Zicom Group Limited

ABN 62 009 816 871 • ASX Code : ZGL

Transiting An

INFLECTION *Point*

ANNUAL REPORT 2013

CHAIRMAN'S MESSAGE

Transiting An
INFLECTION *Point*

Dear Shareholders,

The global economic climate continues to be uncertain although the USA economy has been showing signs of sustained recovery. Confidence in the Asia Pacific region has been dampened by the restructuring in the Chinese economy, continuing Euro-Zone's inertia, India's burgeoning account deficit compounded by political uncertainties and Australia's resource slump. These have invariably impacted against the Group's businesses. Thanks to our diversified revenue base and the Group's ventures that have been judiciously and prudently carried out, your directors are confident that notwithstanding temporary pull backs, the Group is confident of a sustainable growth momentum in the years to come.

RESULTS

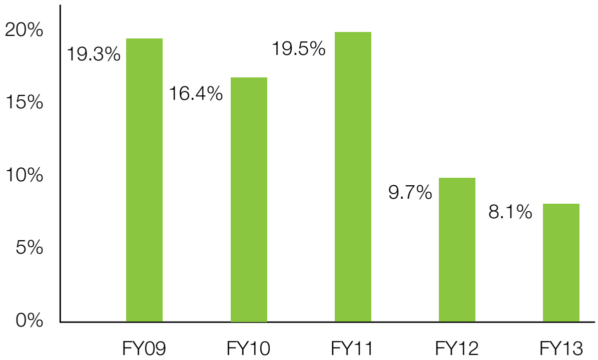
The Group's consolidated revenue for the financial year just ended on 30 June 2013 dropped by 8.3% from S$130.65m in the previous year to S$119.85m. The Group's consolidated profits after tax for the full year dropped by 11.6% from S$7.84m in the previous year to S$6.93m.

Notwithstanding the results, the Group's total cash balances remain strong at S$21.36m and its on-going prospects remain robust. For this reason the Group has decided to maintain its rate of dividends payable to shareholders.

AN INFLECTION POINT

Your directors have continuously reviewed the Group's performance since its reverse-takeover in 2006. The Group has consistently maintained a healthy profit level giving a return on equity that ranges from 8.1% to 19.5 % from 2009 to 2013 successfully traversing the global financial crisis in 2007-2009.

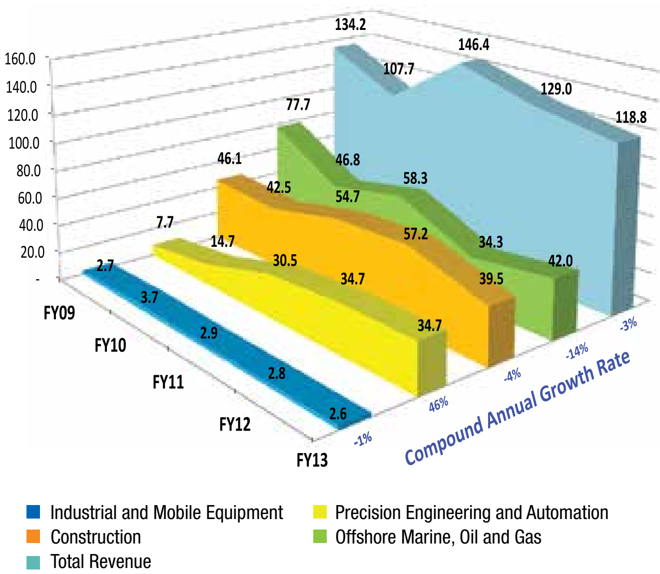
RETURN ON EQUITY



However, your directors recognize that the Group is at an inflection point.

Group's total revenue for the 5 years to 2013 show an average negative compound annual growth rate (CAGR) of 3%. The precision engineering segment however shows a positive CAGR of 46%.

SEGMENTAL REVENUE



STRENGTHENING CORE BUSINESSES
- Focused Innovation
- Product Development
- Productivity Improvements
- Leadership Developments
- New Market Penetration

FORAY INTO TECHNOLOGIES
- Establishing an Innovative Culture
- Building Total Technical Capability
- Strategic Alliances
- Integrated Platform
- Early Stage Funding Opportunities

The Group first initiated steps to transit this inflection point 3 years ago. It invested in technologies as a new driver for sustainable growth while at the same time maintained its focus on innovation and product development, productivity improvements and new market penetration for its on-going core businesses. Existing core businesses are the back-bone of the Group with their recurrent revenue and cash flow. As such the Group continuously focuses on innovative improvements to maintain their growth. However challenges in such businesses are well entrenched and innovation space limited. Innovation and technologies will be the main drivers of growth globally. The Group embarked on limited investments in disruptive technologies 3 years ago, utilizing its strong cash position, without external borrowing.

COMMERCIALISATION OF TECHNOLOGY INVESTMENTS

The three technology investments which the Group has embarked on have now reached a stage of commercialisation into the global market. Collectively these technology investments are expected to be able to make a positive contribution to the Group's profits in the coming financial year.

CREATING AN INTEGRATED PLATFORM

In recognition of our success in bringing these disruptive technologies to a commercial stage, our wholly owned precision engineering subsidiary Sys-Mac Engineering & Automation Pte Ltd (Sys-Mac) was awarded the status of a medical technology "private sector translator" by a Singapore government agency responsible for developing enterprises with a cash grant of S$4.5m. The grant enables the Group to set up a first of its kind commercial entity in Singapore, focused on translating medical technology intellectual properties into tangible medical devices for various research institutions, universities, hospitals and technology spin-off companies. A Research Cooperation Agreement with one of Singapore largest health clusters to undertake joint research and development of clinically-driven inventions using our platform is being finalized. This cooperation also facilitates the Group's customers access to clinical trials to bridge an existing gap in the local medtech eco-system.

This has resulted in an integrated platform for the growth of medtech being established, generating new capabilities which the Group can market to the medtech sector. The Group is also positioned upfront to identify early stage new technologies possessing good potentials for seed investments. The integrated activities of precision engineering and technologies will be designated as "Precision Engineering & Technologies" segment.

Growth momentum for the Group's new technologies will accelerate as the Group's integrated technology platform strengthens.

CONTINUING GROWTH SECTORS

The precision engineering segment has achieved an average CAGR of 46% in the last 5 years. With the commercialisation of the new medtech start-ups gaining momentum, we are confident that growth rate in this cluster can be maintained.

Notwithstanding that the Group's existing core businesses suffered an average negative CAGR of 3% in the last 5 years, we are confident that the coming years will see positive growth rates. Business prospects remain robust while the Group continues to focus on development and productivity enhancements.

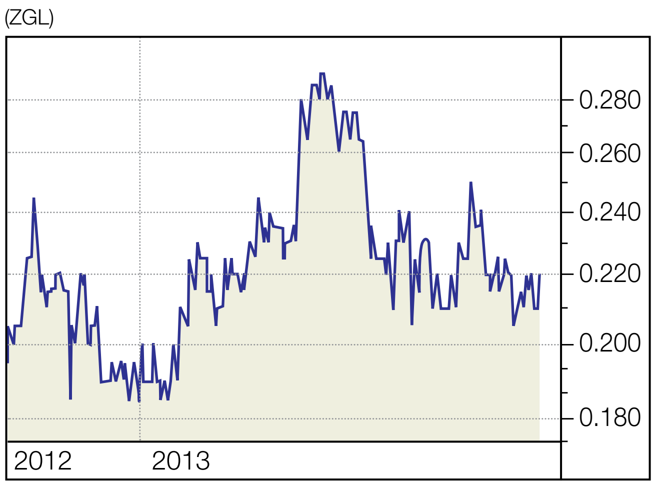
INNOVATIVE CULTURE

Skills in research and development in disruptive technologies help to enhance the culture of innovation that is permeating the Group's entire spectrum. Cross fertilization of skills in the Group will be facilitated to strengthen the entire Group's capability.

ENHANCING SHAREHOLDERS' VALUE

The Group has shown great resilience and has been consistently profitable in the last 5 years giving a respectable return on equity from 8.1% to 19.5%. However its share value has performed below its NTA of S$0.35 (A$0.30) per share in the last 12 months. With its various growth strategies gaining traction, your directors are confident that shareholders' value will be accordingly enhanced.

YEAR CHART



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APPRECIATION

I take this opportunity to thank the Board for their guidance and support in setting the growth directions for the Group and to convey my appreciation to the management and all employees for their entrepreneurship, diligence and strong commitment, without which the Group would not have achieved its continuous success. I would also like to thank our shareholders for their continuous support.

G L Sim
Chairman

DIRECTORS AND COMPANY SECRETARIES

Executive Directors

GIOK LAK SIM, FCPA
Chairman and Group Managing Director, Age 67

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 Human Capital Advisory Committee of SPRING, Singapore.
Member of the Entrepreneurship Review Committee 2013

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

77,474,368 ordinary shares

KOK HWEE SIM, BSc, MSc
Executive Director, Age 35

Experience and expertise

Appointed to the Board 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. On 1 September 2013, Mr Sim was appointed Managing Director of iPtec Pte Ltd, a wholly owned subsidiary, principally engaged in medical technology translation services. Mr Sim 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
Managing Director of iPtec Pte Ltd

Relevant interests in shares and options as at date of signing the Directors' Report

1,258,180 ordinary shares and 280,000 options

Alternate Director

KOK YEW SIM, BSc
Alternate Director to Mr Kok Hwee Sim, Age 33

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 (Sys-Mac) and is responsible for Sys-Mac'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

1,070,253 ordinary shares and 280,000 options

Independent Directors

From left to right: Frank Leong Yee Yew, Yian Poh Lim, Shaw Pao Sze, Ian Robert Millard

FRANK LEONG YEE YEW, MBA, FCA (ENGLAND & WALES), FCA (SINGAPORE)
Independent Director, Age 70

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
Non-executive Director of Zicom Holdings Pte Ltd

Relevant interests in shares and options as at date of signing the Directors' Report

524,364 ordinary shares

YIAN POH LIM, BSc, MSc
Independent Director, Age 67

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. He is also a member of the advisory panel of the Singapore Food Manufacturer's Association.

