
| Reserves | | 110 | 41 |
| Retained earnings | | 45,955 | 41,340 |
| | | 83,148 | 78,364 |
| **Non-controlling interest** | | 1,470 | 1,902 |
| **TOTAL EQUITY** | | 84,618 | 80,266 |
| **TOTAL EQUITY AND LIABILITIES** | | 138,557 | 140,637 |

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2012 (In Singapore dollars)

| | | Attributable to equity holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital | Share capital – exercise of share options (a) | Foreign currency translation reserve (b) | Share based payments reserve (c) | Retained earnings | Total | Non-controlling interest | Total equity |
| | | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **Balance at 1.7.2010** | | 36,987 | 4 | (474) | 207 | 29,746 | 66,470 | 292 | 66,762 |
| Other comprehensive income | | – | – | (22) | – | – | (22) | – | (22) |
| Profit for the year | | – | – | – | – | 14,087 | 14,087 | 37 | 14,124 |
| Total comprehensive income for the year | | – | – | (22) | – | 14,087 | 14,065 | 37 | 14,102 |
| Shares issued, net of expense | 19 | 561 | – | – | – | – | 561 | – | 561 |
| Share buy-back | 19 | (1,107) | – | – | – | – | (1,107) | – | (1,107) |
| Exercise of employee share options | 19 | 422 | 116 | – | (116) | – | 422 | – | 422 |
| Cost of share-based payments | 25(a) | – | – | – | 446 | – | 446 | – | 446 |
| Acquisition of subsidiary companies | | – | – | – | – | – | – | 1,720 | 1,720 |
| Dividends on ordinary shares | 7 | – | – | – | – | (2,493) | (2,493) | – | (2,493) |
| Dividends to non-controlling shareholders | | – | – | – | – | – | – | (147) | (147) |
| **Balance at 30.06.2011** | | 36,863 | 120 | (496) | 537 | 41,340 | 78,364 | 1,902 | 80,266 |
| Other comprehensive income | | – | – | (135) | – | – | (135) | – | (135) |
| Profit for the year | | – | – | – | – | 7,836 | 7,836 | (610) | 7,226 |
| Total comprehensive income for the year | | – | – | (135) | – | 7,836 | 7,701 | (610) | 7,091 |
| Exercise of employee share options | 19 | 66 | 34 | – | (34) | – | 66 | – | 66 |
| Cost of share-based payments | 25(a) | – | – | – | 238 | – | 238 | – | 238 |
| Acquisition of subsidiary | 26(a) | – | – | – | – | – | – | 578 | 578 |
| Acquisition of non-controlling interests | 26(b) | – | – | – | – | (515) | (515) | (370) | (885) |
| Disposal of subsidiary | | – | – | – | – | – | – | 68 | 68 |
| Dividends on ordinary shares | 7 | – | – | – | – | (2,706) | (2,706) | – | (2,706) |
| Dividends to non-controlling shareholders | | – | – | – | – | – | – | (98) | (98) |
| **Balance at 30.06.2012** | | 36,929 | 154 | (631) | 741 | 45,955 | 83,148 | 1,470 | 84,618 |

(a) Share capital – exercise of share options is used to record the transfer from share-based payment reserve upon the exercise of the share options.

(b) Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) The share-based payments reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options and is reduced by the expiry or exercise of the share options.

# Consolidated Statement of Cash Flows

for the year ended 30 June 2012 (In Singapore dollars)

| | Note | 2012<br>S$'000 | 2011<br>S$'000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Operating profit before taxation | | 7,779 | 16,808 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 8 | 4,225 | 3,964 |
| Amortisation of intangible assets | 9 | 706 | 636 |
| Bad debts written off | 4 | 2 | 13 |
| Allowance for doubtful debts, net | 4 | 297 | 5 |
| Allowance for inventory obsolescence, net | 4 | 45 | 42 |
| Inventories written off | 4 | 3 | 2 |
| Interest expenses | | 878 | 1,079 |
| Interest income | 4 | (220) | (207) |
| Property, plant and equipment written off | 4 | 4 | 51 |
| Gain on disposal of property, plant and equipment | 4 | (100) | (20) |
| Loss on disposal of property, plant and equipment | 4 | 13 | 2 |
| Loss / (gain) on disposal of equity interest in subsidiary | 4 | 87 | (33) |
| Loss on remeasurement of investment in an associate to fair value | 4 | 874 | – |
| Goodwill written off | 4 | – | 5 |
| Provisions made, net | | 214 | 403 |
| Cost of share-based payments | 25(a) | 238 | 446 |
| Development expenditure written off | 4 | – | 325 |
| Investment in joint venture written off | 4 | – | 80 |
| Share of results of associates | | 1,357 | 892 |
| Gain on financial asset recorded at fair value through profit or loss | 4 | (800) | – |
| Unrealised loss on derivatives | | 497 | 110 |
| Unrealised exchange (gain) / loss | | (75) | 231 |
| **Operating profit before reinvestment in working capital** | | 16,024 | 24,834 |
| Decrease / (increase) in stocks and work-in-progress | | 4,727 | (10,255) |
| Decrease / (increase) in projects-in-progress | | 2,421 | (5,269) |
| (Increase) / decrease in debtors | | (778) | 542 |
| (Decrease) / increase in creditors | | (1,284) | 2,030 |
| **Cash generated from operations** | | 21,110 | 11,882 |
| Interest received | | 220 | 207 |
| Interest paid | | (885) | (1,072) |
| Income taxes paid | | (2,274) | (1,836) |
| **Net cash provided by operating activities** | | 18,171 | 9,181 |

# Consolidated Statement of Cash Flows

for the year ended 30 June 2012 (In Singapore dollars)

| | Note | 2012<br>S$'000 | 2011<br>S$'000 |
|---|---|---|---|
| **Cash flows from investing activities:** | | | |
| Purchase of property, plant and equipment | 8(b) | (5,740) | (5,417) |
| Proceeds from disposal of property, plant and equipment | 8(c) | 131 | 21 |
| Purchase of computer software | 9 | (83) | (454) |
| Increase in development expenditure | 9 | (37) | – |
| Increase in patented technology | 9 | (31) | – |
| Decrease in amount due from joint venture | | – | 320 |
| Investment in associates | 11(b) | (1,451) | (5,238) |
| Increase in amount due from associates | | (924) | (33) |
| Acquisition of subsidiaries | 26(a) | 157 | (1,311) |
| Disposal of subsidiary | 26(c) | (77) | (12) |
| Acquisition of non-controlling interests | 26(b) | (385) | – |
| **Net cash used in investing activities** | | (8,440) | (12,124) |
| **Cash flows from financing activities:** | | | |
| Net increase / (decrease) in amount due to directors | | 30 | (24) |
| (Repayments of) / proceeds from bank borrowings | | (3,289) | 2,951 |
| Dividends paid on ordinary shares by the Company | 7 | (2,706) | (2,493) |
| Dividends paid to non-controlling shareholders | | (98) | (147) |
| Share buy back | 19 | – | (1,107) |
| Proceeds from issue of shares | 19 | – | 561 |
| Proceeds from exercise of employee share options | | 66 | 422 |
| (Repayment of) / proceeds from hire purchase creditors | | (2,684) | 1,342 |
| **Net cash (used in) /provided by financing activities** | | (8,681) | 1,505 |
| Net increase / (decrease) in cash and cash equivalents | | 1,050 | (1,438) |
| Exchange rate effects | | 11 | 80 |
| Cash and cash equivalents at beginning of year | 20 | 23,180 | 24,538 |
| **Cash and cash equivalents at end of year** | 20 | 24,241 | 23,180 |

# Notes to the Consolidated Financial Statements

(In Singapore dollars)



**1. Corporate information**

This financial report of Zicom Group Limited (the "Company" or "Parent Entity") and its subsidiaries for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 28 September 2012.

Zicom Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' report.

**2. Summary of significant accounting policies**

**2.1 Basis of preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis except for derivative financial instruments which have been measured at their fair values.

**2.2 Statement of compliance**

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(i) *Changes in accounting policies and disclosures*

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2011.

- AASB 124 (Revised) *Related Party Disclosures* effective 1 January 2011
- AASB 2009–12 *Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]* effective 1 January 2011
- AASB 2010–4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]* effective 1 January 2011
- AASB 2010–5 *Amendments to Australian Accounting Standards [AASBs 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132, & 1042]* effective 1 January 2011
- AASB 1054 *Australian Additional Disclosures* effective 1 July 2011
- AASB 2010–6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB7]* effective 1 July 2011
- AASB 1048 *Interpretation of Standards* effective 1 July 2011

The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group.

**2. Summary of significant accounting policies (cont'd)**

**2.2 Statement of compliance (cont'd)**

(ii) *Accounting Standards and Interpretations issued but not effective*

Certain Australian Accounting Standards and Interpretations have been recently issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2012. The directors expect the adoption of these new and amended standards and interpretations below will have no material impact on the financial statements in the period of initial application.

- AASB 2010–8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]*
- AASB 2011–9 *Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]*
- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- AASB 2011–4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]*
- AASB 2012–2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*
- AASB 2012–5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009 – 2011 Cycle*
- AASB 2012–3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- AASB 9 *Financial Instruments*
- Annual Improvements to IFRSs 2009 – 2011 Cycle *[IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34]*

**2.3 Principles of consolidation**

*Basis of consolidation from 1 July 2009*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. All intra-group balances, income and expenses and unrealised gain and losses resulting from intra-group transactions are eliminated in full.

**2. Summary of significant accounting policies (cont'd)**

**2.3 Principles of consolidation (cont'd)**

*Basis of consolidation from 1 July 2009 (cont'd)*

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Investments in subsidiaries held by Zicom Group Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate statement of comprehensive income of the parent entity, and do not impact the recorded cost of investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at the acquisition date, separately from goodwill, the identifiable assets required, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or discount on acquisition.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated balance sheet, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

If the group loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

**2. Summary of significant accounting policies (cont'd)**

**2.3 Principles of consolidation (cont'd)**

*Basis of consolidation prior to 1 July 2009*

Certain of the above mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interest, prior to 1 July 2009, were accounted for using the parent entity extension method, whereby, the difference between the consolidation and the book value of the share of the net assets acquired was recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 July 2009 were not reallocated between NCI and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 July 2009 have not been restated.

**2.4 Business combinations**

*Subsequent to 1 July 2009*

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquire and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in operating expenses.

When the Group acquires a business, it assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or lost or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.8 (a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

**2. Summary of significant accounting policies (cont'd)**

**2.4 Business combinations (cont'd)**

*Prior to 1 July 2009*

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition cost. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for in separate steps. Any additional acquired share of interest did not affect previously recognised goodwill. The goodwill amounts calculated at each step acquisition were accumulated.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were adjusted against goodwill.

**2.5 Operating segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects.

- Nature of the products and services
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets, head office expenses and income tax assets and liabilities. Segment capital expenditure is the total costs incurred during the year to acquire segment assets by geographical area that are expected to be used for more than one year.

**2. Summary of significant accounting policies (cont'd)**

**2.6 Foreign currency translation**

(a) *Functional and presentation currency*

The presentation currency of Zicom Group Limited is Singapore dollars (S$). Each subsidiary in the Group determines its own functional currency and items included in the financial statements of each subsidiary company are measured using that functional currency.

(b) *Foreign currency transactions*

Transactions in foreign currencies are initially recorded in the functional currencies of the Company and its subsidiaries at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity.

(c) *Foreign currency translation*

The results and balance sheet of foreign operations are translated into Singapore dollars using the following procedures:

- Assets and liabilities are translated at the closing rate prevailing at reporting date; and

- Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

The exchange differences arising on the translation are taken directly to a separate component of other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

**2.7 Property, plant and equipment**

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Freehold land has an unlimited useful life and is therefore not depreciated. Depreciation of an asset begins when it is available for use and is computed on the straight-line basis over the estimated useful lives of the assets as follows:

| | | |
|---|---|---|
| Leasehold properties | – | over remaining period of the lease expiring years 2039 to 2043 |
| Machinery | – | 10 years |
| Office furniture and equipment | – | 5 years |
| Leasehold improvements | – | 5 years |
| Motor vehicles | – | 5 years |
| Computers | – | 1 year |

**2. Summary of significant accounting policies (cont'd)**

**2.7 Property, plant and equipment (cont'd)**

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

**2.8 Intangible assets**

*(a) Goodwill*

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

*(b) Other intangible assets*

Intangible assets acquired separately or in a business combination are measured initially at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives are amortised over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

**2. Summary of significant accounting policies (cont'd)**

**2.8 Intangible assets (cont'd)**

*(b) Other intangible assets (cont'd)*

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortisation is calculated on a straight-line basis over the estimated useful lives of intangible assets as follows:-

| | |
|---|---|
| Computer software costs | 5 years |
| Patent costs | 10 years |
| Customer list | 8 years |
| Developed/ Unpatented technology | 7 – 14 years |

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Amortisation begins when the development is complete and the asset is available for use or sale. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

Club membership

Club membership was acquired separately and is not amortised as it has an indefinite life.