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
Non-executive Director of Zicom Holdings Pte Ltd

Relevant interests in shares and options as at date of signing the Directors' Report

488,000 ordinary shares

SHAW PAO SZE
Independent Director, Age 69

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, 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)

Special responsibilities

None

Relevant interests in shares and options as at date of signing the Directors' Report

30,000 options

IAN ROBERT MILLARD, FCA, FAICD
Independent Director, Age 74

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

592,250 ordinary shares

Company Secretaries

From left to right: Surendra Kumar, Lim Bee Chun, Jenny

SURENDRA KUMAR, CPA
Joint Company Secretary, Age 53

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 120,000 options

LIM BEE CHUN, JENNY, FCCA
Joint Company Secretary, Age 40

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

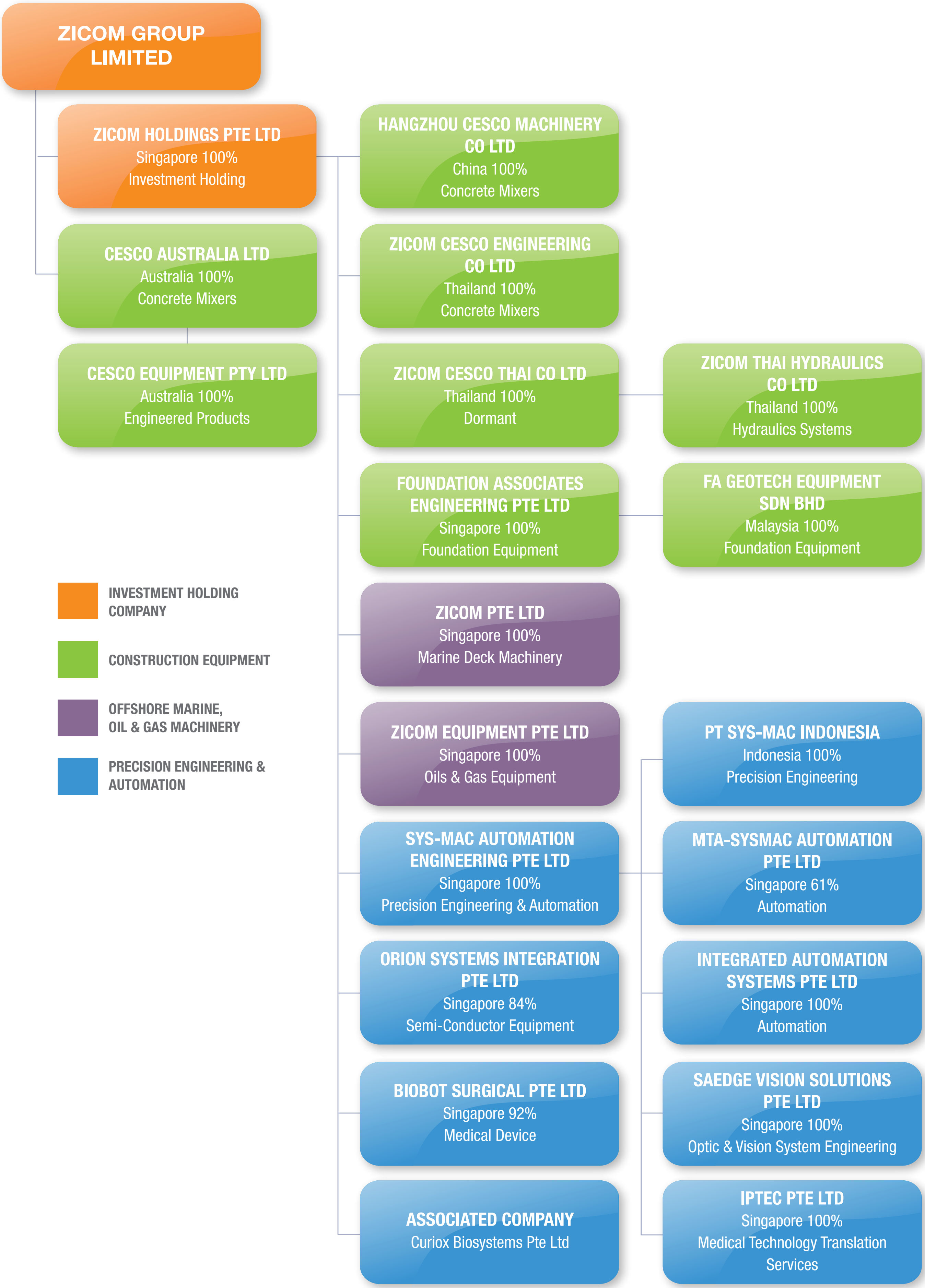
Joint Company Secretary of all subsidiaries in Singapore except for MTA-Sysmac Automation Pte Ltd

Joint Company Secretary of Curiox Biosystems Pte Ltd

Relevant interests in shares and options as at date of signing the Directors' Report

664,563 ordinary shares and 280,000 options

CORPORATE CHART



KEY MANAGEMENT

Singapore

ZICOM PRIVATE LIMITED
JOINT MANAGING DIRECTORS
Juat Lim Sim
Hung Seah Tang
EXECUTIVE DIRECTORS
Kok Hwee Sim
Juat Khiang Sim
Hong Jun Zhang
Jenny Lim Bee Chun

ZICOM EQUIPMENT PTE LTD
MANAGING DIRECTOR
Rashed Choudhury
EXECUTIVE DIRECTOR
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

IPTEC PTE LTD
MANAGING DIRECTOR
Kok Hwee Sim
EXECUTIVE DIRECTORS
Kok Yew Sim
Gary Lee Kim Hin

BIOBOT SURGICAL PTE LTD
EXECUTIVE DIRECTOR
Chew Loong Yap

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
MANAGING 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 2013

Your directors present their report on the consolidated accounts of Zicom Group Limited for the year ended 30 June 2013.

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 13 (S$ million)	Year ended 30 June 12 (S$ million)
Revenue	- 8.3	119.85	130.65
Net profits after tax (NPAT)	- 11.6	6.93	7.84

The Group's cash balances remain strong. As at 30 June 2013, the group's total cash and bank balances were S$21.36m as compared with S$24.45m as at 30 June 2012.

Dividends

The Group has decided to pay a final dividend of Australian cents 0.55 per share (2012: 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 15 November 2013 and the payment date is 29 November 2013.

Review of Operations

The Group's consolidated revenue for the full year is S$119.85m as compared with S$130.65m in the previous year, a decrease of 8.3%. The Group's full year net consolidated profits after tax attributable to members to 30 June 2013 are S$6.93m as compared with S$7.84m in the previous year, a decrease of 11.6%.

The net profit margin achieved for the full year is 5.8% as compared with 6.1% in the previous year. The 0.3% decrease is mainly attributable to unrealised mark-to-market exchange losses and the extended gestation costs of the start-up investments.

Earnings per share dropped from Singapore 3.69 cents to 3.24 cents per share, a decrease of Singapore 0.45 cents.

Net tangible assets per share increased from Singapore 34.22 cents to 35.05 cents per share.

Return on equity, based on average of the opening and closing equity, for the year was 8.1% as compared to 9.7% in the previous year.

The average rates for currency translation for revenue and expenses are A$1 to S$1.2664 (2012: S$1.3031) and for balance sheet items A$1 to S$1.1699 (2012: S$1.2917).

DIRECTORS' REPORT 2013

The results for the full year have been impacted by unrealised mark-to-market exchange losses on hedging instruments, delayed shipments in 2 significant orders of construction equipment at the end of the financial year, delay in order confirmation in our oil and gas projects and losses from extended gestation of our various technology investments.

The Group's businesses are expected to continue to be resilient in the midst of structural changes in the global economies. China, under a new leadership, has been focusing to improve the efficiency of its economy starting with restructuring its banking systems. This has resulted in tightening of money supply and highly geared inefficient enterprises are expected to fall or be merged and development is expected to slow down. The Indian economy likewise has been slowing down. The impact against resource-based economies such as Australia is being felt. The European Union's economy is expected to remain flat and possibly weaken further. The USA and Japanese economies appear to show recovery and recent economic data show that the Chinese economy appears to be on the mend. However, the general global recovery remains fragile.

At an Inflection Point

Although the Group's core businesses are built on strong foundation, your Board has recognized that the Group has reached an inflection point. Group's annual revenue in the last 5 years from 2009 to 2013 show an average negative compound annual growth rate (CAGR) of 3%. The precision engineering segment, however, shows a positive CAGR of 46%.

To transit this inflection point, 3 years ago, the Group commenced to invest in new disruptive technologies focused on medical and semi-conductor technologies that the Group can contribute synergistic support in engineering and manufacturing in our precision engineering segment. The start-ups which the Group has invested have commenced commercialisation and are expected to generate revenue in 2014.

The Group will strategise its revenue into 2 main streams viz. heavy equipment and precision engineering and technologies. The heavy equipment stream will comprise the marine offshore and oil and gas, construction equipment and hydraulic services. The precision engineering and technologies stream will comprise precision engineering, automation and investments in new technologies.

The main drivers to strengthen and grow the heavy equipment stream will be focused innovation and product development, productivity improvements, leadership development and market expansion. The main drivers to grow the precision engineering and technologies stream are the expansion and strengthening of the existing infrastructure with a strong pool of specialist engineers and managers. This will strengthen our expertise in supporting the growth of our existing investments in technologies and to embrace new technologies that are synergistic and possessing strong potentials that may or may not necessarily integrate into our core activities. Towards this direction, the Group has been fortuitous in being awarded "private sector translator" status by a government agency in charge of enterprise development in Singapore with a cash grant of up to S$4.5m. The grant is to assist the Group to set up a business, the first of its kind in Singapore, to be run as a commercial entity for profit, to translate medical technology intellectual properties from research institutions in Singapore. A wholly owned subsidiary, iPtec Pte Ltd has been formed for this purpose. Adding impetus to the drive, the Group will consider seed-funding of start-ups which possess strong potentials and will consider exiting these investments for profits when they have realized their potentials.

Judicious Risk Management

Investments in new technologies carry high risks and rewards. The market for new technologies is generally green field providing opportunities for exponential growth as compared with established products. As such it has been the Group's policy to invest in new technologies from its internal cash reserves without external borrowings. The Group will consider gearing for a new technology business only after it has achieved commercialisation and is generating revenue.

The Group will fund the paid up capital of S$2m of iPtec Pte Ltd, our new intellectual property translation engineering subsidiary from its internal cash reserves.

Revenue by Business Segments

The following is an analysis of the segmental revenue :-

Revenue by Business Segments	Change (%)	Year ended 30 June 13 (S$ million)	Year ended 30 June 12 (S$ million)
Offshore Marine, Oil & Gas Machinery	+ 22.6	42.11	34.35
Construction Equipment	- 30.8	39.72	57.39
Precision Engineering & Automation	+ 0.9	35.21	34.90
Industrial & Mobile Hydraulics	+ 7.5	3.43	3.19

Offshore Winches

Gas Processing Plant

Offshore Fabrication

Offshore Marine, Oil & Gas Machinery

Following the huge oil rig orders placed in the last few years and being delivered, demand for offshore vessels to support their operations has resurged. Orders for our deck machinery had been strong offsetting delays in orders from oil and gas. Orders for our oil and gas projects had been delayed as a result of our earlier problems in two previous projects which have now been rectified and the projects successfully handed over. Our timely and successful delivery of our first deep sea deck machinery for water depth exceeding 500m has strengthened our reputation in the industry. We are confident of strengthening our positioning in the industry to gain more orders. Prospects for securing orders for oil and gas projects are strong.

Offshore structures for operations of remote operated vehicles in sub-seas operations, in parallel with deck machinery, experienced increased demand. Such demand remains robust.

As at the end of the financial year just ended, we have secured confirmed orders of S$37.0m in the marine offshore, oil and gas and offshore structure segment to be delivered in the financial year 2014.

Super-Kong Vibro Hammer

Concrete Mixers

Construction Equipment

Revenue for construction equipment decreased by 30.8% in the current year as compared with the previous year primarily due to orders amounting to S$10.8m being held back at the end of the financial year caused by customers' delay. These were shipped after the financial year.

The orders for concrete mixer in Thailand have, otherwise, been very strong and these are expected to continue into the next financial year. China's mixer business has been quite flat due to a slow-down in infrastructure developments in China and Hong Kong. The China operation, however, has become profitable. The Australian market slowed down considerably during the year and we do not expect any significant recovery in the coming year. We expect marginal losses in the Australian market.

Foundation equipment demand in South East Asia has been taking a breather. Several customers have equipped themselves in recent years. Demand for construction works requiring foundation equipment continue to be strong, in particular Singapore, due to the huge backlog in infrastructure projects that are expected to last several years. Hence, rental of equipment has been on the rise and the rate of increase is expected to be higher than new equipment sales. The Group has penetrated into Malaysia whose infrastructural developments are also growing. We expect to grow the Malaysian market. Demand in Australia remains subdued.

Precision Engineering & Automation

The precision engineering sector has shown a marginal 0.9% increase in revenue over the previous year. This is in spite of the slow-down in the global economy leading to a contraction of 2.2% in the global semi-conductor industry and the extended gestation of our start-up investments.

DIRECTORS' REPORT 2013

This segment achieves an average of 46% compound annual growth in the last 5 years. With forecast of compound growth in the global semi-conductor industry exceeding 4% in the next 5 years driven by growth in demand in hand-held devices such as smart phones and tablet computers, signs of recovery are evident. Medical devices are forecast to equally enjoy good compound growth in the coming years. Riding on the growth of these sectors and the commercialisation of our start-up investments, whose products are manufactured by our precision engineering sector, we are confident of achieving sustainable growth in our precision engineering sector.

Engineered to Precision

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 significant.

Foreign Exchange Exposure

The Group generally prices its sales in foreign currencies on forward rates. During the full year, we hedged our rates accordingly to ensure our margins were maintained. The net loss attributable to foreign exchange during the current year is S$2.69m as compared with an exchange gain of S$0.16m 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 2013. The net loss of S$2.69m included the imputed unrealised loss in the valuation of these derivatives as at 30 June 2013 amounting to S$2.41m (2012: S$0.50m).

Financial Position

The group's financial position has generally improved:-

Classification	Increase (+) / Decrease (-) S$ million	As at 30 June 13 S$ million	As at 30 June 12 S$ million
Net Assets	+ 3.87	88.49	84.62
Net Working Capital	+ 2.46	44.95	42.49
Cash in Hand and at Bank	- 3.09	21.36	24.45

Gearing Ratios

The Group gearing ratio is 0% at the same ratio for the year ended 30 June 2012. 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	Decrease Singapore Cents	2013 Singapore Cents	2012 Singapore Cents
Earnings per share	- 0.45	3.24	3.69

The weighted average shares used to compute basic earnings per share are 213,798,000 for this year and 212,376,000 shares for the previous year.

Classification	Increase Singapore Cents	As at 30 June 13 Singapore Cents	As at 30 June 12 Singapore Cents
Net tangible assets per share	+ 0.83	35.05	34.22

Capital Expenditure

For the year ending 30 June 2014, the Group plans to invest up to S$2.5m for prototyping, precision and testing equipment and the setting up of our new wholly owned subsidiary iPtec Pte Ltd. Part of the costs is covered by a grant.

DIRECTORS' REPORT 2013

Confirmed Orders

We have a total of S$56.0m (30 June 2012: S$51.5m) outstanding confirmed orders in hand as at 30 June 2013. A breakdown of these outstanding confirmed orders is as follows:-

	S$ m
Offshore Marine, Oil & Gas Machinery	37.0
Construction Equipment	12.3
Precision Engineering & Automation	6.5
Industrial & Mobile Hydraulics	0.2
Total	**56.0**

These outstanding orders are scheduled for delivery in the financial year 2014. Prospects for on-going orders continue to be robust.

The Precision Engineering Technology Cluster

Going forward into 2014, we aim to group the technology cluster comprising our start-up investments and the precision engineering and automation sector together under "Precision Engineering & Technologies".

A Strategic Catalyst

The Group's success in translating its start-ups' technologies into products that have now progressed to commercialisation globally has earned it the award of a "private sector translator" that comes with a cash grant of up to S$4.5m for the first 3 years. This amount is to be disbursed based on the Group's achieving key performance milestones. A wholly owned subsidiary iPtec Pte Ltd ("iPtec") has been formed to carry out this activity and will be run as a commercial entity for profit. It is the intention of the Group and the grantor for iPtec to achieve a global outreach.

iPtec is an acronym for intellectual property ("IP") translation engineering centre. iPtec will focus on medical technology translation for local research institutes in Singapore in both the government and private sector and may extend to include overseas IPs. iPtec will be the first company of its kind in Singapore to bridge an eco-system in the medical technology landscape in Singapore. The company will invest in the latest state-of-the-art advanced prototyping equipment and testing facilities and employ specialist engineers in equipment design, clinical trials, regulatory approvals and industrial design to render a comprehensive suite of services to customers from the IP's proof of concept stage to commercialisation.

Seed Funding Potentials

Translated IPs are owned by customers who pay for the translation services. However the Group will consider investing in and co-own IPs that possess strong potentials and to provide seed-funding to start-ups with strong promises. Seed-funded investments may be disposed of for profit if their potentials have been realized and they do not form a strategic fit with the Group's core business.

Technologies translated by iPtec may be seamlessly supported by Sys-Mac Automation Engineering Pte Ltd's manufacturing expertise as it has done so for the Group's various start-up investments.

Progress on Start-Up Investments

The Group's various start-ups possess disruptive technologies. The nature of the technologies invariably takes a longer phased gestation period. The most encouraging signs are that each of the technologies invested has been accepted by the relevant end users as disruptive. As the technologies are validated at various phases for proof of value to the customers, gradual adoption is gaining pace. Once customers have fully adopted the technologies, exponential sales are expected to break-out.

Orion Systems Integration Pte Ltd (Orion)

Orion's commercial Thermal Bonder for fine pitch flip chips has been accepted by industry. We are finalising the sale of significant batch orders with the first batch of 6 units aimed to be shipped within the first half of 2014 subject to no delay in customer's expansion plans. The expanding global demand for hand-held devices and tablet computers will use fine pitch flip chips as opposed to conventional chips. This is expected to accelerate the process for chip manufacturers to retool into manufacturing and packaging fine pitch flip chips. Fine pitch flip chips are high power computing chips that meet present days' requirement for small but powerful chips for increased multi-functional computing needs in the industry.

Orion is emerging from its gestation to be revenue generating.

Phoenix Thermal Bonder

DIRECTORS' REPORT 2013

Biobot Surgical Pte Ltd (Biobot)

The commercial version of the Mona Lisa iSR'obot surgical robot for prostate biopsy was launched in the AUA 2013, a conference of the American Urology Association in San Diego in May 2013. The surgical robot was well received and we are finalising partnerships with two university hospitals to set up centers of excellence in Europe and USA. One of these will be based in Germany and the other one in New York City. We aim to have these centers set up before December 2013. The centers of excellence will facilitate training of customers in the region on the use of our surgical robot and facilitate further development on the applications of our robot, including therapy.

Mona Lisa iSR'bot

The commercial unit has undergone various technical improvements in accuracy, enhanced safety and ergonomic features facilitating one-man operation and local anaesthesia. Approval from the Food and Drug Administration (FDA) in USA for the updated unit has been received. We expect to receive CE Mark (Eurozone) in the next 2 months. Updates to regulatory approval in Australia and Taiwan have been filed. We plan to file for regulatory approval in China in the first half of calendar year 2014.

Biobot aims to realise its first sales of the robot in the first half of the next financial year.

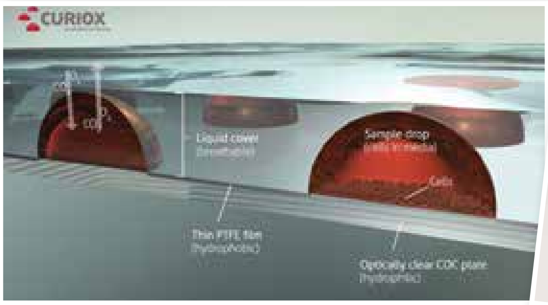
Curiox Biosystems Pte Ltd (Curiox)

Curiox's DropArray technology has achieved break-through acceptance by 10 of the top 25 pharmaceutical companies in the USA and Europe. The DropArray technology, whose application research findings were published in "Blood" a prestigious journal of the American Society of Hematology in December 2012, is now well accepted as the leading unique technology for high throughput screening in drug discovery processes that use both suspension and adherent cells in the preparation of complex assays.

The DropArray technology which employs wall-less microplates has proven to achieve a higher retention of suspension cells during washing and uses less disease markers and reagents which are expensive compounds. The technology is now at a critical stage of validation by various pharmaceutical companies applying it in their respective proprietary assays in developing new drugs. Significant progress has been achieved in us adapting our features to suit their needs. We are confident that our progress towards full adoption is gaining pace. Although their standards are stringent, making the level of entry high, we are hopeful of industry's adoption within the next 12 months. A full adoption of our technology will potentially escalate from its current validation with high end complex assays to simpler assays widening the scope of applications across the industry.

In the interim, revenue from applications in simpler assays is being generated. This is expected to pick up.

Curiox LT DropArray Machine



Curiox DropArray Assay

Curiox HT DropArray Machine

Prospects

The year just ended has been volatile. Our full year's results have been impacted by such volatility.

The global recovery is expected to remain fragile with uncertainties continuing to prevail. The Group charts its course on the basis that these global uncertainties whether arising from economic imbalances or political changes will always underscore the global economic landscape. As such, the Group has been positioning itself to transit the inflection point in its growth path, in order to create a platform for sustainable growth.

Prospects for the Group in 2014 remain strong. The Group is confident of sustainable growth into the future.

Subsequent Events after the Balance Sheet Date

Redemption of redeemable loans stocks
On 1 July 2013, 3,016,772 redeemable loan stocks in Biobot Surgical Pte Ltd ("Biobot") held by Zicom Holdings Pte Ltd has been fully redeemed by Biobot via the issue of 1 ordinary share fully paid for every loan stock held. As a result, the Group equity interest in Biobot was adjusted to 91.8%.

Incorporation of iPtec Pte Ltd
On 2 July 2013, Sys-Mac Automation Engineering Pte Ltd incorporated a wholly owned subsidiary, iPtec Pte Ltd, which will be principally engaged in medical technology translation services.