Gains or losses from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

**2.9 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in profit or loss as 'impairment losses'.

**2. Summary of significant accounting policies (cont'd)**

**2.9 Impairment of non-financial assets (cont'd)**

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in profit or loss.

**2.10 Investment in associates**

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent entity. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of an associate's profits or losses after tax is recognised in profit or loss and its share of movements in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment. Unrealised gains and losses resulting from the transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of results of associates" in the profit or loss.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in the profit or loss.

**2. Summary of significant accounting policies (cont'd)**

**2.11 Financial assets**

*Initial recognition and measurement*

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:-

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit and loss. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

(b) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, such assets are carried at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. These are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses from changes in fair value recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

*Derecognition*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is now recognised in profit or loss.

**2. Summary of significant accounting policies (cont'd)**

**2.12 Impairment of financial assets**

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**2.13 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing liabilities under current liabilities on the balance sheet.

**2.14 Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw material: purchase costs on a first-in first-out basis.

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

When necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

**2. Summary of significant accounting policies (cont'd)**

**2.15 Construction contracts**

Contract revenue and contract costs are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date, when the outcome of a construction contract can be estimated reliably. Where the contract outcome cannot be measured reliably (principally during the early stages of a contract), both contract revenue and expenses are not recognised until the contract outcome can be estimated reliably.

The stage of completion is measured by the proportion that contract costs incurred to date bear to the estimated total contract cost. Only costs that reflect services performed are included in the estimated total costs of the contract.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

**2.16 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre- tax rate that reflects, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is reviewed annually and revised, if necessary.

**2.17 Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

**2.18 Financial liabilities**

*Initial recognition and measurement*

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

**2. Summary of significant accounting policies (cont'd)**

**2.18 Financial liabilities (cont'd)**

*Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:-

(a) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(b) *Other financial liabilities*

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**2.19 Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred.

Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur.

**2. Summary of significant accounting policies (cont'd)**

**2.20 Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement.

*Group as a lessee*

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

*Group as a lessor*

Leases where the Group transfers substantially all the risks and benefits of ownership of the leased item is accounted for in accordance with the Group's policy for sales of goods. Cost incurred in connection with negotiating and arranging the finance lease is recognised as an expense when the selling profit is recognised.

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23.

**2.21 Employee benefits**

(a) *Wages and salaries, annual leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled within 12 months of the balance sheet date are recognised in respect of employees' services up to the reporting date and measured at the amounts expected to be paid when liabilities are settled.

(b) *Long service leave / retirement benefits*

The liabilities for long service leave and retirement benefits, applicable to Australian and Thailand subsidiaries respectively, are recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the balance sheet date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(c) *Superannuation*

The Group participates in the national pension scheme as defined by the laws of the countries in which it has operations.

Contributions are made by the Group, for its Australian subsidiaries, to employee accumulation superannuation funds.

**2. Summary of significant accounting policies (cont'd)**

**2.21 Employee benefits (cont'd)**

*(c) Superannuation (cont'd)*

The Group's companies in Singapore make contributions to the Central Provident Fund scheme, a defined contribution pension scheme.

The subsidiary company incorporated and operating in the People's Republic of China ("PRC") is required to provide certain staff pension benefits to its employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulators and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

Contributions to defined contribution pension schemes are recognised as an expenses in the period in which the related services is performed.

*(d) Employee share option plan*

Employees (including key management personnel) of the Group receive remuneration in the form of share options as consideration for service rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expenses are recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at beginning and end of that period and is recognised in employee costs.

No expense is recognised for options that do not ultimately vest. The employee share option reserve is transferred to retained earnings upon expiry or forfeiture of the vested share options. When the options are exercised, the employee share option reserve is transferred to share capital as new shares are issued.

**2.22 Derivative financial instruments**

The Group uses derivative financial instruments to hedge its risks associated with foreign currency. Such derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date.

Any gains or losses arising from changes in fair value on derivative financial instruments are taken to profit or loss.

**2.23 Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:-

*Sale of goods*

Revenue on sale of goods is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, which generally coincides with delivery and acceptance of the goods sold.

*Services rendered*

Revenue from services rendered are recognised upon performance of services and the delivery to customers.

**2. Summary of significant accounting policies (cont'd)**

**2.23 Revenue recognition (cont'd)**

*Revenue recognised on projects*

Revenue on contract jobs are recognised using the percentage of completion method. The stage of completion is measured using the proportion of costs incurred to the estimated total costs to complete the project. Losses, if any, are immediately recognised when their existence is foreseen.

*Interest income*

Interest income is recognised using the effective interest method.

*Dividends*

Dividend income is recognised when the Group's right to receive payment is established.

*Rental income*

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

*Commission income*

Commission income is recognised on an accrual basis.

**2.24 Taxation**

*(a) Current tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*(b) Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- When the taxable temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

**2. Summary of significant accounting policies (cont'd)**

**2.24 Taxation (cont'd)**

*(b) Deferred tax (cont'd)*

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- When the deductible temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*(c) Goods and service tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax except:

- Where the goods and services tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the balance sheet.

**2.25 Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2. Summary of significant accounting policies (cont'd)**

**2.26 Earnings per share**

(a) *Basic earnings per share*

Basic earnings per share is determined by dividing net profit attributable to members of the Company by the weighted average number of ordinary shares outstanding during the year.

(b) *Diluted earnings per share*

Diluted earnings per share is determined by dividing the net profit attributable to members of the Company by the adjusted weighted average number of ordinary shares which takes into account the effects of all dilutive potential ordinary shares comprising of share options granted to employees.

**2.27 Related parties**

A related party is defined as follows:

(a) *a person or a close member of that person's family is related to the Group and Company if that person:*

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) *An entity is related to the Group and the Company if any of the following conditions applies:*

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**2.28 Critical accounting estimates and judgments**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

**2. Summary of significant accounting policies (cont'd)**

**2.28 Critical accounting estimates and judgments (cont'd)**

*(a) Key sources of estimation uncertainty*

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the balance sheet reported in future periods.

(i) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 31 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the balance sheet date is disclosed in Note 8 to the financial statements.

(ii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each balance sheet date. Goodwill and other intangibles with indefinite lives are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 9 to the financial statements.

(iii) Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the balance sheet date is disclosed in note 21 to the financial statements.

(iv) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the balance sheet date, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from construction contracts at the balance sheet date are disclosed in Note 14 to the financial statements.

**2. Summary of significant accounting policies (cont'd)**

**2.28 Critical accounting estimates and judgments (cont'd)**

*(b) Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

<u>Income taxes</u>

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and deferred tax liabilities at 30 June 2012 was S$1,015,000 (2011: S$2,406,000) and S$2,161,000 (2011: S$2,459,000) respectively. The Group also has deferred tax assets of S$754,000 (2011: S$840,000) as at 30 June 2012.

**3. Segment information**

***Business segments***

*Identification of reportable segments*

The group has identified its operating segments based on internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The operating segments identified are as follows:

- Offshore Marine, Oil and Gas Machinery – manufacture and supply of deck machinery, gas metering stations, offshore structures for underwater robots and related equipment, parts and services.
- Construction Equipment – manufacture and supply of concrete mixers and foundation equipment, including equipment rental, parts and related services.
- Precision Engineering and Automation – manufacture of precision and automation equipment, including equipment related parts and engineering services.
- Industrial and Mobile Hydraulics – supply of hydraulic drive systems, parts and services.

*Inter-segment sales*

Inter-segment sales are recognised based on internally set transfer price at arm's length basis.

*Corporate charges*

Unallocated revenue comprises mainly non-segmental revenue including fair value gain on derivative asset. Unallocated expenses comprise mainly of non-segmental expenses such as head office expenses and loss on remeasurement.

(In Singapore dollars)

3. **Segment information (cont'd)**

***Business segments (cont'd)***

The following tables present revenue and profit information regarding operating segments for the years ended 30 June 2012 and 2011.

| | Offshore marine, oil and gas machinery S$'000 | Construction equipment S$'000 | Precision engineering and automation S$'000 | Industrial and mobile hydraulics S$'000 | Consolidated S$'000 |
|---|---|---|---|---|---|
| **Year ended 30 June 2012** | | | | | |
| **Revenue** | | | | | |
| Sales to external customers | 34,302 | 57,167 | 34,721 | 2,769 | 128,959 |
| Other revenue | 52 | 207 | 171 | 5 | 435 |
| Inter-segment sales | – | 15 | 4 | 414 | 433 |
| Total segment revenue | 34,354 | 57,389 | 34,896 | 3,188 | 129,827 |
| Inter-segment elimination | | | | | (433) |
| Unallocated revenue | | | | | 1,034 |
| Interest income | | | | | 220 |
| **Total consolidated revenue** | | | | | 130,648 |
| | | | | | |
| **Results** | | | | | |
| Segment results | 1,916 | 6,394 | 2,722 | 668 | 11,700 |
| Unallocated revenue | | | | | 1,034 |
| Unallocated expenses | | | | | (2,940) |
| Share of results of associates | | | | | (1,357) |
| Profit before tax and finance cost | | | | | 8,437 |
| Finance costs | | | | | (878) |
| Interest income | | | | | 220 |
| **Profit before taxation** | | | | | 7,779 |
| Income tax expense | | | | | (553) |
| **Net profit after taxation** | | | | | 7,226 |
| | | | | | |
| **Other segment information** | | | | | |
| Capital expenditure | | | | | |
| - property, plant and equipment | 328 | 7,016 | 1,317 | – | 8,661 |
| - intangible assets | 4 | – | 99 | – | 103 |
| | | | | | 8,764 |
| | | | | | |
| Depreciation and amortisation | 552 | 3,122 | 931 | 15 | 4,620 |
| Other non-cash expenses | 541 | 663 | 172 | 139 | 1,515 |

3. **Segment information (cont'd)**

***Business segments (cont'd)***

| | Offshore marine, oil and gas machinery S$'000 | Construction equipment S$'000 | Precision engineering and automation S$'000 | Industrial and mobile hydraulics S$'000 | Consolidated S$'000 |
|---|---|---|---|---|---|
| **Year ended 30 June 2011** | | | | | |
| **Revenue** | | | | | |
| Sales to external customers | 58,334 | 54,732 | 30,482 | 2,896 | 146,444 |
| Other revenue | – | 352 | 114 | – | 466 |
| Inter-segment sales | – | 144 | 54 | 312 | 510 |
| Total segment revenue | 58,334 | 55,228 | 30,650 | 3,208 | 147,420 |
| Inter-segment elimination | | | | | (510) |
| Unallocated revenue | | | | | 77 |
| Interest income | | | | | 207 |
| **Total consolidated revenue** | | | | | 147,194 |
| | | | | | |
| **Results** | | | | | |
| Segment results | 12,023 | 6,839 | 1,721 | 636 | 21,219 |
| Unallocated revenue | | | | | 77 |
| Unallocated expenses | | | | | (2,724) |
| Share of results of associates | | | | | (892) |
| Profit before tax and finance cost | | | | | 17,680 |
| Finance costs | | | | | (1,079) |
| Interest income | | | | | 207 |
| **Profit before taxation** | | | | | 16,808 |
| Income tax expense | | | | | (2,684) |
| **Net profit after taxation** | | | | | 14,124 |
| | | | | | |
| **Other segment information** | | | | | |
| Capital expenditure | | | | | |
| - property, plant and equipment | 299 | 7,215 | 649 | 1 | 8,164 |
| - intangible assets | 190 | 322 | 3,839 | – | 4,351 |
| | | | | | 12,515 |
| | | | | | |
| Depreciation and amortisation | 505 | 2,686 | 1,059 | 18 | 4,268 |
| Other non-cash expenses / (revenue) | 669 | 812 | 181 | (23) | 1,639 |

3. **Segment information (cont'd)**

***Geographical segments***

The Group's geographical segments are determined based on location of Group's assets.

The following table presents revenue and certain assets information regarding geographical segments for the years ended 30 June 2012 and 2011.

**Year ended 30 June 2012**

| **Revenue** | **Australia** S$'000 | **Malaysia** S$'000 | **Singapore** S$'000 | **China** S$'000 | **United States** S$'000 | **Bangladesh** S$'000 | **Thailand** S$'000 | **Others** S$'000 | **Total** S$'000 |
|---|---|---|---|---|---|---|---|---|---|
| Sales to external customers | 23,281 | 12,721 | 35,938 | 6,947 | 29,099 | 8,067 | 6,833 | 6,073 | 128,959 |
| Other revenue from external customers | 41 | 32 | 1,390 | 41 | 2 | 21 | 16 | 146 | 1,689 |
| | | | | | | | | | 130,648 |
| **Other segment information** | | | | | | | | | |
| Segment non-current assets | 4,997 | 1,269 | 32,547 | 284 | – | – | 7,954 | 701 | 47,752 |
| Investment in associates | | | | | | | | | 2,768 |
| Unallocated assets | | | | | | | | | 754 |
| | | | | | | | | | 51,274 |
| Capital expenditure | | | | | | | | | |
| - property, plant and equipment | 772 | 1,121 | 6,481 | 37 | – | – | 134 | 207 | 8,752 |
| - intangible assets | – | – | 2,110 | – | – | – | – | 29 | 2,139 |
| | | | | | | | | | 10,891 |

**Year ended 30 June 2011**

| | **Australia** S$'000 | **Malaysia** S$'000 | **Singapore** S$'000 | **China** S$'000 | **United States** S$'000 | **Bangladesh** S$'000 | **Thailand** S$'000 | **Others** S$'000 | **Total** S$'000 |
|---|---|---|---|---|---|---|---|---|---|
| Sales to external customers | 22,569 | 16,216 | 52,430 | 21,409 | 14,660 | 8,336 | 3,050 | 7,774 | 146,444 |
| Other revenue from external customers | 21 | 6 | 517 | 137 | – | – | 7 | 62 | 750 |
| | | | | | | | | | 147,194 |
| **Other segment information** | | | | | | | | | |
| Segment non-current assets | 4,616 | 303 | 31,839 | 279 | – | – | 8,335 | 755 | 46,127 |
| Investment in associates | | | | | | | | | 4,845 |
| Unallocated assets | | | | | | | | | 840 |
| | | | | | | | | | 51,812 |
| Capital expenditure | | | | | | | | | |
| - property, plant and equipment | 310 | 105 | 7,517 | 89 | – | – | 106 | 70 | 8,197 |
| - intangible assets | 322 | – | 3,846 | – | – | – | – | 189 | 4,357 |
| | | | | | | | | | 12,554 |

(In Singapore dollars)

**4. Revenue, income and expenses**

(i) Revenue

| | Consolidated 2012 S$'000 | Consolidated 2011 S$'000 |
|---|---|---|
| Sales of goods | 93,764 | 88,111 |
| Rendering of services | 7,684 | 7,020 |
| Rental revenue | 6,326 | 4,749 |
| Revenue recognised on projects | 21,185 | 46,564 |
| | 128,959 | 146,444 |

(ii) Other operating income

| | 2012 S$'000 | 2011 S$'000 |
|---|---|---|
| Interest income | 220 | 207 |
| Commission income | 66 | 195 |
| Gain on disposal of property, plant and equipment | 100 | 20 |
| Service rendered | 193 | 102 |
| Bad debts recovered | 2 | – |
| Government grants | 140 | 112 |
| Gain on disposal of equity interest in subsidiary | – | 33 |
| Gain on financial asset recorded at fair value through profit or loss | 800 | – |
| Other revenue | 168 | 81 |
| | 1,689 | 750 |

(iii) Other operating expenses

Included in other operating expenses are the following:

| | 2012 S$'000 | 2011 S$'000 |
|---|---|---|
| Allowance for inventory obsolescence, net | 45 | 42 |
| Allowance for doubtful debts, net | 297 | 5 |
| Bad debts written off | 2 | 13 |
| Foreign exchange (gain)/loss | (161) | 130 |
| Provision for product warranties, net | 109 | 403 |
| Loss on disposal of property, plant and equipment | 13 | 2 |
| Property, plant and equipment written off | 4 | 51 |
| Investment in joint venture written off | – | 80 |
| Development expenditure written off | – | 325 |
| Warranty expense charged directly to profit or loss | – | 5 |
| Goodwill written off | – | 5 |
| Inventories written off | 3 | 2 |
| Loss on remeasurement of investment in an associate to fair value | 874 | – |
| Loss on disposal of equity interest in subsidiary | 87 | – |

**5. Tax expense**

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| Current income tax | | |
| - Current income tax charge | 1,073 | 2,417 |
| - Adjustments in respect of previous years | (30) | 77 |
| Deferred income tax | | |
| - Relating to the origination and reversal of temporary differences | (186) | 115 |
| - Adjustment in respect of previous years | (304) | 75 |
| | 553 | 2,684 |

A reconciliation between the tax expense and the product of accounting profit of the Group multiplied by the applicable tax rate for the year ended 30 June was as follows:

| | 2012 | 2011 |
|---|---|---|
| Profit before taxation | 7,779 | 16,808 |
| Tax expense: | | |
| Tax at the domestic rates applicable to profits in the countries where the group operates | 2,352 | 3,308 |
| Release of deferred tax liability on intangible assets | (106) | (92) |
| Non-deductible expenses | 248 | 228 |
| Non-taxable income | (992) | (406) |
| Partial tax exemption | (155) | (110) |
| Deferred tax asset not recognised | 73 | 44 |
| Recognition of deferred tax assets not previously recognised | – | (30) |
| Utilisation of deferred tax asset previously not recognised | (62) | (150) |
| (Over)/ under provision in prior years | (334) | 152 |
| Enhanced tax allowance | (417) | (254) |
| Others | (54) | (6) |
| Tax expense | 553 | 2,684 |

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

**5. Tax expense (cont'd)**

Deferred taxation as at 30 June relates to the following:

| | Consolidated balance sheet | | Consolidated statement of comprehensive income | |
|---|---|---|---|---|
| | **2012** S$'000 | **2011** S$'000 | **2012** S$'000 | **2011** S$'000 |
| **Deferred tax liabilities** | | | | |
| Differences in depreciation | (1,510) | (1,852) | (502) | 251 |
| Intangible assets | (573) | (170) | (111) | (107) |
| Acquisition of subsidiary | (114) | (517) | – | – |
| Accrual for unconsumed leave | 36 | 39 | 3 | (8) |
| Unutilised capital allowances | – | 31 | 31 | 469 |
| Unutilised tax losses | – | 10 | 10 | (11) |
| Others | – | – | – | 19 |
| | (2,161) | (2,459) | | |
| **Deferred tax assets** | | | | |
| Unutilised tax losses | 533 | 563 | 20 | (139) |
| Unutilised capital allowances | 8 | 5 | (3) | (6) |
| Provisions | 405 | 526 | 124 | (526) |
| Accrual for unconsumed leave | 40 | 35 | (5) | (17) |
| Differences in depreciation | (197) | (241) | (44) | 243 |
| Intangible assets | (35) | (48) | (13) | 15 |
| Others | – | – | – | 7 |
| | 754 | 840 | (490) | 190 |

| | Consolidated | |
|---|---|---|
| | **2012** S$'000 | **2011** S$'000 |
| The directors estimate that the potential future income tax benefit at 30 June in respect of revenue tax losses not brought to account is | 3,663 | 3,750 |

The benefit will only be obtained if –

(a) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and

(c) no changes in tax legislation adversely affect the consolidated entity's ability to realise the benefit.

*Tax Consolidation Legislation*

Zicom Group Limited and its wholly owned Australian subsidiaries have not elected to form a tax consolidated group.

## 6. Earnings per share

Earnings per share is calculated by dividing the Group's profit attributable to members of the Company by the weighted average number of shares in issue during the year.

| | | Consolidated | |
|---|---|---|---|
| | | **2012** | **2011** |
| | | S$'000 | S$'000 |
| (a) | Earnings used in calculating basic and diluted earnings per share | | |
| | Net profit attributable to equity holders of the Parent | 7,836 | 14,087 |
| | | **No. of shares (Thousands)** | |
| (b) | Weighted average number of shares for basic earnings per share | 212,376 | 212,925 |
| | Effect of dilution: | | |
| | Share options (d) | 1,406 | 461 |
| | Adjusted weighted average number of shares | 213,782 | 213,386 |
| | | **Singapore cents** | |
| (c) | Earnings per share | | |
| | Basic | 3.69 | 6.62 |
| | Diluted | 3.67 | 6.60 |

(d) Options

Options granted to employees (including KMP) as described in note 25 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

2,610,000 (2011: nil) employee share options were granted to eligible employees and directors on 1 September 2012. Potential ordinary shares would have increased by 995,000 to 2,401,000 had this transaction occurred before the end of the reporting period. There were no other transactions involving ordinary or potential ordinary shares which occurred between the reporting date and the date of completion of these financial statements.

## 7. Dividends

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| Declared and paid during the financial year: | | |
| - Final unfranked dividend for 2010: 0.50 Australian cents per share | – | 1,309 |
| - Interim unfranked dividend for 2011: 0.45 Australian cents per share | – | 1,184 |
| - Final unfranked dividend for 2011: 0.55 Australian cents per share | 1,471 | – |
| - Interim unfranked dividend for 2012: 0.45 Australian cents per share | 1,235 | – |
| | 2,706 | 2,493 |
| Proposed but not recognised as a liability as at 30 June: | | |
| - Final unfranked dividend for 2012: 0.55 Australian cents per share (2011: 0.55 Australian cents) | 1,519 | 1,488 |

After the reporting date, the final dividend for 2012 was approved by the board of directors. These amounts have not been recognised as a liability as at 30 June 2012 but will be brought to account during next financial year.

## 8. Property, plant and equipment

| Consolidated | Freehold land | Leasehold properties | Buildings | Machinery under installation | Plant and equipment | Leasehold improvements | Motor vehicles | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **At 1.7.2010** | 2,382 | 10,441 | 5,155 | – | 26,265 | 1,332 | 1,669 | 47,244 |
| Currency realignment | (173) | (6) | (374) | – | 45 | 15 | 18 | (475) |
| Additions | – | – | 3 | 28 | 7,512 | 468 | 186 | 8,197 |
| Disposals | – | – | – | – | (13) | – | (52) | (65) |
| Reclassification | – | – | – | (8) | 8 | – | – | – |
| Reclassification to inventory | – | – | – | – | (2,240) | – | – | (2,240) |
| Write off | – | – | – | – | (370) | (75) | (3) | (448) |
| Acquisition of subsidiaries | – | – | – | – | 96 | – | 14 | 110 |
| Disposal of subsidiary | – | – | – | – | (11) | – | – | (11) |
| **At 30.6.2011** | 2,209 | 10,435 | 4,784 | 20 | 31,292 | 1,740 | 1,832 | 52,312 |
| Currency realignment | 1 | – | 3 | – | (101) | (5) | (5) | (107) |
| Additions | – | – | 3 | 78 | 8,243 | 335 | 93 | 8,752 |
| Disposals | – | – | – | – | (82) | – | (183) | (265) |
| Reclassification to inventory | – | – | – | – | (4,860) | – | – | (4,860) |
| Write off | – | – | – | – | (17) | – | – | (17) |
| Acquisition of subsidiary | – | – | – | – | 19 | – | – | 19 |
| Disposal of subsidiary | – | – | – | – | (119) | – | (352) | (471) |
| **At 30.6.2012** | 2,210 | 10,435 | 4,790 | 98 | 34,375 | 2,070 | 1,385 | 55,363 |
| **Accumulated depreciation and impairment** | | | | | | | | |
| **At 1.7.2010** | – | 2,580 | 383 | – | 8,702 | 777 | 1,374 | 13,816 |
| Currency realignment | – | (5) | (41) | – | 163 | 7 | 20 | 144 |
| Charge for 2011 | – | 270 | 252 | – | 2,937 | 364 | 141 | 3,964 |
| Disposals | – | – | – | – | (10) | – | (52) | (62) |
| Reclassification to inventory | – | – | – | – | (569) | – | – | (569) |
| Write off | – | – | – | – | (357) | (37) | (3) | (397) |
| Acquisition of subsidiaries | – | – | – | – | 77 | – | – | 77 |
| Disposal of subsidiary | – | – | – | – | (4) | – | – | (4) |
| **At 30.6.2011** | – | 2,845 | 594 | – | 10,939 | 1,111 | 1,480 | 16,969 |
| Currency realignment | – | – | (5) | – | (86) | (3) | (7) | (101) |
| Charge for 2012 | – | 270 | 245 | – | 3,381 | 218 | 111 | 4,225 |
| Disposals | – | – | – | – | (54) | – | (167) | (221) |
| Reclassification to inventory | – | – | – | – | (895) | – | – | (895) |
| Write off | – | – | – | – | (13) | – | – | (13) |
| Acquisition of subsidiary | – | – | – | – | 15 | – | – | 15 |
| Disposal of subsidiary | – | – | – | – | (107) | – | (342) | (449) |
| **At 30.6.2012** | – | 3,115 | 834 | – | 13,180 | 1,326 | 1,075 | 19,530 |
| **Net carrying value** | | | | | | | | |
| **At 30.6.2012** | 2,210 | 7,320 | 3,956 | 98 | 21,195 | 744 | 310 | 35,833 |
| **At 30.6.2011** | 2,209 | 7,590 | 4,190 | 20 | 20,353 | 629 | 352 | 35,343 |

**8. Property, plant and equipment (cont'd)**

(a) The net book value of property, plant and equipment held under hire purchase are as follows:-

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| Motor vehicles | 32 | 50 |
| Plant and equipment | 4,315 | 4,790 |
| | 4,347 | 4,840 |

(b) During the year, the Group acquired property, plant and equipment with an aggregate cost of S$8,752,000 (2011: S$8,197,000) of which S$1,711,000 (2011: S$1,265,000) were acquired by means of hire purchase financing. Cash payments of S$5,740,000 (2011: S$5,417,000) were made to purchase property, plant and equipment. Additions also included an amount of S$1,266,000 (2011: S$1,410,000) which was previously included in stock but was converted and capitalised as fixed assets during the current financial year. The balance of S$35,000 (2011: S$105,000) relates to provision for reinstatement made in the current financial year.