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:

			Meetings of Committees			
	Full meetings of directors		**Audit**		**Nomination & Remuneration**	
	A	**B**	**A**	**B**	**A**	**B**
Giok Lak Sim	4	4	2	2	1	1
Kok Hwee Sim	4	4	2	2	-	-
Yian Poh Lim	4	4	2	2	1	1
Frank Leong Yee Yew	4	4	2	2	1	1
Ian R Millard	4	4	2	2	-	-
Shaw Pao Sze	4	4	2	2	-	-
Kok Yew Sim	3	4	2	2	-	-

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$8,527 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 Y P Lim 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 Messrs G L Sim and S P Sze 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 2013.

Due to the expiry of certain share options subsequent to the financial year just ended, the share options held by the following directors at the date of this report are:

Mr K H Sim	280,000
Mr Y P Lim	-
Mr F Leong	-
Mr I R Millard	-
Mr K Y Sim	280,000

There has been no change to the relevant interests in shares of Zicom Group Limited held by these directors between the reporting date and the date of this report.

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 2014 be fixed at a maximum sum of A$150,000 (S$180,000) 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,
- 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. The minimum profit threshold is the lower of $500,000 or 15% of total shareholder funds as at the reporting date.

B Service Agreements

<u>Group Managing Director</u>

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 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, being the only criterion for his entitlement. ZHPL's profits exceeded the target for the financial year just ended and will be paid a bonus accordingly. Mr Sim has decided with the Nomination & Remuneration Committee that he shall only receive 3.5% of pre-tax consolidated profits of ZHPL as his performance bonus instead of his full entitlement at 5% so as to allocate the balance of his entitlement to reward other outstanding senior executives who are otherwise not entitled to profit sharing contractually. Accordingly, this 3.5% of pre-tax consolidated profits will be deemed to be 100% of his entitlement for the current financial year. Mr Sim has likewise, in previous years, forgone part of his bonus.

Mr Sim 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. For the current financial year, Mr Sim did not elect to convert any part of his performance bonus into ZGL shares.

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.

Senior Executives (directors of group companies)

Senior executives in key decision making are employed under rolling contracts. The company and these 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. Each year, each of the subsidiary companies, allocates 10% of their pre-tax profits upon achieving agreed minimum profit targets, being the only criterion for allocation of bonus to its eligible executives, as a "bonus pool". The maximum entitlement capped for eligible executives ranges from 2.5% to 5% of the pre-tax profits. Each year, the Nomination and Remuneration Committee will decide the proportion payable to each of these eligible executives based on the number of eligible executives entitled to the pool and any recommendation of management to reward any outstanding senior executives who are otherwise not eligible contractually, to be specially rewarded. The decisions made by the Committee are deemed to be 100% of their entitlement for the respective eligible executive for the financial year.

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. For the year just ended, none of the executives exercised the option to convert part of their performance bonus into ZGL shares.

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. Approved share options are allocated to each group company based on its profit contribution to the Group for the past 3 years. These options are then granted to employees based on individual performance and those with potentials in that group company. This initiative strengthens the Group's position to retain and attract talent so as to expand and grow to improve the Group's performance and enhance shareholders' value.

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, or 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 vested 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.

During the current financial year, 2,610,000 share options were granted to deserving employees and directors to acquire the ZGL shares at A$0.17 per share. These options are valid for 3 years, 50% of these options are exercisable 12 months from the date of grant and the remaining are exercisable 24 months from the date of grant.

Options are granted at no cost to employees. When exercised, each option is convertible into one ordinary share 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 517,500 fully paid ordinary shares in Zicom Group Limited at a weighted average exercise price of A$0.18 per share. 1,277,500 options expired during the financial year.

At the date of this report, there were 6,760,000 unissued ordinary shares under options (7,035,000 at the reporting date).

Company Performance

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

	2013	**2012**	**2011**	**2010**	**2009**
Earnings per share (Australian cents)	2.56	2.83	5.15	4.02	4.47
Dividend per share (Australian cents)	1.00	1.00	1.00	0.85	0.60
Closing share price (Australian cents)	23.00	15.00	50.00	12.50	10.00
Net tangible assets per share (Australian cents)	29.96	26.49	24.73	23.53	20.84

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 2013 and 2012 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.

2013	Short Term Employee Benefits				Post Employment Benefit	Share-Based Payments			
Name	Cash Salary and Fees S$	Short Term Cash S$	Non-Monetary Benefits S$	Other Short-Term Employee Benefits S$	Superannuation S$	Performance Bonus Paid in Shares S$	Share options S$	Total S$	Performance Related **%**
Non-executive Directors									
Y P Lim	45,590	–	–	–	–	–	478	46,068	–
F Leong	41,791	–	–	–	–	–	478	42,269	–
I R Millard	43,058	–	–	–	–	–	478	43,536	–
S P Sze	36,726	–	–	–	–	–	31	36,757	–
Sub-total non-executive directors	167,165	–	–	–	–	–	1,465	168,630	–
Executive Directors									
G L Sim - Chairman	432,000	287,250	–	24,000	5,525	–	–	748,775	38.4
K H Sim	144,674	120,000	–	12,000	13,600	–	3,729	294,003	40.8
K Y Sim (*alternate to K H Sim)*	158,646	132,500	–	44,400	13,600	–	3,729	352,875	37.5
Sub-total executive directors	735,320	539,750	–	80,400	32,725	–	7,458	1,395,653	
Other key management personnel									
G H Teoh[1]	216,000	167,857	–	60,000	8,775	–	3,327	455,959	36.8
J Koon Sim[2]	180,135	144,500	–	18,000	11,700	–	–	354,335	40.8
J L Sim[3]	215,211	183,360	–	21,600	8,775	–	3,327	432,273	42.4
H S Tang[4]	176,588	137,520	–	14,400	5,900	–	3,327	337,735	40.7
Sub-total other key management personnel	787,934	633,237	–	114,000	35,150	–	9,981	1,580,302	
Grand total	1,690,419	1,172,987	–	194,400	67,875	–	18,904	3,144,585	

(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

2012	Short Term Employee Benefits				Post Employment Benefit	Share-Based Payments			
Name	Cash Salary and Fees	Short Term Cash	Non-Monetary Benefits	Other Short-Term Employee Benefits	Superannuation	Performance Bonus Paid in Shares	Share Options	Total	% Performance Related
	S$	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	38,500	12,733	268,049	41.0
K Y Sim (*alternate to K H Sim)*	165,172	159,375	–	44,362	9,522	53,125	12,733	444,289	47.8
Sub-total executive directors	717,358	405,875	–	80,362	27,959	266,625	25,466	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	266,625	65,843	3,284,776	

(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

Details of share options to key management personnel

The following options were granted to the following key management personnel during the year ended 30 June 2013.

2013	No of options granted	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	First exercise date	Last exercise date
Directors							
K H Sim	40,000	15 Nov 12	A$0.09	A$0.17	14/11/2015	15/11/2013	14/11/2015
	40,000	15 Nov 12	A$0.10	A$0.17	14/11/2015	15/11/2014	14/11/2015
K Y Sim	40,000	15 Nov 12	A$0.09	A$0.17	14/11/2015	15/11/2013	14/11/2015
	40,000	15 Nov 12	A$0.10	A$0.17	14/11/2015	15/11/2014	14/11/2015
Executives							
G H Teoh	40,000	1 Sep 12	A$0.09	A$0.17	31/08/2015	01/09/2013	31/08/2015
	40,000	1 Sep 12	A$0.10	A$0.17	31/08/2015	01/09/2014	31/08/2015
J L Sim	40,000	1 Sep 12	A$0.09	A$0.17	31/08/2015	01/09/2013	31/08/2015
	40,000	1 Sep 12	A$0.10	A$0.17	31/08/2015	01/09/2014	31/08/2015
H S Tang	40,000	1 Sep 12	A$0.09	A$0.17	31/08/2015	01/09/2013	31/08/2015
	40,000	1 Sep 12	A$0.10	A$0.17	31/08/2015	01/09/2014	31/08/2015

Options granted to, vested and exercised by key management personnel during the year are as follows:

	No of Options			Value of Options S$			Remuneration consisting of options for the year (%)
	Granted	Exercised	Expired	Granted	Exercised	Expired	
Independent Directors							
Y P Lim	–	50,000	–	–	7,223	–	1.0
F Leong	–	50,000	–	–	7,223	–	1.1
I R Millard	–	50,000	–	–	7,223	–	1.1
S P Sze	–	–	–	–	–	–	0.1
Executive Directors							
G L Sim	–	–	–	–	–	–	–
K H Sim	80,000	–	–	8,696	–	–	1.3
K Y Sim	80,000	–	–	8,696	–	–	1.1
Executives							
G H Teoh	80,000	–	–	8,757	–	–	0.7
J Koon Sim	–	–	–	–	–	–	–
J L Sim	80,000	–	200,000	8,757	–	20,694	0.8
H S Tang	80,000	–	100,000	8,757	–	10,347	1.0
	400,000	150,000	300,000	43,663	21,669	31,041	

For details on the valuation of options, including models and assumptions 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.

Auditor's 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.

GL Sim
Chairman/Managing Director
23 September 2013

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 2013, 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

23 September 2013

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 "Board of 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.

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 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.

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, Myanmar, New Zealanders, Singaporeans and Thais. In addition, approximately 20% 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.

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.

CORPORATE GOVERNANCE STATEMENT

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 policies 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 2013
(In Singapore dollars)

	Note	2013 S$'000	2012 S$'000
Revenue from continuing operations	4	118,733	128,959
Other operating income	4	1,116	1,689
Cost of materials		(61,265)	(73,776)
Employee, contract labour and related costs		(29,374)	(27,318)
Depreciation and amortisation		(5,256)	(4,931)
Property related expenses		(2,595)	(2,528)
Other operating expenses	4	(13,367)	(12,081)
Finance costs		(474)	(878)
Share of results of associates		(613)	(1,357)
Profit before taxation		6,905	7,779
Tax benefit / (expense)	5	303	(553)
Profit for the year from continuing operations after taxation		7,208	7,226
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss			
Foreign currency translation on consolidation		(326)	(135)
Effect of tax on other comprehensive income		-	–
		(326)	(135)
Total comprehensive income		6,882	7,091
Profit/ (loss) attributable to:			
Owners of parent		6,929	7,836
Non-controlling interest		279	(610)
Profit for the year		7,208	7,226
Total comprehensive income / (loss) attributable to:			
Owners of parent		6,603	7,701
Non-controlling interest		279	(610)
		6,882	7,091
Earnings per share (cents)			
Basic earnings per share	6	3.24	3.69
Diluted earnings per share	6	3.23	3.67

CONSOLIDATED BALANCE SHEET

as at 30 June 2013
(In Singapore dollars)