(c) During the financial year, the Group disposed of property, plant and equipment with an aggregate net book value of S$44,000 (2011: S$3,000). Sales proceeds amounting to S$131,000 (2011: S$21,000) were received in cash.

(d) During the financial year, the Group wrote off property, plant and equipment with an aggregate net book value of approximately S$4,000 (2011: S$51,000).

(e) The net book value of property, plant and equipment pledged as security are as follows:

| | | |
|---|---|---|
| Mortgage of leasehold properties | 3,250 | 3,375 |
| Mortgage of freehold land and buildings | 6,166 | 6,399 |
| | 9,416 | 9,774 |

## 9. Intangible assets

| ***Consolidated*** **Cost** | **Customer list** S$'000 | **Developed technology** S$'000 | **Goodwill** S$'000 | **Development expenditure** S$'000 | **Club membership** S$'000 | **Computer software** S$'000 | **Unpatented technology** S$'000 | **Patented technology** S$'000 | **Total** S$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 1.7.2010** | 910 | 1,108 | 5,323 | 316 | 11 | 731 | – | – | 8,399 |
| Additions | – | – | – | – | – | 454 | – | – | 454 |
| Acquisition of subsidiary | – | – | 854 | – | – | – | 3,049 | – | 3,903 |
| Write off | – | – | – | (316) | – | – | – | – | (316) |
| Currency realignment | 17 | 44 | 246 | – | (1) | 12 | – | – | 318 |
| **At 30.6.2011** | 927 | 1,152 | 6,423 | – | 10 | 1,197 | 3,049 | – | 12,758 |
| Currency realignment | (3) | (7) | (64) | – | – | (11) | – | – | (85) |
| Additions | – | – | – | 37 | – | 83 | – | 31 | 151 |
| Acquisition of subsidiary | – | – | 1,316 | – | – | – | 672 | – | 1,988 |
| Disposal of subsidiary | – | – | (190) | – | – | – | – | – | (190) |
| **At 30.6.2012** | 924 | 1,145 | 7,485 | 37 | 10 | 1,269 | 3,721 | 31 | 14,622 |
| **Accumulated amortisation:** | | | | | | | | | |
| **At 1.7.2010** | 638 | 635 | – | – | – | 90 | – | – | 1,363 |
| Currency realignment | – | – | – | – | – | 2 | – | – | 2 |
| Amortisation | 139 | 169 | – | – | – | 201 | 127 | – | 636 |
| **At 30.6.2011** | 777 | 804 | – | – | – | 293 | 127 | – | 2,001 |
| Currency realignment | – | – | – | – | – | (3) | – | – | (3) |
| Amortisation | 49 | 171 | – | – | – | 254 | 232 | – | 706 |
| **At 30.6.2012** | 826 | 975 | – | – | – | 544 | 359 | – | 2,704 |
| **Net carrying value:** | | | | | | | | | |
| **At 30 June 2012** | 98 | 170 | 7,485 | 37 | 10 | 725 | 3,362 | 31 | 11,918 |
| **At 30 June 2011** | 150 | 348 | 6,423 | – | 10 | 904 | 2,922 | – | 10,757 |

| | **Customer list** | **Developed technology** | **Computer software** | **Unpatented technology** | **Patented technology** |
|---|---|---|---|---|---|
| Average remaining amortisation period (years) – 2012 | 2 | 1 | 2 | 12.4 | 10 |
| Average remaining amortisation period (years) - 2011 | 3 | 2 | 3 | 13.4 | – |

**9. Intangible assets (cont'd)**

*Impairment tests for goodwill*

In accordance with AASB 3, the carrying value of the Group's goodwill on acquisition as at 30 June 2012 was assessed for impairment.

| Group | As at 30.6.2012 | As at 30.6.2011 | Basis on which recoverable values are determined | Growth rate per annum | | Discount rate per annum | |
|---|---|---|---|---|---|---|---|
| | | | | 2012 | 2011 | 2012 | 2011 |
| | S$'000 | S$'000 | | % | % | % | % |
| ***Carrying value of capitalised goodwill based on cash generating units*** | | | | | | | |
| Sys-Mac Automation Engineering Pte Ltd | 2,974 | 2,974 | Value-in-use | 5% - 8% | 5% - 15% | 13% | 12% |
| Zicom Group Limited | 2,530 | 2,594 | Value-in-use | 5% - 10% | 5% | 17% | 17% |
| Orion Systems Integration Pte Ltd | 664 | 664 | Value-in-use | 10% - 30% | 2% | 14% | 15.3% |
| Biobot Surgical Pte Ltd | 1,316 | – | Value-in-use | – | – | 17% | – |
| PT. Putra Dharma Harmoteknik | – | 190 | Value-in-use | – | 5% | – | 17% |
| | 7,484 | 6,422 | | | | | |

Goodwill is allocated for impairment testing purposes to the individual entity which is also the cash generating unit ("CGU").

The recoverable amount of each CGU is determined based on value-in-use calculations using cashflow projections based on financial budgets approved by management covering a one or five year period. Management determined budgeted gross margin in the financial budgets based on past performance and its expectation of market development. Cash flows beyond the one or five year period are extrapolated using the growth rates stated above.

The calculations of value in use for the CGUs are most sensitive to the following assumptions:-

Budgeted gross margins – Gross margins are based on average values achieved in the three years preceding the start of the budget period or if unavailable, based on management assessment of the markets. These are increased over the budget period for anticipated efficiency improvements.

Growth rates – The forecasted growth rates are based on management's assessment of the markets and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates – Discount rate reflect the current market assessment of the risk specific to the CGUs. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and the yield on a 15 year government bond at the beginning of the budgeted year.

*Sensitivity to changes in assumption*

Management believe that no reasonably possible change in any of the above key assumptions would cause the carrying values of these CGUs to materially exceed their recoverable amounts.

No impairment loss was required for the financial years ended 30 June 2012 and 30 June 2011 for goodwill as their recoverable values were in excess of their carrying values.

## 10. Investment in subsidiaries

| | Parent Entity 2012 S$'000 | Parent Entity 2011 S$'000 |
|---|---|---|
| Investment in controlled entities, at cost | 54,544 | 54,544 |
| Less: Impairment loss | (5,263) | (5,251) |
| | 49,281 | 49,293 |

The consolidated financial statements include the financial statements of Zicom Group Limited and the subsidiaries listed in the following table.

The interest in each controlled entity has been adjusted to assessed recoverable amounts on the basis of their underlying assets.

The details of controlled entities are as follows:

| Name of Company | Country of incorporation | Carrying value of Parent Entity Investment 2012 S$'000 | Carrying value of Parent Entity Investment 2011 S$'000 | Percentage of equity held by the Group 2012 % | Percentage of equity held by the Group 2011 % |
|---|---|---|---|---|---|
| ***Held by the Company:*** | | | | | |
| Cesco Australia Limited | Australia | 5,106 | 5,118 | 100 | 100 |
| Zicom Holdings Pte Ltd | Singapore | 44,175 | 44,175 | 100 | 100 |
| ***Controlled entities held by subsidiary companies:*** | | | | | |
| Cesco Equipment Pty Ltd | Australia | – | – | 100 | 100 |
| Zicom Pte Ltd | Singapore | – | – | 100 | 100 |
| Zicom Equipment Pte Ltd | Singapore | – | – | 100 | 100 |
| Foundation Associates Engineering Pte Ltd | Singapore | – | – | 100 | 100 |
| Foundation & Associate Pte Ltd | Singapore | – | – | 100 | 100 |
| Sys-Mac Automation Engineering Pte Ltd | Singapore | – | – | 100 | 100 |
| MTA-Sysmac Automation Pte Ltd | Singapore | – | – | 61 | 51 |
| SAEdge Vision Solutions Pte Ltd | Singapore | – | – | 100 | – |
| Integrated Automation Systems Pte Ltd | Singapore | – | – | 100 | 100 |
| Orion Systems Integration Pte Ltd | Singapore | – | – | 54 | 54 |
| Biobot Surgical Pte Ltd | Singapore | – | – | 80 | 47 |
| PT. Sys-Mac Indonesia | Indonesia | – | – | 100 | 100 |
| PT. Putra Dharma Harmoteknik | Indonesia | – | – | – | 60 |
| Zicom Cesco Engineering Co. Ltd | Thailand | – | – | 100 | 100 |
| Zicom Cesco Thai Co. Ltd | Thailand | – | – | 100 | 100 |
| Zicom Thai Hydraulics Co. Ltd | Thailand | – | – | 100 | 100 |
| FA Geotech Equipment Sdn Bhd | Malaysia | – | – | 100 | 100 |
| Cesco Kemajuan Sdn Bhd | Malaysia | – | – | 100 | 100 |
| Cesco Systems & Engineering Sdn Bhd | Malaysia | – | – | – | 88 |
| Hangzhou Cesco Machinery Co. Ltd | China | – | – | 100 | 100 |
| | | 49,281 | 49,293 | | |

**10. Investment in subsidiaries (cont'd)**

*Entity subject to class order relief*

Pursuant to the Class Order 98/1418, relief has been granted to Cesco Australia Limited from the *Corporations Act* 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition for the Class Order, Cesco Australia Limited entered into a Deed of Cross Guarantee on 15 May 2008. The effect of the deed is that Zicom Group Limited has guaranteed to pay any deficiency in the event of winding up of Cesco Australia Limited or if Cesco Australia Limited does not meet its obligations under the terms of overdraft, loans, leases or other liabilities subject to the guarantee.

Cesco Australia Limited has also given a similar guarantee in the event that Zicom Group Limited is wound up or if it does not meet its obligations under the terms of overdraft, loans and leases or other liabilities subject to the guarantee.

The consolidated Income Statement and Balance Sheet of the entities that are members of the Closed Group are as follows:

***Consolidated Income Statement***

| | Closed Group | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| Profit from continuing activities before taxation | 3,250 | 2,818 |
| Income tax expense | – | – |
| Net profit for the year | 3,250 | 2,818 |
| Accumulated losses at the beginning | (25,081) | (25,406) |
| Dividends paid | (2,706) | (2,493) |
| Accumulated losses at the end | (24,537) | (25,081) |

**10. Investment in subsidiaries (cont'd)**

***Consolidated Balance Sheet***

| | Closed Group | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| **Non-current assets** | | |
| Property, plant and equipment | 2,251 | 1,415 |
| Intangible assets | 742 | 850 |
| Investment in subsidiaries | 44,175 | 44,175 |
| | 47,168 | 46,440 |
| **Current assets** | | |
| Cash and bank balances | 1,605 | 1,365 |
| Inventories | 3,692 | 4,627 |
| Trade and other receivables | 7,717 | 7,656 |
| | 13,014 | 13,648 |
| **Current liabilities** | | |
| Payables | 8,977 | 9,330 |
| Interest-bearing liabilities | 2,812 | 2,891 |
| Provisions | 229 | 200 |
| Unearned income | – | 61 |
| | 12,018 | 12,482 |
| **NET CURRENT ASSETS** | 996 | 1,166 |
| **Non-current liabilities** | | |
| Interest-bearing liabilities | 91 | 242 |
| Provisions | 194 | 195 |
| | 285 | 437 |
| **NET ASSETS** | 47,879 | 47,169 |
| **Equity attributable to equity holders of the Company** | | |
| Contributed equity | 71,091 | 70,991 |
| Reserves | 1,325 | 1,259 |
| Accumulated losses | (24,537) | (25,081) |
| **TOTAL EQUITY** | 47,879 | 47,169 |

**11. Investment in associates**

(a) Investment details

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| Biobot Surgical Pte Ltd | – | 2,838 |
| Curiox Biosystems Pte Ltd | 2,768 | 2,007 |
| | 2,768 | 4,845 |

(b) Movements in the carrying amount of the Group's investment in associates

**Biobot Surgical Pte Ltd ("BBS")**

On 2 April 2012, Zicom Holdings Pte Ltd ("ZHPL"), the wholly owned subsidiary of the Company, acquired control in its 46.67% owned associate. Consequently, Biobot Surgical Pte Ltd became a subsidiary of the Group. Please refer to note 26 for more details.

| **Curiox Biosystems Pte Ltd ("Curiox")** | **2012** | **2011** |
|---|---|---|
| | S$'000 | S$'000 |
| At beginning of year or date of acquisition, if later | 2,007 | 1,706 |
| Additional investment | 1,451 | 532 |
| Share of losses after income tax | (690) | (231) |
| At end of year | 2,768 | 2,007 |

During the year, ZHPL has injected S$998,000 via the exercise of the symmetrical cross call and put options on Curiox. ZHPL has also been allocated 171,586 Rights Shares pursuant to the renounceable Rights Issue of Curiox, at an issue price of S$5.28 per Right Share payable in 2 equal tranches. Consideration for the first tranche amounting to S$453,000 has been paid in April 2012 whilst the remaining tranche will be due in September 2012.

With the additional investment, ZHPL's equity interest in Curiox increased to 44.06% as at 30 June 2012 (2011: 32.78%).

(c) Summarised financial information

The following table illustrates summarised financial information relating to the Group's associates:

Extract from the associates' balance sheet:

| | **2012** | **2011** |
|---|---|---|
| | S$'000 | S$'000 |
| Current assets | 1,137 | 2,032 |
| Non-current assets | 560 | 6,348 |
| | 1,697 | 8,380 |
| Current liabilities | (772) | (593) |
| Net assets | 925 | 7,787 |

**11. Investment in associates (cont'd)**

(c) Summarised financial information (cont'd)

Extract from the associates' statement of comprehensive income:

| **Results:** | **Consolidated** | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| Revenue | 133 | 164 |
| Net losses | (1,600) | (2,479) |

**12. Inventories**

| | **Consolidated** | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| Raw materials, at net realisable value | 2,844 | 3,109 |
| Raw materials, at cost | 2,020 | 1,921 |
| Work-in-progress, at cost | 9,925 | 11,936 |
| Trading stocks, at cost | 12,735 | 11,873 |
| Trading stocks, at net realisable value | 296 | 298 |
| Stocks-in-transit, at cost | 435 | 1,169 |
| Total inventories at lower of cost and net realisable value | 28,255 | 30,306 |

Inventories recognised as cost of sales for the year ended 30 June 2012 totalled S$99,144,000 (2011: S$101,639,000) for the Group.

**13. Current assets - receivables**

| | **Consolidated** | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| Trade receivables (a) | 26,150 | 24,943 |
| Allowance for impairment loss (b) | (374) | (141) |
| | 25,776 | 24,802 |
| Lease receivable (c) | – | 316 |
| Advance payments to suppliers | 677 | 1,066 |
| Amount due from customers for contract work (note 14) | 4,554 | 5,961 |
| Deposits | 207 | 205 |
| Related party receivables (d): | | |
| - Associates (non-trade) | 457 | 33 |
| - Other related parties (trade) | 13 | – |
| Other receivables | 1,485 | 1,629 |
| | 33,169 | 34,012 |

(a) Please refer to note 21 for the ageing analysis of trade receivables past due but not impaired.

**13. Current assets – receivables (cont'd)**

(b) Allowance for impairment loss

Trade and other receivables are non-interest bearing and are generally due when invoiced or on 30 days term. An allowance for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

The group has trade and other receivables that are impaired at the balance sheet date and the movements of the allowance accounts used to record the impairment are as follows:

| | Consolidated individually impaired | | | |
|---|---|---|---|---|
| | Trade receivables | | Non-trade receivables | |
| | 2012 | 2011 | 2012 | 2011 |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Nominal amounts | 374 | 141 | 26 | – |
| Less: allowance for impairment | (374) | (141) | (26) | – |
| | – | – | – | – |
| Movements in allowance accounts: | | | | |
| As at 1 July | 141 | 197 | – | – |
| Charge for the year | 281 | 49 | 26 | – |
| Written off | (40) | (64) | – | – |
| Write back | (10) | (44) | – | – |
| Currency realignment | 2 | 3 | – | – |
| As at 30 June | 374 | 141 | 26 | – |

(c) As one of the subsidiary companies leases equipment to third parties under finance lease, future minimum lease payments receivable together with the present value of the net minimum lease payments receivable are as follows:

| | Minimum lease payments receivable | Present value of receivable | Minimum lease payments receivable | Present value of receivable |
|---|---|---|---|---|
| | 2012 | 2012 | 2011 | 2011 |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| **Consolidated** | | | | |
| Due within 1 year | – | – | 330 | 316 |
| After 1 year but not more than 5 years | – | – | 27 | 26 |
| Total minimum lease payments | – | – | 357 | 342 |
| Less: Amount representing finance charges | – | – | (15) | – |
| | – | – | 342 | 342 |

(d) For related party receivables, please refer to note 23 for terms and conditions.

(e) Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

**14. Gross amount due from/(to) customers for contract work**

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| Contract costs incurred to date | 17,889 | 14,090 |
| Recognised profits to date | 2,198 | 5,549 |
| | 20,087 | 19,639 |
| Progress billings and advances | (18,815) | (15,945) |
| Amount due from customers for contract work, net | 1,272 | 3,694 |
| Gross amount due from customers for contract work (note 13) | 4,554 | 5,961 |
| Gross amount due to customers for contract work (note 16) | (3,282) | (2,267) |
| | 1,272 | 3,694 |
| Advances received included in gross amount due to customers for contract work | 1,330 | 1,279 |

Revenue recognised on projects is disclosed in note 4.

**15. Financial assets recorded at fair value through profit or loss**

Derivative relates to a contractual right held by Zicom Holdings Pte Ltd ("ZHPL") to receive Profit Guarantee Shares from the non-controlling shareholders of Biobot Surgical Pte Ltd ("BBS") if BBS do not achieve the minimum agreed profits by 30 June 2013.

The fair value of these Profit Guarantee Shares recognised in profit or loss during the current financial year was a gain of S$800,000 (2011: S$nil).

**16. Current liabilities - payables**

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| Trade, other payables and accruals (a) | 28,209 | 28,843 |
| Amount due to customers for contract work (note 14) | 3,282 | 2,267 |
| Owing to related parties (b) | | |
| - Associate (non-trade) | – | 500 |
| - Other related parties (trade) | 25 | – |
| - Other related parties (non-trade) | 31 | 1 |
| | 31,547 | 31,611 |

(a) All amounts are non-interest bearing and are normally settled on 30 to 90-day terms.

(b) Related parties

For related parties' payable, please refer to note 23 for terms and conditions.

(c) Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

**17. Interest-bearing liabilities**

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| *Current* | | |
| Bank overdraft (a) | 205 | 495 |
| Bills payable (b) | 2,342 | 3,142 |
| Factory loan (c) | 585 | 575 |
| Machinery loan (d) | 366 | 357 |
| Invoice finance facility (e) | 3,217 | 2,754 |
| Term loan (f) | 2,332 | 2,412 |
| Lease liabilities (note 27) | 1,378 | 1,476 |
| | 10,425 | 11,211 |
| *Non-Current* | | |
| Factory loan (c) | 1,847 | 2,431 |
| Machinery loan (d) | 244 | 616 |
| Term loan (f) | 2,784 | 5,056 |
| Lease liabilities (note 27) | 1,660 | 2,535 |
| | 6,535 | 10,638 |

Details of the secured borrowings are as follows:

(a) Overdraft of S$205,000 (2011: S$181,000) which bears interest at 7.50% (2011: 9.00%) per annum is secured by a mortgage of the subsidiary company's freehold land and buildings at Chonburi, Thailand.

The remaining overdraft of S$314,000 outstanding as at 30 June 2011 which bore interest at 6.00% per annum was secured by a corporate guarantee given by Zicom Holdings Pte Ltd ("ZHPL").

(b) Bills payable amounting to S$2,342,000 (2011: S$3,142,000) with an average maturity of 3 – 4 months (2011: 2 - 4 months) bears interest at 2.15% to 7.50% (2011: 2.10% to 6.00%) per annum. As at 30 June 2012, S$39,000 (2011: S$265,000) of these bills payables were secured by a mortgage of the subsidiary company's freehold land and buildings at Chonburi, Thailand. All bills payable were secured by a corporate guarantee given by ZHPL.

(c) Factory loans amounting to S$1,266,000 (2011: S$1,476,000) which is made up of current and long-term portions of S$220,000 (2011: S$211,000) and S$1,046,000 (2011: S$1,265,000) respectively is repayable over the remaining 62 monthly instalments at fixed interest rate of 1.45% per annum. It is secured by a legal mortgage on ZHPL's leasehold property at No. 9 Tuas Avenue 9 Singapore 639198 and a corporate guarantee from the Company. This factory loan was refinanced after the balance sheet date on substantially same terms except for the reduction in interest rate. This factory loan bore interest at a floating rate of 4.875% per annum as at 30 June 2011.

The remaining factory loan amounting to S$1,166,000 (2011: S$1,530,000) which is made up of current and non-current portions of S$365,000 (2011: S$364,000) and S$801,000 (2011: S$1,166,000) respectively is repayable over the remaining 38 monthly instalments at an interest rate of 5.25% (2011: 5.00%) per annum. It is secured by a legal mortgage of the subsidiary company's freehold land and buildings at 700/895 Moo 2, Amata Nakorn Industrial Estate, Chonburi, Thailand and a corporate guarantee from ZHPL.

(d) Machinery loan amounting to S$374,000 (2011: S$595,000) which is made up of current and non-current portions of S$221,000 (2011: S$221,000) and S$153,000 (2011: S$374,000) respectively is repayable over the remaining 20 monthly instalments. This machinery loan which bears interest at 5.25% (2011: 5.00%) per annum is secured by a legal mortgage on the subsidiary company's freehold land and buildings at 700/895 Moo 2, Amata Nakorn Industrial Estate, Chonburi, Thailand and a corporate guarantee from ZHPL.

The remaining machinery loan amounting to S$236,000 (2011: S$378,000) which consists of current and long-term portions of S$145,000 (2011: S$136,000) and S$91,000 (2011: S$242,000) respectively bears interest at a fixed rate of 8.62% (2011: 8.62%) per annum. This facility is secured by a fixed and floating charge over all the assets of Cesco Australia Limited ("CAL").

**17. Interest-Bearing Liabilities (cont'd)**

(e) Invoice finance facility amounting to S$550,000 (2011: S$nil) which bears interest at 2.46% per annum is secured by a corporate guarantee given by ZHPL.

The remaining invoice finance facility amounting to S$2,667,000 (2011: S$ 2,754,000) which bears floating interest rate at 6.80% to 7.90% (2011: 6.90% to 9.20%) per annum is secured by a fixed and floating charge over all the assets of CAL.

(f) Term loans amounting to S$5,056,000 (2011: S$7,328,000) comprising current and long-term portions of S$2,272,000 (2011: S$2,272,000) and S$2,784,000 (2011: S$5,056,000) respectively bears floating interest at 2.45% to 2.70% (2011: 2.60% to 2.71%) per annum is repayable over 36 or 48 monthly instalments and secured by a corporate guarantee given by ZHPL.

The remaining term loan payable within 12 months amounting to S$60,000 (2011: S$140,000) bears interest at 4.25% (2011: 5.00%) per annum and is secured by a legal mortgage on the subsidiary company's freehold land and buildings at 700/895 Moo 2, Amata Nakorn Industrial Estate, Chonburi, Thailand and a corporate guarantee from ZHPL.

(g) Financing facilities available

As at 30 June 2012, the Group had available S$108,785,000 (2011: S$82,965,000) of undrawn committed borrowing facilities and all bank covenants were complied with.

**18. Provisions**

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| *Current* | | |
| Product warranties | 1,061 | 1,243 |
| Employee benefits | 254 | 158 |
| | 1,315 | 1,401 |
| *Non-Current* | | |
| Employee benefits | 134 | 135 |
| Reinstatement costs | 183 | 148 |
| | 317 | 283 |
| Movements in provision for warranties: | | |
| At beginning of year | 1,243 | 1,029 |
| Allowance for the year | 418 | 567 |
| Write back of allowance | (309) | (164) |
| Utilisation | (314) | (194) |
| Acquisition of subsidiary | 23 | – |
| Currency realignment | – | 5 |
| At end of year | 1,061 | 1,243 |
| Warranty expense written-off directly to profit or loss (note 4) | – | 5 |
| Movements in provision for employee benefits: | | |
| At beginning of year | 293 | 265 |
| Allowance for the year | 105 | – |
| Currency realignment | (10) | 28 |
| At end of year | 388 | 293 |

**18. Provisions (cont'd)**

Movements in provision for reinstatement costs:

| | Consolidated 2012 S$'000 | Consolidated 2011 S$'000 |
|---|---|---|
| At beginning of year | 148 | 43 |
| Allowance for the year | 35 | 105 |
| At end of year | 183 | 148 |

In accordance with the lease agreement, the Group must reinstate certain subsidiaries' leased premises in Singapore and Australia to its original condition at the end of the lease term in 2014 and 2015 respectively.

An additional provision of S$35,000 (2011: S$105,000) was raised during the year ended 30 June 2012 in respect of the Group's obligation to remove leasehold improvements from the leased premises in Singapore and is included in the carrying amount of leasehold improvements.

Because of the long-term nature of liability, the greatest uncertainty in estimating the provision is the costs that will ultimately be incurred. The provision has been calculated using a pre-tax discount rate of 6%.