	Note	2013 S$'000	2012 S$'000
Non-current assets			
Property, plant and equipment	8	33,101	35,833
Intangible assets	9	13,212	11,918
Deferred tax assets	5	1,943	754
Loan receivable from an associate	11	919	-
Investment in an associate	11	2,578	2,768
Others		1	1
		51,754	51,274
Current assets			
Cash and bank balances	20	21,355	24,446
Inventories	12	21,829	28,255
Trade and other receivables	13	34,832	33,169
Prepayments		546	908
Tax recoverable		109	205
Assets held for sale		524	-
Financial asset recorded at fair value through profit or loss	15	-	300
		79,195	87,283
TOTAL ASSETS		130,949	138,557
Current liabilities			
Payables	16	20,747	31,547
Interest-bearing liabilities	17	9,459	10,425
Provisions	18	1,138	1,248
Provision for taxation		431	1,015
Unearned income		64	64
Unrealised loss on derivatives		2,411	497
		34,250	44,796
NET CURRENT ASSETS		44,945	42,487
Non-current liabilities			
Interest-bearing liabilities	17	5,147	6,535
Deferred tax liabilities	5	2,622	2,161
Provisions	18	443	384
Unearned income		-	63
		8,212	9,143
TOTAL LIABILITIES		42,462	53,939
NET ASSETS		88,487	84,618
Equity attributable to equity holders of the Company			
Contributed equity	19	37,623	37,083
Reserves		(251)	110
Retained earnings		50,099	45,955
		87,471	83,148
Non-controlling interest		1,016	1,470
TOTAL EQUITY		88,487	84,618
TOTAL EQUITY AND LIABILITIES		130,949	138,557

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2013
(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 1.7.2011		36,863	120	(496)	537	41,340	78,364	1,902	80,266
Other comprehensive income/(loss)		–	–	(135)	–	–	(135)	–	(135)
Profit/(loss) for the year		–	–	–	–	7,836	7,836	(610)	7,226
Total comprehensive income/(loss) 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 companies		–	–	–	–	–	–	578	578
Acquisition of non-controlling interest		–	–	–	–	(515)	(515)	(370)	(885)
Dividends paid on ordinary shares	7	–	–	–	–	(2,706)	(2,706)	–	(2,706)
Disposal of subsidiary		–	–	–	–	–	–	68	68
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	(98)	(98)
Balance at 30.06.2012		36,929	154	(631)	741	45,955	83,148	1,470	84,618
Other comprehensive income/(loss)		–	–	(326)	–	–	(326)	–	(326)
Profit for the year		–	–	–	–	6,929	6,929	279	7,208
Total comprehensive income/(loss) for the year		–	–	(326)	–	6,929	6,603	279	6,882
Exercise of employee share options	19	117	72	–	(72)	–	117	–	117
Share issued, net of expenses	19	351	–	–	–	–	351	–	351
Cost of share-based payments	25(a)	–	–	–	173	–	173	–	173
Expiry of employee share options		–	–	–	(136)	136	–	–	–
Acquisition of non-controlling interest	10	–	–	–	–	(167)	(167)	(728)	(895)
Change of interest in subsidiary company		–	–	–	–	(12)	(12)	55	43
Contribution of capital by non-controlling interest		–	–	–	–	–	–	37	37
Dividends paid on ordinary shares	7	–	–	–	–	(2,742)	(2,742)	–	(2,742)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	(97)	(97)
Balance at 30.06.2013		37,397	226	(957)	706	50,099	87,471	1,016	88,487

(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 2013
(In Singapore dollars)

	Note	2013 S$'000	2012 S$'000
Cash flows from operating activities:			
Operating profit before taxation		6,905	7,779
Adjustments for:			
Depreciation of property, plant and equipment	8	4,406	4,225
Amortisation of intangible assets	9	850	706
Bad debts written off	4	–	2
Allowance for doubtful debts, net	4	–	297
Allowance for inventory obsolescence	4	19	45
Inventories written off	4	3	3
Interest expenses		474	878
Interest income	4	(152)	(220)
Property, plant and equipment written off	4	133	4
Patented technology costs written off	4	5	–
Gain on disposal of property, plant and equipment	4	(59)	(100)
Loss on disposal of property, plant and equipment	4	5	13
Loss on disposal of equity interest in subsidiary	4	–	87
Loss on remeasurement of investment in associate to fair value	4	–	874
Provisions made, net	18	152	214
Cost of share-based payments		157	238
Fair value adjustment for financial asset through profit or loss	4	–	(800)
Share of results of associates		613	1,357
Unrealised loss on derivatives		2,411	497
Unrealised exchange difference		(8)	(75)
Operating profit before reinvestment in working capital		15,914	16,024
Decrease in stocks and work-in-progress		7,591	4,727
(Increase)/ decrease in projects-in-progress		(5,024)	2,421
Decrease/ (increase) in debtors		2,790	(778)
Decrease in creditors		(12,167)	(1,284)
Cash generated from operations		9,104	21,110
Interest received		152	220
Interest paid		(477)	(885)
Income taxes paid		(1,032)	(2,274)
Net cash provided by operating activities		7,747	18,171
Cash flows from investing activities:			
Purchase of property, plant and equipment	8(b)	(2,320)	(5,740)
Proceeds from disposal of property, plant and equipment	8(c)	83	131
Increase in computer software	9	(530)	(83)
Increase in development expenditure		(1,390)	(37)
Increase in patented technology	9	(34)	(31)
Investment in associate	11(b)	(453)	(1,451)
Decrease/ (increase) in amount due from associate		193	(924)
Subscription of convertible loan stocks	11(b)	(919)	–
Acquisition of subsidiary		–	157
Disposal of subsidiary		–	(77)
Acquisition of non-controlling interest	10(a)	(595)	(385)
Net cash used in investing activities		(5,965)	(8,440)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2013
(In Singapore dollars)

	Note	2013 S$'000	2012 S$'000
Cash flows from financing activities:			
Net increase in amount due to directors		22	30
Repayments of bank borrowings		(1,188)	(3,289)
Dividends paid on ordinary shares	7	(2,742)	(2,706)
Dividends paid to non-controlling shareholders		(97)	(98)
Proceeds from exercise of employee share options		117	66
Proceeds from issue of shares			
- by the Company to shareholders	19	351	–
- by subsidiary company to non-controlling interest		37	–
Proceeds from disposal of equity interest to non-controlling interest		43	–
Repayment of hire purchase creditors		(1,263)	(2,684)
Net cash used in financing activities		(4,720)	(8,681)
Net (decrease)/ increase in cash and cash equivalents		(2,938)	1,050
Net foreign exchange differences		(101)	11
Cash and cash equivalents at beginning of year	20	24,241	23,180
Cash and cash equivalents at end of year	20	21,202	24,241

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 2013 was authorised for issue in accordance with a resolution of the directors on 23 September 2013.

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.

The financial report is presented in Singapore dollars and all values are rounded to the nearest thousand dollars (S$'000) unless otherwise stated.

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 2012.

- AASB 2010 – 8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] effective 1 Jan 2012*
- 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] effective 1 July 2012*

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

(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 2013. 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 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*

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

2.2 Statement of compliance (cont'd)

(ii) Accounting Standards and Interpretations issued but not effective (cont'd)

- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- 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 2012-9 *Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039*
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]*
- AASB 1053 *Application of Tiers of Australian Accounting Standards*
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- AASB 9 *Financial Instruments*
- Annual Improvements 2009 – 2011 Cycle *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 using consistent accounting policies. All intra-group balances, transactions, unrealised gain and losses resulting from intra-group transactions and dividends are eliminated in full.

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.

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

2.3 Principles of consolidation (cont'd)

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 within a subsidiary 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 Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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 consideration 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 Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 July 2009 were not reallocated between non-controlling interest and the owners of the Parent.
- 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. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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 circumstances 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 loss 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in 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.

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, start-up operations which are yet to earn revenue 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 and balances*

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.

Differences arising on the settlement or translation of monetary items 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) *Consolidated financial statements*

On consolidation, 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 recognised in other comprehensive income. On disposal of a foreign operation, the component of 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:

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

2.7 Property, plant and equipment (cont'd)

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

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 part of the operation within that unit is disposed of, the goodwill associated with the disposed operation 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 disposed operation and the portion of the cash-generating unit retained.

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

2.8 Intangible assets (cont'd)

(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.

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
Customer list	8 years
Patented technology	10 – 20 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. Summary of significant accounting policies (cont'd)

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 companies 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 are recognised in profit or loss.

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 an associate

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

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

Under the equity method, investment in the associate is carried on the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor tested for impairment.

The profit or loss reflects the Group's share of the results of operations of the associate. Where there has been a change recognised in other comprehensive income by the associate, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an 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 loss as "share of results of associates" in the profit or loss.

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

2.10 Investment in an associate (cont'd)

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 associate and the Group are identical and the associate's 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.

2.11 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. This category includes derivative financial instruments entered by the Group that are not designated as hedging instruments in hedge relationships as defined in AASB 139.

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, loans and receivables 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.

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

2.11 Financial assets (cont'd)

(c) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit and loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and they may be sold in response to needs of liquidity or changes in market conditions.

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.

2.12 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. Summary of significant accounting policies (cont'd)

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 which forms an integral part of the Group's cash management. 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.

2.15 Construction contracts

The Group principally operates fixed price 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.

The outcome of a construction contract can be estimated reliably when i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that the actual costs incurred can be compared with prior estimates.

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. Summary of significant accounting policies (cont'd)

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. When the grant relates to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed. 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. Alternatively, it may be presented on the balance sheet by deducting the grant in arriving at the carrying amount of asset.

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.

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.

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

2.18 Financial liabilities (cont'd)

(a) Financial liabilities at fair value through profit or loss (cont'd)

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. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 and 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 that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, 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.

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

2.20 Leases (cont'd)

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.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

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 as set out in note 2.23. 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.

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

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

2.21 Employee benefits (cont'd)

(c) *Superannuation* (cont'd)

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 share options after its vesting date. 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.

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

2.23 Revenue recognition (cont'd)

Services rendered

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

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.

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

2.24 Taxation (cont'd)

(b) Deferred tax (cont'd)

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

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when 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.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised 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

- In respect of deductible temporary differences 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 in 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.

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

2.24 Taxation (cont'd)

(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.

2.26 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.

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

2.27 Related parties (cont'd)

(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. 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.

(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 30 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.

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

2.28 Critical accounting estimates and judgments (cont'd)

(a) *Key sources of estimation uncertainty* (cont'd)

(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.

(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.

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

2.28 Critical accounting estimates and judgments (cont'd)

(b) *Judgements made in applying accounting policies* (cont'd)

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 2013 was S$431,000 (2012: S$1,015,000) and S$2,622,000 (2012: S$2,161,000) respectively. The Group also has deferred tax assets of S$1,943,000 (2012: S$754,000) as at 30 June 2013.

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, thermal bonders, 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.

Unallocated revenue and expenses

Unallocated revenue comprises mainly non-segmental revenue including grants received by start-up operations which are yet to earn revenue and fair value gain on derivative asset. Unallocated expenses comprise mainly of non-segmental expenses such as head office expenses, loss on remeasurement or expenses relating to start-up operations which are yet to earn revenue.

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 2013 and 2012.

	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 2013					
Revenue					
Sales to external customers	41,963	39,461	34,725	2,584	118,733
Other revenue	9	252	455	5	721
Inter-segment sales	137	7	31	839	1,014
Total segment revenue	42,109	39,720	35,211	3,428	120,468
Inter-segment elimination					(1,014)
Unallocated revenue					243
Interest income					152
Total consolidated revenue					119,849
Results					
Segment results	4,540	2,759	2,187	859	10,345
Unallocated revenue					243
Unallocated expenses					(2,748)
Share of results of associate					(613)
Profit before tax and finance cost					7,227
Finance costs					(474)
Interest income					152
Profit before taxation					6,905
Income tax benefit/ (expense)					303
Net profit after taxation					7,208
Other segment information					
Capital expenditure					
- property, plant and equipment	261	3,596	175	42	4,074
- intangible assets	154	198	876	31	1,259
					5,333
Depreciation and amortisation	606	3,219	1,085	18	4,928
Other non-cash expenses	2,073	600	342	5	3,020

3. Segment information (cont'd)

Business segments (cont'd)

	Offshore marine, oil and gas machinery	Construction equipment	Precision engineering and automation	Industrial and mobile hydraulics	Consolidated
	S$'000	S$'000	S$'000	S$'000	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 benefit/ (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)

Geographical segments

The Group's geographical segments for revenue and non-current assets are determined based on location of customers and assets respectively.

The following table presents revenue and certain assets information regarding geographical segments for the years ended 30 June 2013 and 2012.

Year ended 30 June 2013

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	16,450	11,723	34,239	17,077	25,948	2,227	6,910	4,159	118,733
Other revenue from external customers	47	7	945	10	–	–	34	73	1,116
									119,849
Other segment information									
Segment non-current assets	3,882	4,379	29,962	243	–	–	7,304	543	46,313
Investment in associates									2,578
Unallocated assets									2,863
									51,754
Capital expenditure									
- property, plant and equipment	111	262	3,697	3	–	–	98	63	4,234
- intangible assets	–	–	1,847	–	–	–	167	–	2,014
									6,248

3. Segment information (cont'd)

Geographical segments (cont'd)

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	700	47,751
Investment in associates									2,768
Unallocated assets									755
									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

4. Revenue, income and expenses

(i) Revenue

	Consolidated 2013 S$'000	Consolidated 2012 S$'000
Sales of goods	76,094	93,764
Rendering of services	6,860	7,684
Rental revenue	6,335	6,326
Revenue recognised on projects	29,444	21,185
	118,733	128,959

4. Revenue, income and expenses (cont'd)

(ii) Other operating income

	Consolidated 2013 S$'000	Consolidated 2012 S$'000
Interest income	152	220
Commission income	26	66
Gain on disposal of property, plant and equipment	59	100
Service rendered	398	193
Government grants	230	140
Gain on financial asset recorded at fair value through profit or loss	–	800
Bad debts recovered	4	2
Trade discount received	108	40
Other revenue	139	128
	1,116	1,689

(iii) Other operating expenses

Included in other operating expenses are the following:

	Consolidated 2013 S$'000	Consolidated 2012 S$'000
Allowance for inventory obsolescence, net	19	45
Allowance for doubtful debts, net	–	297
Bad debts written off	–	2
Foreign exchange loss /(gain)	2,687	(161)
Provision for product warranties, net	47	109
Loss on disposal of property, plant and equipment	5	13
Property, plant and equipment written off	133	4
Warranty expense charged directly to profit or loss	55	–
Inventories written off	3	3
Patented technology cost written off	5	–
Loss on remeasurement of investment in associate to fair value	–	874
Loss on disposal of equity interest in subsidiary	–	87

5. Tax expense

	Consolidated	
	2013	**2012**
	S$'000	S$'000
Current income tax		
- Current income tax charge	544	1,073
- Adjustments in respect of previous years	(96)	(30)
Deferred income tax		
- Relating to the origination and reversal of temporary differences	(1,258)	(186)
- Adjustment in respect of previous years	507	(304)
Income tax (benefit)/ expense	(303)	553

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:

	Consolidated	
	2013	**2012**
	S$'000	S$'000
Profit before taxation	6,905	7,779
Tax expense:		
Tax at the domestic rates applicable to profits in the countries where the group operates	1,402	2,352
Release of deferred tax liability on intangible assets	(111)	(106)
Non-deductible expenses	530	248
Non-taxable income	(397)	(992)
Partial tax exemption	(113)	(155)
Deferred tax asset not recognised	265	73
Recognition of deferred tax assets not previously recognised	(1,001)	–
Utilisation of deferred tax asset previously not recognised	–	(62)
Under / (over) provision in prior years	411	(334)
Enhanced tax credits	(1,267)	(417)
Others	(22)	(54)
Tax (benefit) / expense	(303)	553

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	
	2013	**2012**	**2013**	**2012**
	S$'000	S$'000	S$'000	S$'000
Deferred tax liabilities				
Differences in depreciation	(2,386)	(1,510)	876	(502)
Intangible assets	(636)	(573)	(48)	(111)
Acquisition of subsidiary	–	(114)	–	–
Accrual for unconsumed leave	58	36	(22)	3
Provisions	147	–	(147)	–
Unutilised capital allowances	7	–	(7)	31
Unutilised tax losses	188	–	(188)	10
	(2,622)	(2,161)		
Deferred tax assets				
Unutilised tax losses	1,857	533	(1,350)	20
Unutilised capital allowances	86	8	(78)	(3)
Provisions	197	405	208	124
Accrual for unconsumed leave	11	40	29	(5)
Differences in depreciation	(21)	(197)	(176)	(44)
Intangible assets	(187)	(35)	152	(13)
	1,943	754	(751)	(490)

	Consolidated	
	2013	**2012**
	S$'000	S$'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	3,293	3,663

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 are 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	
		2013	**2012**
		S$'000	S$'000
(a)	Earnings used in calculating basic and diluted earnings per share		
	Net profit attributable to equity holders of the Parent	6,929	7,836
		No. of shares (Thousands)	
(b)	Weighted average number of shares for basic earnings per share	213,798	212,376
	Effect of dilution:		
	Share options (d)	849	1,406
	Adjusted weighted average number of shares	214,647	213,782
		Singapore cents	
(c)	Earnings per share		
	Basic	3.24	3.69
	Diluted	3.23	3.67

There were no transactions involving ordinary or potential ordinary shares that would significantly change the number of the ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

(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.

7. Dividends

	Consolidated	
	2013	**2012**
	S$'000	S$'000
Declared and paid during the financial year:		
- 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
- Final unfranked dividend for 2012: 0.55 Australian cents per share	1,488	–
- Interim unfranked dividend for 2013: 0.45 Australian cents per share	1,254	–
	2,742	2,706
Proposed but not recognised as a liability as at 30 June:		
- Final unfranked dividend for 2013: 0.55 Australian cents per share (2012: 0.55 Australian cents per share)	1,358	1,519

After the reporting date, the final dividend for 2013 was approved by the board of directors.

8. Property, plant and equipment

Consolidated	Freehold land S$'000	Leasehold properties S$'000	Buildings S$'000	Machinery under installation S$'000	Plant and equipment S$'000	Leasehold improvements S$'000	Motor vehicles S$'000	Total S$'000
Cost								
At 1.7.2011	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
Currency realignment	42	1	91	2	(413)	(15)	(26)	(318)
Additions	–	–	11		3,579	234	410	4,234
Disposals	–	–	–	–	(282)	–	(139)	(421)
Reclassification to inventory	–	–	–	–	(2,312)	–	–	(2,312)
Reclassification to assets held for sale	(448)	–	(300)	–	–	–	–	(748)
Reclassification to intangible assets	–	–	–	–	(134)	–	–	(134)
Reclassification	–	–	–	–	(72)	72	–	–
Write off	–	–	–	–	(245)	–	–	(245)
At 30.6.2013	1,804	10,436	4,592	100	34,496	2,361	1,630	55,419
Accumulated depreciation and impairment								
At 1.7.2011	–	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
Currency realignment	–	1	16	–	(281)	(15)	(29)	(308)
Charge for 2013	–	270	243	–	3,478	273	142	4,406
Disposals	–	–	–	–	(270)	–	(122)	(392)
Reclassification to inventory	–	–	–	–	(528)	–	–	(528)
Reclassification to assets held for sale	–	–	(224)	–	–	–	–	(224)
Reclassification to intangible assets	–	–	–	–	(54)	–	–	(54)
Reclassification	–	–	–	–	(1)	1	–	–
Write off	–	–	–	–	(112)	–	–	(112)
At 30.6.2013	–	3,386	869	–	15,412	1,585	1,066	22,318
Net carrying value								
At 30.6.2013	1,804	7,050	3,723	100	19,084	776	564	33,101
At 30.6.2012	2,210	7,320	3,956	98	21,195	744	310	35,833

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	
	2013	**2012**
	S$'000	S$'000
Motor vehicles	240	32
Plant and equipment	5,008	4,315
	5,248	4,347

Leased assets are pledged as security for the related finance lease liabilities.

(b) During the year, the Group acquired property, plant and equipment with an aggregate cost of S$4,234,000 (2012: S$8,752,000) of which S$1,580,000 (2012: S$1,711,000) were acquired by means of hire purchase financing. Cash payments of S$2,320,000 (2012: S$5,740,000) were made to purchase property, plant and equipment. Additions also included an amount of S$314,000 (2012: S$1,266,000) which was previously included in stock but was converted and capitalised as fixed assets during the current financial year. The balance of S$20,000 (2012: S$35,000) 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$29,000 (2012: S$44,000). Sales proceeds amounting to S$83,000 (2012: S$131,000) 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$133,000 (2012: S$4,000).

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

	Consolidated	
	2013	**2012**
	S$'000	S$'000
Mortgage of leasehold properties	3,125	3,250
Mortgage of freehold land and buildings	5,527	6,166
	8,652	9,416

9. Intangible assets

Group	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
Cost									
At 1.7.2011	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
Currency realignment	(6)	(4)	(239)	–	–	(40)	–	–	(289)
Additions	–	–	–	1,450	–	530	–	34	2,014
Reclassification from inventory	–	–	–	324	–	–	–	–	324
Reclassification from property, plant & equipment	–	–	–	–	–	134	–	–	134
Write off	–	–	–	–	–	–	–	(5)	(5)
At 30.6.2013	918	1,141	7,246	1,811	10	1,893	3,721	60	16,800
Accumulated amortisation									
At 1.7.2011	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
Currency realignment	–	–	–	–	–	(20)	–	–	(20)
Amortisation	48	166	–	37	–	325	274	–	850
Reclassification from property, plant & equipment	–	–	–	–	–	54	–	–	54
At 30.6.2013	874	1,141	–	37	–	903	633	–	3,588
Net carrying value:									
At 30 June 2013	44	–	7,246	1,774	10	990	3,088	60	13,212
At 30 June 2012	98	170	7,485	37	10	725	3,362	31	11,918

9. Intangible assets (cont'd)

	Customer list	Developed technology	Computer software	Unpatented technology	Patented technology
Average remaining Amortisation period (years) – 2013	1	–	5	11.4	10
Average remaining Amortisation period (years) - 2012	2	1	2	12.4	10

Impairment tests for goodwill

In accordance with AASB 3, the carrying value of the Group's goodwill on acquisition as at 30 June 2013 was assessed for impairment.