**19. Contributed equity**

(a) Share Capital

| | Parent entity | | Consolidated | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | No. of shares (Thousands) | | S$'000 | S$'000 |
| Ordinary fully paid shares | 212,452 | 212,159 | 37,083 | 36,983 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

(b) Movements in ordinary share capital

| | Company Number of ordinary shares (Thousands) | Group S$'000 |
|---|---|---|
| At 1 July 2010 | 211,698 | 36,991 |
| Issue of shares in lieu of cash performance bonus *(i)* | 3,358 | 561 |
| Share buy-back *(ii)* | (4,059) | (1,107) |
| Issue of shares under Zicom Employee Share and Option Plan *(iii)* | 1,162 | 538 |
| At 30 June 2011 | 212,159 | 36,983 |
| Issue of shares under Zicom Employee Share and Option Plan *(iv)* | 293 | 100 |
| At 30 June 2012 | 212,452 | 37,083 |

**19. Contributed equity (cont'd)**

(b) Movements in ordinary share capital (cont'd)

(i) *Issue of shares in lieu of cash performance bonus*

On 6 October 2010, the board approved the issue and allotment of a total 1,454,000 shares to Messrs Juat Lim Sim, Hung Seah Tang and Hong Jun Zhang fully paid at A$0.13 per share as part payment of their performance bonus for the year ended 30 June 2010. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

Pursuant to the shareholders' meeting on 12 November 2010, 1,574,000 and 330,000 shares were allotted to Mr Giok Lak Sim and Mr Kok Hwee Sim respectively, fully paid at A$0.13 per share as part payment of their performance bonus for the year ended 30 June 2010. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

(ii) *Share buy-back*

On 30 May 2010, the board approved an on-market share buy-back within the 10/12 limit as part of the Group's capital management program. The share buy-back scheme which commenced on 1 September 2010 bought back 4,059,000 shares up to 30 June 2011.

(iii) *Issue of shares under Zicom Employee Share and Option Plan ("ZESOP")*

From February 2011 to June 2011, the Company issued and allotted 1,162,000 ordinary shares, fully paid at A$0.28 per share, under the ZESOP. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

(iv) *Issue of shares under ZESOP*

On 4 October 2011, the Company issued and allotted 293,000 ordinary shares, fully paid at A$0.18 per share, under the ZESOP. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

**20. Cash and cash equivalents**

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| Cash at bank and in hand | 21,455 | 19,871 |
| Short-term fixed deposits | 2,991 | 3,804 |
| | 24,446 | 23,675 |
| For the purpose of cash flow statements, cash and cash equivalents comprise the following as at 30 June: | | |
| Cash and short-term deposits | 24,446 | 23,675 |
| Bank overdrafts | (205) | (495) |
| | 24,241 | 23,180 |

Cash at bank balance amounting to S$3,123,000 (2011: S$193,000) as at 30 June 2012 earned interest at floating rate based on daily bank deposit rates ranging of 1.0% to 3.8% (2011: 1.0% to 7.1%) per annum. The remaining cash at bank balances are non-interest bearing.

Short-term deposits are made for varying periods of one day to one month depending on the immediate cash requirements of the Group and earn interests at the respective short-term rates.

**21. Financial instruments**

(a) Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Group enters into derivative transactions, principally foreign currency forward contracts and foreign currency options, purpose is to manage currency risk arising from the Group's operations and sources of finance. The Group does not apply hedge accounting for such derivatives.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from loans and borrowings which have floating interest rates. The Group's policy with respect to controlling this risk is linked to a regular review of the total debt position and assessment of the impact of adverse changes in interest rates applicable to new and existing debt facilities. Consideration is given to potential renewal of existing positions, alternative financing, alternative hedging positions and mix of fixed and variable interest rates.

At the balance sheet date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

| | **Consolidated** | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| *Financial assets* | | |
| Cash and bank balances | 3,123 | 193 |
| *Financial liabilities* | | |
| Bank overdraft | 205 | 495 |
| Invoice finance facility | 2,667 | 2,754 |
| Factory loans | 1,166 | 3,006 |
| Machinery loans | 374 | 595 |
| Term loan | 5,056 | 7,328 |
| | 9,468 | 14,178 |

*Sensitivity analysis of interest rate risk*

As at 30 June 2012, if interest rates had increased/decreased by 25 basis point with all other variables held constant, post-tax profits for the consolidated entity for the financial year would be (S$12,000)/S$12,000 (2011: (S$43,000)/S$43,000) lower/higher, as a result of the higher/lower interest rates. Accordingly, the Group's equity as at year-end will be (S$12,000)/S$12,000 (2011: (S$43,000)/S$43,000) lower/higher. Term loans amounting to S$60,000 (2011: S$140,000) have fixed interest rates until expiry, at which point interest rates resets.

**21. Financial instruments (cont'd)**

(c) Foreign currency risk

Foreign currency risk occurs as a result of the Group's transactions that are not denominated in their respective functional currencies. These transactions arise from the Group's ordinary course of business. The Group transacts business in various currencies and as a result, is largely exposed to movements in exchange rates of United States dollars, Norwegian Kroner, Euros and Australian dollars.

The Group manages its foreign exchange exposure by a policy of matching, as far as possible, receipts and payments in each individual currency. The Group also uses foreign currency forward contracts and foreign currency options to hedge a portion of its future foreign exchange exposure. The Group uses these currency contracts purely as a hedging tool and does not take positions in currencies with a view to make speculative gains from currency movements.

The following sensitivity analysis is based on the foreign exchange risk exposure in existence at the balance sheet date. As at 30 June, if exchange rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

| | **Post tax profit Higher/(lower)** | |
|---|---|---|
| | **2012** | **2011** |
| ***Consolidated*** | S$'000 | S$'000 |
| USD | | |
| - strengthened 3% (2011: 6%) | 255 | 559 |
| - weakened 3% (2011: 6%) | (255) | (559) |
| NOK | | |
| - strengthened 2% (2011: 4%) | – | 5 |
| - weakened 2% (2011: 4%) | – | (5) |
| EUROS | | |
| - strengthened 3% (2011:4%) | (1) | 6 |
| - weakened 3% (2011:4%) | 1 | (6) |
| AUD | | |
| - strengthened 1% (2011: 3%) | 34 | 19 |
| - weakened 1% (2011: 3%) | (34) | (19) |
| GBP | | |
| - strengthened 3% (2011: 2%) | (11) | (2) |
| - weakened 3% (2011: 2%) | 11 | 2 |

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. Credit risk is monitored through careful selection of customers and their balances are monitored on an ongoing basis with the result that the Group's exposure of bad debts has not been significant.

**21. Financial instruments (cont'd)**

(d) Credit risk (cont'd)

*Credit risk concentration profile*

The Group determines concentration of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

| | Consolidated | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | S$'000 | % of total | S$'000 | % of total |
| Australia | 5,288 | 20.5% | 4,863 | 19.6% |
| Bangladesh | 3,459 | 13.4% | 3,465 | 14.0% |
| Hong Kong | 279 | 1.1% | 134 | 0.5% |
| India | 3 | – | 201 | 0.8% |
| Indonesia | 61 | 0.2% | 335 | 1.3% |
| Malaysia | 2,301 | 8.9% | 2,270 | 9.2% |
| People's Republic of China | 494 | 1.9% | 445 | 1.8% |
| Singapore | 8,910 | 34.6% | 9,058 | 36.5% |
| Thailand | 1,519 | 5.9% | 874 | 3.5% |
| United States of America | 3,363 | 13.1% | 2,663 | 10.7% |
| Vietnam | – | – | 255 | 1.1% |
| Others | 99 | 0.4% | 239 | 1.0% |
| | 25,776 | 100% | 24,802 | 100% |

At the balance sheet date, approximately 59.8% (2011: 61.8%) of the Group's trade receivables were due from 15 (2011: 18) major customers.

*Financial assets that are neither past due nor impaired*

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and short term deposits are placed with reputable banks.

Included in trade receivables as at 30 June 2012, S$2,506,000 (2011: S$1,869,000) are arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based.

*Financial assets that are past due but not impaired*

As at 30 June 2012, the ageing analysis of trade receivables is as follows:

| | Consolidated | |
|---|---|---|
| | 2012 | 2011 |
| | S$'000 | S$'000 |
| Less than 30 days | 4,192 | 6,010 |
| 30 to 60 days | 1,752 | 2,108 |
| 61 to 90 days | 1,326 | 504 |
| 91 to 120 days | 1,162 | 1,191 |
| More than 120 days | 3,756 | 3,313 |
| | 12,188 | 13,126 |

*Financial assets that are impaired*

Please refer to note 13 for details.

**21. Financial instruments (cont'd)**

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The following table summarises the maturity profile of the Group's financial assets and liabilities at the balance sheet date based on contractual undiscounted payments. The expected timing of actual cash flows from these financial instruments may differ.

| Consolidated | 6 months or less S$'000 | 7 to 12 months S$'000 | After 1 year but not more than 5 years S$'000 | 5 to 10 years S$'000 | Total S$'000 |
|---|---|---|---|---|---|
| **2012** | | | | | |
| ***Financial assets:*** | | | | | |
| Trade receivables | 25,776 | – | – | – | 25,776 |
| Other receivables | 545 | 139 | – | – | 684 |
| Investment securities | – | – | 1 | – | 1 |
| Cash and bank balances | 24,446 | – | – | – | 24,446 |
| Total undiscounted financial assets | 50,767 | 139 | 1 | – | 50,907 |
| ***Financial liabilities:*** | | | | | |
| Trade payables | 12,409 | – | – | – | 12,409 |
| Other payables | 7,589 | 986 | 134 | 183 | 8,892 |
| Loans and borrowings | 8,373 | 2,397 | 6,754 | 29 | 17,553 |
| Total undiscounted financial liabilities | 28,371 | 3,383 | 6,888 | 212 | 38,854 |
| Total net undiscounted financial assets/(liabilities) | 22,396 | (3,244) | (6,887) | (212) | 12,053 |
| **Consolidated** | | | | | |
| **2011** | | | | | |
| ***Financial assets:*** | | | | | |
| Trade receivables | 24,967 | 165 | 27 | – | 25,159 |
| Other receivables | 194 | 110 | 7 | – | 311 |
| Investment securities | – | – | 1 | – | 1 |
| Cash and bank balances | 23,675 | – | – | – | 23,675 |
| Total undiscounted financial assets | 48,836 | 275 | 35 | – | 49,146 |
| ***Financial liabilities:*** | | | | | |
| Trade payables | 10,287 | – | – | – | 10,287 |
| Other payables | 9,382 | 1,008 | 175 | 148 | 10,713 |
| Loans and borrowings | 9,177 | 2,560 | 10,975 | 324 | 23,036 |
| Total undiscounted financial liabilities | 28,846 | 3,568 | 11,150 | 472 | 44,036 |
| Total net undiscounted financial assets/(liabilities) | 19,990 | (3,293) | (11,115) | (472) | 5,110 |

**21. Financial instruments (cont'd)**

(f) Derivative financial instruments

*(i) Fair value of financial instruments that are carried at fair value*

| | **Quoted prices in active markets for identical instruments** | **Significant other observable inputs** | **Significant unobservable inputs** | **Total** |
|---|---|---|---|---|
| | (Level 1) | (Level 2) | (Level 3) | |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| **Consolidated** | | | | |
| **2012** | | | | |
| ***Financial assets:*** | | | | |
| Available-for-sale | 1 | – | – | 1 |
| Derivatives (unquoted) | – | – | 300 | 300 |
| At 30 June 2012 | 1 | – | 300 | 301 |
| ***Financial liabilities:*** | | | | |
| Derivatives – foreign currency options | – | 497 | – | 497 |
| At 30 June 2012 | – | 497 | – | 497 |
| **2011** | | | | |
| ***Financial assets:*** | | | | |
| Available-for-sale | 1 | – | – | 1 |
| At 30 June 2011 | 1 | – | – | 1 |
| ***Financial liabilities:*** | | | | |
| Derivatives – foreign currency options | – | 110 | – | 110 |
| At 30 June 2011 | – | 110 | – | 110 |

*Fair value hierarchy*

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1– Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include foreign exchange contracts not on a recognised exchange.

There were no transfers between level 1 and level 2 during the financial years 2012 and 2011.

**21. Financial instruments (cont'd)**

(f) Derivative financial instruments (cont'd)

*(i) Fair value of financial instruments that are carried at fair value (cont'd)*

Reconciliation of Level 3 fair value movements

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| Opening balance | – | – |
| Total gains or losses | | |
| in other comprehensive income | – | – |
| in profit or loss | 300 | – |
| Transfer from other categories | – | – |
| Ending balance | 300 | – |

The Group uses the discounted cashflow method in determining the fair value of unquoted derivative.

(ii) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

Management has determined that the carrying amounts of cash and short-term deposits, current trade and other receivables, current trade and other payables, current interest-bearing liabilities reasonably approximate their fair values because they are mostly short-term in nature and repriced frequently.

(iii) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The fair values of non-current finance lease liability and bank loans, which are not carried at fair value in the balance sheet, is presented in the following table. The fair value is estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending and borrowing arrangements.