Group	As at 30.6.2013	As at 30.6.2012	Basis on which recoverable values are determined	Growth rate per annum		Discount rate per annum	
				2013	2012	2013	2012
	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	8% - 20%	5% - 8%	16%	13%
Zicom Group Limited	2,291	2,530	Value-in-use	5% - 10%	5% - 10%	18%	17%
Orion Systems Integration Pte Ltd	664	664	Value-in-use	10% - 20%	10% - 30%	16%	14%
Biobot Surgical Pte Ltd	1,316	1,316	Value-in-use	15% - 30%	15% - 30%	19%	17%
	7,245	7,484					

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 to five years period. Management determined budgeted gross margin in the financial budgets based on past performance and its expectation of market development. Terminal growth rate of 1% were used for the above cash generating units with the exception of Orion Systems Integration Pte Ltd for which 0% was used.

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.

9. Intangible assets (cont'd)

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 2013 and 2012 for goodwill as their recoverable values were in excess of their carrying values.

10. Investment in subsidiaries

	Parent Entity	
	2013	**2012**
	S$'000	S$'000
Investment in controlled entities, at cost	54,544	54,544
Less: Impairment loss	(5,921)	(5,263)
	48,623	49,281

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.

Name of Company	**Country of incorporation/ formation**	**Carrying value of Parent Entity investment**		**Percentage of equity held by the Group**	
		2013	**2012**	**2013**	**2012**
		S$'000	S$'000	%	%
Held by the Company:					
Cesco Australia Limited	Australia	4,448	5,106	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
Sys-Mac Automation Engineering Pte Ltd	Singapore	–	–	100	100
MTA-Sysmac Automation Pte Ltd	Singapore	–	–	61	61
SAEdge Vision Solutions Pte Ltd	Singapore	–	–	100	100

10. Investment in subsidiaries (cont'd)

Name of Company	Country of incorporation/ formation	Carrying value of Parent Entity Investment		Percentage of equity held by the Group	
		2013	2012	2013	2012
		S$'000	S$'000	%	%
***Controlled entities held by subsidiary companies:* (cont'd)**					
Integrated Automation Systems Pte Ltd	Singapore	–	–	100	100
Orion Systems Integration Pte Ltd	Singapore	–	–	84	54
Biobot Surgical Pte Ltd	Singapore	–	–	92	80
PT Sys-Mac Indonesia	Indonesia	–	–	100	100
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
Hangzhou Cesco Machinery Co Ltd	China	–	–	100	100
		48,623	49,281		

(a) 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%. The difference between the carrying value of the additional interest acquired of S$624,000 and the cash consideration amounting to S$29,000 has been recognized within equity.

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

On 31 December 2012, the shareholders of the BBS approved the transfer of 1,200,000 Profit Guarantee Shares to Zicom Holdings Pte Ltd as the minimum agreed profits could not be achieved by BBS under the Shareholders' Agreement. This resulted in an increase in the Group's interest in BBS to 92%. The difference between the carrying amount of the additional interest acquired of S$104,000 and the value of Profit Guarantee Shares transferred of S$300,000 amounting to S$196,000 has been recognized as premium paid on acquisition within equity.

Entity subject to class order relief

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

As a condition for the Class Order, a deed of Cross Guarantee was executed between Zicom Group Limited ("ZGL") and CAL on 15 May 2008. The effect of the deed is that ZGL has guaranteed to pay any deficiency in the event of winding up of CAL or if CAL does not meet its obligations under the terms of overdraft, loans, leases or other liabilities subject to the guarantee.

CAL also has given a similar guarantee in the event that ZGL 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.

10. Investment in subsidiaries (cont'd)

On 9 May 2013, CEPL executed a Deed of Assumption with ZGL so that CEPL is joined to the Deed of Cross Guarantee and assumes liability under and be bound by the Deed of Cross Guarantee as if CEPL was a Group Entity when the deed of Cross Guarantee was executed.

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**	
	2013	**2012**
	S$'000	S$'000
Profit from continuing activities before taxation	2,707	3,250
Income tax expense	–	–
Net profit for the year	2,707	3,250
Accumulated losses at the beginning	(24,537)	(25,081)
Expiry of employee share options	136	–
Dividends paid	(2,742)	(2,706)
Accumulated losses at the end	(24,436)	(24,537)

Consolidated Balance Sheet	**Closed Group**	
	2013	**2012**
	S$'000	S$'000
Non-current assets		
Property, plant and equipment	1,644	2,251
Intangible assets	593	742
Investment in subsidiaries	44,175	44,175
	46,412	47,168
Current assets		
Cash and bank balances	1,776	1,605
Inventories	3,239	3,692
Trade and other receivables	5,662	7,717
	10,677	13,014
Current liabilities		
Payables	6,969	8,977
Interest-bearing liabilities	1,434	2,812
Provisions	240	229
	8,643	12,018
NET CURRENT ASSETS	2,034	996
Non-current liabilities		
Interest-bearing liabilities	10	91
Provisions	220	194
	230	285
NET ASSETS	48,216	47,879
Equity attributable to equity holders of the Company		
Contributed equity	71,631	71,091
Reserves	1,021	1,325
Accumulated losses	(24,436)	(24,537)
TOTAL EQUITY	48,216	47,879

11. Investment in an associate

(a) Investment details

	Consolidated	
	2013	**2012**
	S$'000	S$'000
Curiox Biosystems Pte Ltd	2,578	2,768

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

	2013	**2012**
	S$'000	S$'000
At beginning of year	2,768	2,007
Additional investment	453	1,451
Share of losses after income tax	(613)	(674)
Unrealised profits	(30)	(16)
At end of year	2,578	2,768

In the last financial year, Zicom Holdings Pte Ltd ("ZHPL") subscribed for 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 two tranches amounting to S$453,000 each had been paid in April 2012 and September 2012 respectively.

With the additional investment, ZHPL's equity interest in Curiox Biosystems Pte Ltd has increased to 46.49% as at 30 June 2013 (2012: 44.06%).

On 18 January 2013, Curiox issued 919,000 convertible loan stocks with cumulative interest at 5% per annum to ZHPL for a cash consideration of S$919,000. These will be either repaid or redeemed by Curiox equally on 2 maturity dates, 31 December 2014 and 31 December 2015. ZHPL holds the right to convert these into preference shares in Curiox on these maturity dates.

(c) Summarised financial information

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

Extract from the associate's balance sheet:

	2013	**2012**
	S$'000	S$'000
Current assets	1,257	1,137
Non-current assets	537	560
	1,794	1,697
Current liabilities	(1,666)	(772)
Net assets	128	925

11. Investment in an associate (cont'd)

(c) Summarised financial information **(cont'd)**

Extract from the associate's statement of comprehensive income:

Results:

	2013	2012
	S$'000	S$'000
Revenue	500	133
Net losses	(1,263)	(1,600)

12. Inventories

	Consolidated	
	2013	**2012**
	S$'000	S$'000
Raw materials, at net realisable value	2,002	2,844
Raw materials, at cost	2,392	2,020
Work-in-progress, at cost	6,722	9,925
Trading stocks, at cost	9,902	12,735
Trading stocks, at net realisable value	296	296
Stocks-in-transit, at cost	515	435
Total inventories at lower of cost and net realisable value	21,829	28,255

Inventories recognised as cost of sales for the year ended 30 June 2013 totalled S$83,289,000 (2012: S$99,144,000) for the Group.

13. Current Assets - Receivables

	Consolidated	
	2013	**2012**
	S$'000	S$'000
Trade receivables (a)	23,827	26,150
Allowance for impairment loss (b)	(317)	(374)
	23,510	25,776
Advance payments to suppliers	1,006	677
Amount due from customers for contract work (note 14)	8,743	4,554
Deposits	158	207
Related party receivables (c):		
- Associate		
- trade	155	–
- non-trade	109	457
- Other related parties (trade)	125	13
Other receivables	1,026	1,485
	34,832	33,169

(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 to 60 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**	
	2013	**2012**	**2013**	**2012**
	S$'000	S$'000	S$'000	S$'000
Nominal amounts	317	374	26	26
Less: allowance for impairment	(317)	(374)	(26)	(26)
	–	–	–	–
Movements in allowance accounts:				
As at 1 July	374	141	26	–
Charge for the year	1	281	–	26
Written off	(55)	(40)	–	–
Write back	(1)	(10)	–	–
Currency realignment	(2)	2	–	–
As at 30 June	317	374	26	26

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

(d) 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	
	2013	**2012**
	S$'000	S$'000
Contract costs incurred to date	14,994	17,889
Recognised profits to date	4,712	2,198
	19,706	20,087
Progress billings and advances	(13,410)	(18,815)
Amount due from customers for contract work, net	6,296	1,272
Gross amount due from customers for contract work (note 13)	8,743	4,554
Gross amount due to customers for contract work (note 16)	(2,447)	(3,282)
	6,296	1,272
Advances received included in gross amount due to customers for contract work	–	1,330

Revenue recognised on projects is disclosed in note 4.

15. Financial asset recorded at fair value through profit or loss

This arose from 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.

A gain from fair value adjustment of these Profit Guarantee Shares amounting to S$800,000 was recognised in the last financial year.

On 31 December 2012, the shareholders of the BBS approved the transfer of 1,200,000 Profit Guarantee Shares to ZHPL as the minimum agreed profits could not be achieved. Please see note 10 for details.

16. Current Liabilities - Payables

	Consolidated	
	2013	**2012**
	S$'000	S$'000
Trade, other payables and accruals (a)	18,221	28,209
Amount due to customers for contract work (note 14)	2,447	3,282
Owing to related parties (b)		
- trade	26	25
- non-trade	53	31
	20,747	31,547

(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, the carrying value is assumed to approximate its fair value.

17. Interest-Bearing Liabilities

	Consolidated	
	2013	**2012**
	S$'000	S$'000
Current		
Bank overdraft (a)	153	205
Bills payable (b)	2,817	2,342
Factory loan (c)	611	585
Machinery loan (d)	239	366
Invoice finance facility (e)	1,311	3,217
Term loan (f)	2,380	2,332
Lease liabilities (note 27)	1,948	1,378
	9,459	10,425
Non-Current		
Factory loan (c)	1,236	1,847
Machinery loan (d)	–	244
Term loan (f)	2,504	2,784
Lease liabilities (note 27)	1,407	1,660
	5,147	6,535

17. Interest-Bearing Liabilities (cont'd)

Details of the secured borrowings are as follows:

(a) Overdraft of S$153,000 (2012: S$205,000) which bears interest at 7.50% (2012: 7.50%) per annum is secured by a mortgage of the subsidiary company's freehold land and buildings at Chonburi, Thailand.