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| ***Financial liabilities:*** | | | | |
| Obligations under finance leases | 1,660 | 2,535 | 1,581 | 2,343 |
| Bank loans (non-current) | 4,875 | 8,103 | 4,456 | 7,278 |

**22. Capital Management**

The Group's primary objective when managing capital is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management is constantly adjusting the capital structure to take advantage of favourable costs of capital or higher returns on assets. As the market is constantly changing and after taking into account the Group's expansion requirements, management may adjust the dividend payments to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

**22. Capital Management (cont'd)**

Management monitors capital through the gearing ratio (net debt / total capital). The Group defines net debts as interest-bearing liabilities less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company and reserves. The Group's policy is to keep its gearing ratio at less than 50%.

The gearing ratios as at 30 June 2012 and 30 June 2011 were 0% as cash and cash equivalents exceeded interest-bearing liabilities.

**23. Related party disclosures**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

In addition to the related party information disclosed elsewhere in the financial statements, the following are transactions with related parties at mutually agreed terms and amounts:

(a) Sale and purchase of goods and services

| | **Consolidated** | |
|---|---|---|
| | **2012** | **2011** |
| | S$'000 | S$'000 |
| Minority shareholder of a subsidiary company | | |
| - Sales | 284 | 324 |
| - Purchases | 46 | 1,740 |
| Associates | | |
| - Sales | 137 | 82 |
| - Interest income | 32 | 34 |
| - Rental income | 33 | – |
| - Service rendered | 18 | – |
| Other related parties | | |
| - Sales | 12 | – |
| - Purchases | 22 | – |
| - Commission paid | 28 | – |

(b) Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made at arm's length basis at normal market prices and on normal commercial terms.

As at 30 June 2012, advances amounting to S$453,000 (2011: S$nil) given to Curiox Biosystems Pte Ltd bears interest at 5.0% per annum. This advance will be applied against payment for the Right Shares due in September 2012.

As at 30 June 2011, advances amounting to S$1,500,000 were given to Biobot Surgical Pte Ltd at an interest rate of 5% per annum. These loans which were given in advance against investment tranche dates have been fully capitalised in the current financial year.

Outstanding balances as at year-end with other related parties are unsecured, interest-free and have no fixed terms of repayment. For information regarding outstanding balance on related party receivables and payables at year-end, please refer to notes 13 and 16.

(c) Directors and key management personnel

Disclosures are set out in note 24.

(In Singapore dollars)

**24. Key management personnel**

(a) Details of key management personnel

(i) Directors

| | |
|---|---|
| G L Sim | (Chairman and Managing Director) |
| K H Sim | (Executive Director) |
| K Y Sim | (Alternate Director to K H Sim) |
| Y P Lim | (Independent) |
| F Leong | (Independent) |
| I R Millard | (Independent) |
| S P Sze | (Independent) |

(ii) Executives

| | |
|---|---|
| G H Teoh | (Managing Director of Foundation Associates Engineering Pte Ltd) |
| J Koon Sim | (President of Sys-Mac Automation Engineering Pte Ltd) |
| J L Sim | (Joint Managing Director of Zicom Pte Ltd) |
| H S Tang | (Joint Managing Director of Zicom Pte Ltd) |

(b) Compensation of key management personnel

| | Consolidated | |
|---|---|---|
| | **2012** S$ | **2011** S$ |
| Short-term employee benefits | 2,898,179 | 4,142,408 |
| Post-employment benefits | 54,129 | 62,889 |
| Share-based payment | 332,468 | 98,587 |
| Total compensation | 3,284,776 | 4,303,884 |

(c) Shareholdings of key management personnel

**30 June 2012**

| | **Balance as at 1 July 2011** | **Granted as remuneration** | **Options exercised** | **Net change other** | **Balance as at 30 June 2012** |
|---|---|---|---|---|---|
| *Directors* | | | | | |
| G L Sim | 73,785,212 | – | – | 2,300,000 | 76,085,212 |
| K H Sim | 1,062,846 | – | – | – | 1,062,846 |
| K Y Sim | 800,717 | – | – | – | 800,717 |
| Y P Lim | 438,000 | – | – | – | 438,000 |
| F Leong | 258,750 | – | – | 167,594 | 426,344 |
| I R Millard | 542,250 | – | – | – | 542,250 |
| S P Sze | – | – | – | – | – |
| *Executives* | | | | | |
| G H Teoh | 50,000 | – | – | – | 50,000 |
| J Koon Sim | 20,091,937 | – | – | – | 20,091,937 |
| J L Sim | 6,407,767 | – | – | – | 6,407,767 |
| H S Tang | 2,636,464 | – | – | (165,765) | 2,470,699 |
| | 106,073,943 | – | – | 2,301,829 | 108,375,772 |

(In Singapore dollars)

**24. Key management personnel (cont'd)**

(c) Shareholdings of key management personnel (cont'd)

**30 June 2011**

| | Balance as at 1 July 2010 | Granted as remuneration | Options exercised | Net change other | Balance as at 30 June 2011 |
|---|---|---|---|---|---|
| *Directors* | | | | | |
| G L Sim | 72,210,947 | 1,574,265 | – | – | 73,785,212 |
| K H Sim | 733,000 | 329,846 | – | – | 1,062,846 |
| K Y Sim | 800,717 | – | – | – | 800,717 |
| Y P Lim | 413,000 | – | 25,000 | – | 438,000 |
| F Leong | 233,750 | – | 25,000 | – | 258,750 |
| I R Millard | 517,250 | – | 25,000 | – | 542,250 |
| S P Sze | – | – | – | – | – |
| *Executives* | | | | | |
| G H Teoh | 5,578,469 | – | 100,000 | (5,628,469) | 50,000 |
| J Koon Sim | 22,031,771 | – | – | (1,939,834) | 20,091,937 |
| J L Sim | 5,691,149 | 716,618 | – | – | 6,407,767 |
| H S Tang | 2,575,772 | 449,927 | – | (389,235) | 2,636,464 |
| | 110,785,825 | 3,070,656 | 175,000 | (7,957,538) | 106,073,943 |

(d) Option holdings of key management personnel

**30 June 2012**

| | Balance at 1 July 2011 | Granted | Options exercised | Forfeited | Balance at 30 June 2012 | Value of options granted | Exercisable | Not Exercisable |
|---|---|---|---|---|---|---|---|---|
| *Directors* | | | | | | | | |
| K H Sim | 300,000 | – | – | – | 300,000 | – | 200,000 | 100,000 |
| K Y Sim | 300,000 | – | – | – | 300,000 | – | 200,000 | 100,000 |
| Y P Lim | 75,000 | – | – | – | 75,000 | – | 50,000 | 25,000 |
| F Leong | 75,000 | – | – | – | 75,000 | – | 50,000 | 25,000 |
| I R Millard | 75,000 | – | – | – | 75,000 | – | 50,000 | 25,000 |
| S P Sze | 30,000 | – | – | – | 30,000 | – | 15,000 | 15,000 |
| *Executives* | | | | | | | | |
| G H Teoh | 200,000 | – | – | – | 200,000 | – | 100,000 | 100,000 |
| J Koon Sim | – | – | – | – | – | – | – | – |
| J L Sim | 400,000 | – | – | – | 400,000 | – | 300,000 | 100,000 |
| H S Tang | 300,000 | – | – | – | 300,000 | – | 200,000 | 100,000 |
| | 1,755,000 | – | – | – | 1,755,000 | – | 1,165,000 | 590,000 |

(In Singapore dollars)

**24. Key management personnel (cont'd)**

(d) Option holdings of key management personnel (cont'd)

**30 June 2011**

| | Balance at 1 July 2010 | Granted | Options exercised | Forfeited | Balance at 30 June 2011 | Value of options granted | Exercisable | Not Exercisable |
|---|---|---|---|---|---|---|---|---|
| *Directors* | | | | | | | | |
| K H Sim | 100,000 | 200,000 | – | – | 300,000 | 29,394 | 50,000 | 250,000 |
| K Y Sim | 100,000 | 200,000 | – | – | 300,000 | 29,394 | 50,000 | 250,000 |
| Y P Lim | 50,000 | 50,000 | (25,000) | – | 75,000 | 7,349 | – | 75,000 |
| F Leong | 50,000 | 50,000 | (25,000) | – | 75,000 | 7,349 | – | 75,000 |
| I R Millard | 50,000 | 50,000 | (25,000) | – | 75,000 | 7,349 | – | 75,000 |
| S P Sze | – | 30,000 | – | – | 30,000 | 4,409 | – | 30,000 |
| *Executives* | | | | | | | | |
| G H Teoh | 100,000 | 200,000 | (100,000) | – | 200,000 | 26,123 | – | 200,000 |
| J Koon Sim | – | – | – | – | – | – | – | – |
| J L Sim | 200,000 | 200,000 | – | – | 400,000 | 26,123 | 200,000 | 200,000 |
| H S Tang | 100,000 | 200,000 | – | – | 300,000 | 26,123 | 100,000 | 200,000 |
| | 750,000 | 1,180,000 | (175,000) | – | 1,755,000 | 163,613 | 400,000 | 1,355,000 |

The above options were granted under the Zicom Employee Share and Option Plan which was approved by shareholders on 23 November 2006. Please refer to note 25 for more information.

(e) There were no loans made to key management personnel by the Group during the year.

**25. Share-based payment plans**

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year for equity-settled share-based payment transactions amounted to S$238,000 (2011: S$446,000). There have been no cancellations or modifications to the plan during the years 2012 and 2011.

(b) Description of the share-based payment plan.

*Zicom Employee Share and Option Plan ("ZESOP")*

Share options are granted to employees as an incentive to retain experience and attract talent. Under the ZESOP, the exercise price of the options approximates the market price of the shares on the grant dates. Employees must remain in service for a period of 1 to 3 years.

Should an employee leave the company or resign from his office, any options not exercised prior to that date will be lost except for exceptional circumstances such as death, physical or mental incapacity.

The contractual life of each option granted is 5 years. There are no cash-settlement alternatives.

**25. Share-based payment plans (cont'd)**

(c) Outstanding number of options granted under ZESOP

| | 2012 (Thousands) | 2011 (Thousands) |
|---|---|---|
| | No. of options | |
| Outstanding at beginning of the year | 6,888 | 3,265 |
| Granted during the year | – | 5,000 |
| Forfeited during the year | (220) | (215) |
| Exercised during the year | (293) | (1,162) |
| Outstanding at end of year | 6,375 | 6,888 |

The outstanding balance as at 30 June 2012 is represented by:

| No. of options (Thousands) 2012 | 2011 | Exercise price (Australian Cents) | Exercisable on or after | Expiry Date |
|---|---|---|---|---|
| 495 | 515 | 28 | 1/6/2010 | 31/5/2013 |
| 828 | 848 | 28 | 1/6/2011 | 31/5/2013 |
| 100 | 100 | 28 | 28/8/2010 | 27/8/2013 |
| 175 | 175 | 28 | 28/8/2011 | 27/8/2013 |
| 163 | 188 | 28 | 1/5/2012 | 30/4/2015 |
| 162 | 187 | 28 | 1/5/2013 | 30/4/2015 |
| 1,790 | 2,148 | 18 | 1/10/2011 | 30/9/2015 |
| 2,082 | 2,147 | 18 | 1/10/2012 | 30/9/2015 |
| 290 | 290 | 18 | 15/11/2011 | 14/11/2015 |
| 290 | 290 | 18 | 15/11/2012 | 14/11/2015 |
| 6,375 | 6,888 | | | |

(d) Weighted average fair value

No share options were granted during the year. The weighted average fair value of options granted in financial year 2011 was A$0.10.

(e) The weighted average share price during the period of exercise is A$0.26 (2011: A$0.49).

(f) Option pricing model

The fair value of the equity-settled share options granted under the ZESOP is estimated as at the date of grant using a Trinomial model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the last financial year. No share options were granted in the current financial year:

| Inputs | 2011 |
|---|---|
| Exercise price (A$): | 0.18 |
| Stock price at grant date (A$): | 0.21 |
| Maximum option life in years: | 5 |
| Volatility: | 78.18% |
| Risk free interest rate | 4.63% |

The effects of early exercise have been incorporated into the calculations by defining the conditions under which employees are expected to exercise their options after vesting in terms of the stock price reaching a specified multiple of the exercise price, which is not necessary indicative of exercise patterns that may occur in the future.

**26. Business combinations**

(a) Acquisition of Biobot Surgical Pte Ltd

On 2 April 2012, the Group's wholly-owned subsidiary, Zicom Holdings Pte Ltd ("ZHPL") acquired control in its 46.67% owned associate, Biobot Surgical Pte Ltd ("BBS"). This acquisition was not material to the Zicom Group Limited's results or Balance Sheet as at 30 June 2012.

The fair values of the identifiable assets and liabilities of BBS as at the acquisition date were:

| | S$'000 |
|---|---|
| Total identifiable net assets at fair value | 991 |
| Non-controlling interest | (578) |
| Goodwill arising on acquisition | 1,316 |
| Purchase consideration | 1,729 |
| | |
| Purchase consideration transferred: | |
| Cash paid for subscription of redeemable loan stocks attached with warrants | 447 |
| Fair value of equity interest in BBS held by the Group immediately before acquisition | 1,282 |
| Purchase consideration | 1,729 |
| | |
| Effect of the acquisition on cash flows | |
| Total cash consideration for equity interest acquired | 447 |
| Less: cash and cash equivalents of subsidiary acquired | (604) |
| Net cash inflow on acquisition | 157 |

*Loss on remeasuring previously held interest in BBS to fair value at acquisition date*

The Group recognised a loss of S$874,000 as a result of remeasuring at fair value its 46.67% equity interest held in BBS before 2 April 2012. The loss is included in other operating expenses in the Group's profit or loss for the year ended 30 June 2012.

(b) Acquisition of non-controlling interests in subsidiaries

(i) Biobot Surgical Pte Ltd ("BBS")

On 26 June 2012, as part of a legal settlement, ZHPL acquired an additional of 33.33% equity interest in BBS from its non-controlling interest satisfied by a cash consideration of S$338,000 and a transfer of 2,000,000 Profit Guarantee Shares from the founder-shareholder to ZHPL at a value of S$500,000. As a result of this acquisition, BBS became a 80% owned subsidiary of ZHPL. The carrying value of the additional interest acquired was S$284,000. The difference between the cost of acquisition and the carrying value of additional interest acquired amounting to S$554,000 has been recognised as premium paid on acquisition of non-controlling interest within equity.

(ii) MTA-Sysmac Automation Pte Ltd

On 13 January 2012, our precision engineering subsidiary, Sys-Mac Automation Engineering Pte Ltd acquired an additional 10% equity interest in MTA-Sysmac Automation Pte Ltd ("MTA-Sysmac") for a cash consideration of S$47,000. As a result of this acquisition, MTA-Sysmac became a 61% owned subsidiary of the Group. The carrying value of the additional interest acquired was S$86,000. The discount of S$39,000 between the carrying value of additional interest acquired and the consideration paid has been recognised within equity.

**26. Business combinations (cont'd)**

(c) Disposal of PT. Putra Dharma Harmoteknik ("PDH")

On 31 March 2012, the Group disposed its entire 60% interest in PDH to its original owner who owns the remaining 40% for a nominal amount of S$1 as efforts to integrate engineering resources in Indonesia with those in Singapore proved futile. The value of assets and liabilities at the date of disposal and cash flow effect of the disposal were:

| | S$'000 |
|---|---|
| Carrying value of the net assets disposed | 87 |
| Loss on disposal of equity interest | 87 |
| Cash consideration | – |
| Cash and cash equivalent disposed | 77 |
| Net outflow on disposal of subsidiary | (77) |

**27. Commitments**

(a) Commitments

As at year-end, the Group has the following commitments:

(i) Issued letters of credit amounting to S$196,000 (2011: S$3,196,000).

(ii) Issued letters of guarantee amounting to S$7,133,000 (2011: S$5,479,000).

(iii) The Group has entered into foreign exchange derivatives amounting to S$24,967,000 (2011: S$5,531,000).

(iv) The Group has subscribed for 2,707,397 redeemable loan stocks attached with warrants in Biobot Surgical Pte Ltd. Consideration for the remaining tranche amounting to S$365,000 is due in September 2012.

(v) The Group has subscribed for 171,586 Rights Shares in Curiox Biosystems Pte Ltd, consideration for the second tranche amounting to S$453,000 will be due in September 2012.

(b) Operating lease commitments

The Group has entered into commercial leases for the use of leasehold properties and office equipment as lessee. These leases have an average of 3 to 30 years with a further option for certain leasehold properties to extend for a further 15 years. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease payments for the leases are as follows:

| | **Consolidated** | |
|---|---|---|
| | **2012** S$'000 | **2011** S$'000 |
| Within 1 year | 2,406 | 1,981 |
| Within 2 - 5 years | 5,064 | 5,626 |
| More than 5 years | 5,212 | 1,423 |
| | 12,682 | 9,030 |

**27. Commitments (cont'd)**

(b) Operating lease commitments (cont'd)

The amount of operating lease payments recognised as an expense in the year ended 30 June 2012 is S$2,448,000 (2011: S$1,811,000).

(c) Finance lease commitments

The Group conducts a portion of its business using leased assets. The average discount rate implicit in the leases is 2.9% (2011: 3.4%) per annum.

Future minimum lease payment under finance leases together with present value of the net minimum lease payments are as follows:

| **Consolidated** | **Minimum payments 2012** | **Present value of payments 2012** | **Minimum payments 2011** | **Present value of payments 2011** |
|---|---|---|---|---|
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Due within one year | 1,460 | 1,378 | 1,585 | 1,476 |
| After one year but not more than five years | 1,762 | 1,660 | 2,732 | 2,535 |
| Total minimum lease payments | 3,222 | 3,038 | 4,317 | 4,011 |
| Less: amounts representing finance charges | (184) | – | (306) | – |
| | 3,038 | 3,038 | 4,011 | 4,011 |

(d) Capital commitments

The Group has no capital commitment as at 30 June 2012 and 30 June 2011.

**28. Auditors' remuneration**

During the year, the following fees were paid/ payable for services provided by auditors:

| | **Consolidated** | |
|---|---|---|
| | **2012** | **2011** |
| | S$ | S$ |
| *Amounts received or due and receivable by Ernst & Young (Australia)* | | |
| - Audit or review of financial statements | 155,720 | 181,397 |
| *Amounts received or due and receivable by Ernst & Young (Singapore)* | | |
| - Audit or review of financial statements | 198,938 | 250,000 |
| - Taxation services | – | 24,500 |
| *Amounts received or due and receivable by other audit firms* | | |
| - Audit or review of financial statements | 26,157 | 26,351 |
| - Taxation services | 12,746 | 11,579 |
| | 393,561 | 493,827 |

**29. Parent entity disclosures**

(a) The individual financial statements of the parent entity shows the following aggregate amounts:

| | 2012 S$'000 | 2011 S$'000 |
|---|---|---|
| **Balance sheet of the parent entity at year end** | | |
| Non-current assets | 49,281 | 49,293 |
| Current assets | 1,841 | 1,963 |
| Total assets | 51,122 | 51,256 |
| Current liabilities | 118 | 589 |
| Total liabilities | 118 | 589 |
| Net Assets | 51,004 | 50,667 |
| **Total equity of the parent entity comprising of:** | | |
| Share capital | 70,937 | 70,872 |
| Share capital-exercise of share options | 153 | 119 |
| Capital reserve | 689 | 689 |
| Foreign currency translation reserve | (89) | – |
| Share based payments reserve | 736 | 537 |
| Accumulated losses | (21,422) | (21,550) |
| | 51,004 | 50,667 |
| **Results of parent entity** | | |
| Profit for the year | 2,834 | 2,513 |
| Other comprehensive income | – | – |
| Total comprehensive income | 2,834 | 2,513 |

(b) Guarantees

(i) The parent entity has issued letters of guarantee amounting to S$9,152,000 (2011: S$9,321,000) to secure trade facilities and factory loans to controlled entities.

(ii) The parent entity has entered into a Deed of Cross Guarantee and the subsidiary subject to the deed is disclosed in note 10.

(c) Contingent liabilities

The parent entity has no contingent liabilities and commitments as at 30 June 2012 and 30 June 2011.

**30. Subsequent events**

Increased investment in Orion Systems Integration Pte Ltd ("Orion")

On 3 July 2012, Zicom Holdings Pte Ltd acquired an additional 29.74% equity interest in Orion from its non-controlling interest for a cash consideration of S$595,000 thereby increasing the Group's interest in Orion to 84%.

# Directors' Declaration

In accordance with a resolution of the directors of Zicom Group Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's balance sheet as at 30 June 2012 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.2.

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2012.

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 10 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

G L Sim
Chairman/Managing Director
Brisbane
28 September 2012

# Independent Auditor's Report

to the members of Zicom Group Limited



**Report on the financial report**

We have audited the accompanying financial report of Zicom Group Limited, which comprises the consolidated balance sheet as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2.2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with International Financial Reporting Standards.

***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

***Independence***

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001.* We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

# Independent Auditor's Report

to the members of Zicom Group Limited

***Opinion***

In our opinion:

a. the financial report of Zicom Group Limited is in accordance with the *Corporations Act 2001,* including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.2.

**Report on the remuneration report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

***Opinion***

In our opinion, the Remuneration Report of Company for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001.*

Ernst & Young

Ric Roach
Partner
Brisbane
28 September 2012

# Information on Shareholdings

As at 28 September 2012



**Distribution of Equity Securities**

a) Analysis of numbers of equity security holders by size of holding:-

| | | | Ordinary Shares | Number of Holders |
|---|---|---|---|---|
| 1 | – | 1,000 | 103,137 | 255 |
| 1,001 | – | 5,000 | 1,659,709 | 567 |
| 5,001 | – | 10,000 | 4,106,713 | 470 |
| 10,001 | – | 100,000 | 32,508,469 | 930 |
| 100,001 | | and over | 174,073,559 | 171 |
| | | | 212,451,587 | 2,393 |

b) There were 488 holders of less than a marketable parcel of ordinary shares.

**Twenty Largest Equity Security Holders**

The names of the twenty largest equity security holders are listed below:

| **Name** | **Number of Ordinary Shares Held** | **Percentage of Issued Shares** |
|---|---|---|
| SNS HOLDINGS PTE LTD | 66,047,330 | 31.09% |
| SIM JUAT KOON | 17,300,920 | 8.14% |
| GIOK LAK SIM | 10,037,882 | 4.72% |
| VENTRADE (ASIA) PTE LTD | 8,478,344 | 3.99% |
| SIM JUAT LIM | 6,207,767 | 2.92% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 4,106,998 | 1.93% |
| CITICORP NOMINEES PTY LIMITED | 3,647,049 | 1.72% |
| GOH EE GEK | 2,791,017 | 1.31% |
| TANG HUNG SEAH | 2,460,199 | 1.16% |
| NG SIONG TECK | 2,410,665 | 1.13% |
| MANDEL PTY LTD | 2,200,000 | 1.04% |
| FIRST CHARNOCK SUPERANNUATION PTY LTD | 1,890,000 | 0.89% |
| SIM JUAT KHIANG | 1,650,000 | 0.78% |
| DEBUSCEY PTY LTD | 1,280,615 | 0.60% |
| CLAPSY PTY LTD | 1,139,770 | 0.54% |
| ANTHONY SARACENI & CARMEL SARACENI | 1,015,000 | 0.48% |
| KOK HWEE SIM | 1,012,846 | 0.48% |
| CONRAN JAMES SMITH | 900,636 | 0.42% |
| ALAN BLACKBURN & ASSOCIATES PTY LTD | 871,384 | 0.41% |
| JOHN BOON HENG CHEAK | 870,000 | 0.41% |

**Substantial Shareholders**

Substantial shareholders in the company (holding not less than 5% of the issued capital), as disclosed in substantial shareholder notices given to the company, are set out below:

| **Name** | **Number of Ordinary Shares Held** | **Percentage of Issued Shares** |
|---|---|---|
| Mr G L Sim & his associates | 76,085,212 | 35.81% |
| Sim Juat Koon & his associates | 20,091,937 | 9.45% |

**Voting Rights**

On a show of hands, every member present in person or by proxy shall have one vote and, upon a poll, each share shall have one vote.

# Corporate Directory



**BOARD OF DIRECTORS**

Giok Lak Sim (Chairman and Managing Director)
Kok Hwee Sim (Executive Director)
Yian Poh Lim
Frank Leong Yee Yew
Ian Robert Millard
Shaw Pao Sze
Kok Yew Sim (Alternate Director to Kok Hwee Sim)

**JOINT COMPANY SECRETARIES**

Jenny Lim Bee Chun
Surendra Kumar

**REGISTERED OFFICE**

38 Goodman Place
Murarrie QLD 4172
Australia
Telephone : +61 7 3908 6088
Facsimile : +61 7 3390 6898
Website : www.zicomgroup.com

**SHARE REGISTRY**

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Level 15
324 Queen Street
Brisbane, QLD 4000
Australia
Facsimile : +61 2 9287 0309

**AUDITORS**

Ernst & Young
111 Eagle Street
Brisbane QLD 4000
Australia

**SOLICITORS**

ThomsonsLawyers
Level 16, Waterfront Place
1 Eagle Street
Brisbane QLD 4000
Australia

**BANKERS**

**Australia**
Westpac Banking Corporation

**Singapore**
United Overseas Bank Limited
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
DBS Bank Limited
Westpac Banking Corporation
Australia & New Zealand Banking Group Limited

**Thailand**
United Overseas Bank (Thai) Public Company Limited
Siam Commercial Bank

**China**
Industrial and Commercial Bank of China
China Merchants Bank

# Notice of General Meeting

The General Meeting of Zicom Group Limited will be held at the

Colmslie Hotel
Corner of Wynnum and Junction Roads
Morningside 4170
Brisbane, Queensland, Australia

Time: 10.00am (Brisbane time)
Date: Tuesday, 13 November 2012

A formal Notice of Meeting is enclosed.