(b) Bills payable amounting to S$2,817,000 (2012: S$2,342,000) with an average maturity of 2.5 – 4 months (2012: 3 - 4 months) bears interest at 2.17% to 2.34% (2012: 2.15% to 7.50%) per annum. All bill payables were secured by a corporate guarantee given by ZHPL.

(c) Factory loans amounting to S$1,031,000 (2012: S$1,266,000) which is made up of current and long-term portions of S$240,000 (2012: S$220,000) and S$791,000 (2012: S$1,046,000) respectively is repayable over the remaining 50 monthly instalments at fixed interest rate of 1.75% (2012: 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.

The remaining factory loan amounting to S$816,000 (2012: S$1,166,000) which is made up of current and non-current portions of S$371,000 (2012: S$365,000) and S$445,000 (2012: S$801,000) respectively is repayable over the remaining 26 monthly instalments at an interest rate of 4.13% (2012: 5.25%) 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 due within the next 12 months amounting to S$156,000 (2012: S$374,000 made up of current portion: S$221,000; non-current portion: S$153,000) bears interest at 4.13% (2012: 5.25%) 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.

The remaining machinery loan also due within the next 12 months amounting to S$83,000 (2012: S$236,000 made up of current portion: S$145,000; non-current portion: S$91,000) bears interest at a fixed rate of 8.62% (2012: 8.62%) per annum and is secured by a fixed and floating charge over all the assets of Cesco Australia Limited ("CAL").

(e) Invoice finance facility amounting to S$1,311,000 (2012: S$2,667,000) which bears floating interest rate at 5.88% to 6.64% (2012: 6.80% to 7.90%) is secured by a fixed and floating charge over all the assets of CAL.

As at 30 June 2012, invoice finance facility amounting to S$550,000 which bore interest at 2.46% per annum was secured by a corporate guarantee given by ZHPL.

(f) Term loans amounting to S$4,402,000 (2012: S$5,056,000) comprising current and long-term portions of S$1,898,000 (2012: S$2,272,000) and S$2,504,000 (2012: S$2,784,000) respectively bears floating interest at 1.45% to 2.38% (2012: 2.45% to 2.70%) per annum is repayable over 3 to 5 years and secured by a corporate guarantee given by ZHPL.

The remaining term loan payable within 12 months amounting to S$482,000 (2012: S$60,000) bears interest at 5.50% (2012: 4.25%) 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 2013, the Group had available S$138,200,000 (2012: S$108,785,000) of undrawn committed borrowing facilities and all bank covenants were complied with.

18. Provisions

	Consolidated	
	2013	**2012**
	S$'000	S$'000
Current		
Product warranties	927	1,061
Employee benefits	211	187
	1,138	1,248
Non-Current		
Employee benefits	246	201
Reinstatement costs	197	183
	443	384

	Consolidated	
	2013	**2012**
	S$'000	S$'000
Movements in provision for warranties		
At beginning of year	1,061	1,243
Allowance for the year	862	418
Write back of allowance	(815)	(309)
Utilisation	(183)	(314)
Acquisition of subsidiary	–	23
Currency realignment	2	–
At end of year	927	1,061
Warranty expense written-off directly to profit or loss (note 4)	55	–
Movements in provision for employee benefits		
At beginning of year	388	293
Allowance for the year	105	105
Currency realignment	(36)	(10)
At end of year	457	388
Movements in provision for reinstatement costs:		
At beginning of year	183	148
Allowance for the year	20	35
Currency realignment	(6)	–
At end of year	197	183

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.

An additional provision of S$20,000 (2012: S$35,000) was raised during the year ended 30 June 2013 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	
	2013	2012	2013	2012
	No. of shares (Thousands)		S$'000	S$'000
Ordinary fully paid shares	214,752	212,452	37,623	37,083

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 2011	212,159	36,983
Issue of shares under Zicom Employee Share and Option Plan *(i)*	293	100
At 30 June 2012	212,452	37,083
Issue of shares under Zicom Employee Share and Option Plan *(i)*	517	189
Issue of shares in lieu of cash performance bonus *(ii)*	1,783	351
At 30 June 2013	214,752	37,623

(i) Issue of shares under Zicom Employee Share and Option Plan ("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.

On 8 October 2012, 24 October 2012 and 4 March 2013, the Company issued and allotted a total of 517,000 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.

(ii) Issue of shares in lieu of cash performance bonus

On 21 November 2012, the board approved the issue and allotment of 430,000 shares to executives, fully paid at A$0.155 per share, as part payment of their performance bonus for the year ended 30 June 2012. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

Pursuant to the shareholders' meeting on 13 November 2012, 888,000, 195,000 and 270,000 shares were allotted to Messrs Giok Lak Sim, Kok Hwee Sim and Kok Yew Sim respectively, fully paid at A$0.155 per share as part payment of their performance bonus for the year ended 30 June 2012. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

20. Cash and cash equivalents

	Consolidated	
	2013	**2012**
	S$'000	S$'000
Cash at bank and in hand	19,956	21,455
Short-term fixed deposits	1,399	2,991
	21,355	24,446

For the purpose of cash flow statements, cash and cash equivalents comprise the following as at 30 June:

Cash and short-term deposits	21,355	24,446
Bank overdrafts	(153)	(205)
	21,202	24,241

Cash at bank balance amounting to S$2,312,000 (2012: S$3,123,000) as at 30 June 2013 earned interest at floating rate based on daily bank deposit rates ranging of 1.29% to 2.73% (2012: 1.01% to 3.80%) per annum. The remaining cash at bank balances are non-interest bearing.

Short-term deposits are made for varying periods of one day to 3 months 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.

21. Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

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

	Consolidated	
	2013	**2012**
	S$'000	S$'000
Financial assets		
Cash and bank balances	2,312	3,123
Financial liabilities		
Bank overdraft	153	205
Invoice finance facility	1,311	2,667
Factory loans	816	1,166
Machinery loans	156	374
Term loan	4,402	5,056
	6,838	9,468

Sensitivity analysis of interest rate risk

As at 30 June 2013, 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$10,000)/S$9,000 (2012: (S$12,000)/S$12,000) lower/higher, as a result of the higher/lower interest rates. Accordingly, the Group's equity as at year-end will be (S$10,000)/S$9,000 (2012: (S$12,000)/S$12,000) lower/higher. Term loans amounting to S$482,000 (2012: S$60,000) have fixed interest rates until expiry, at which point interest rates resets.

(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, Sterling pounds, 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:

21. Financial instruments (cont'd)

(c) Foreign currency risk (cont'd)

	Post tax profit Higher/(lower)	
	2013	**2012**
Consolidated	S$'000	S$'000
USD		
- strengthened 3% (2012: 3%)	300	255
- weakened 2% (2012: 3%)	(200)	(255)
EUROS		
- strengthened 4% (2012: 3%)	(5)	(1)
- weakened 3% (2012: 3%)	4	1
AUD		
- strengthened 3% (2012: 1%)	67	34
- weakened 7% (2012: 1%)	(157)	(34)
GBP		
- strengthened 5% (2012: 3%)	(4)	(11)
- weakened 3% (2012: 3%)	3	11

(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.

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 shown on the next page.

21. Financial instruments (cont'd)

(d) Credit risk (cont'd)

Credit risk concentration profile (cont'd)

	2013		2012	
	S$'000	% of total	S$'000	% of total
Austria	201	0.8%	–	–
Australia	3,290	14.0%	5,288	20.5%
Bangladesh	1,381	5.9%	3,459	13.4%
Hong Kong	160	0.7%	279	1.1%
India	–	–	3	–
Indonesia	134	0.6%	61	0.2%
Malaysia	5,593	23.8%	2,301	8.9%
People's Republic of China	3,159	13.4%	494	1.9%
Singapore	5,954	25.3%	8,910	34.6%
Thailand	2,250	9.6%	1,519	5.9%
United States of America	1,290	5.5%	3,363	13.1%
Vietnam	58	0.2%	–	–
Others	40	0.2%	99	0.4%
	23,510	100%	25,776	100%

At the balance sheet date, approximately 63.3% (2012: 59.8%) of the Group's trade receivables were due from 18 (2012: 15) 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 2013, S$103,000 (2012: S$2,506,000) 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 2013, the ageing analysis of trade receivables is as follows:

	Consolidated	
	2013	2012
	S$'000	S$'000
Less than 30 days	6,723	4,192
30 to 60 days	4,258	1,752
61 to 90 days	992	1,326
91 to 120 days	260	1,162
More than 120 days	2,711	3,756
	14,944	12,188

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
2013					
Financial assets:					
Trade receivables	23,790	–	–	–	23,790
Other receivables	471	295	–	–	766
Investment securities	–	–	1	–	1
Loan receivable	–	–	1,031	–	1,031
Cash and bank balances	21,355	–	–	–	21,355
Total undiscounted financial assets	45,616	295	1,032	–	46,943
Financial liabilities:					
Trade payables	8,138	–	–	–	8,138
Other payables	6,216	1,283	443	–	7,942
Unrealised loss on derivatives	2,411	–	–	–	2,411
Loans and borrowings	7,821	1,883	5,370	–	15,074
Total undiscounted financial liabilities	24,586	3,166	5,813	–	33,565
Total net undiscounted financial assets/ (liabilities)	21,030	(2,871)	(4,781)	–	13,378

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	7,092	986	134	183	8,395
Unrealised loss on derivatives	497	–	–	–	497
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

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 (Level 1) S$'000	**Significant other observable inputs** (Level 2) S$'000	**Significant unobservable inputs** (Level 3) S$'000	**Total** S$'000
Group				
2013				
Financial assets:				
Available-for-sale	1	–	–	1
At 30 June 2013	1	–	–	1
Financial liabilities:				
Derivatives – foreign currency options	–	2,411	–	2,411
At 30 June 2013	–	2,411	–	2,411
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

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.

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)

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 2013 and 2012.

Reconciliation of Level 3 fair value movements

	2013	**2012**
	S$'000	S$'000
Opening balance	300	–
Total gains or losses		
in other comprehensive income	–	–
in profit or loss	–	300
Reclassified to investment in subsidiary	(300)	–
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.

21. Financial instruments (cont'd)

(f) Derivative financial instruments (cont'd)

(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 (cont'd)

	Carrying Amount		Fair Value	
	2013	**2012**	**2013**	**2012**
	S$'000	S$'000	S$'000	S$'000
Financial liabilities:				
Obligations under finance leases	1,407	1,660	1,356	1,581
Bank loans	3,740	4,875	3,405	4,456

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.

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 2013 and 30 June 2012 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	
	2013	**2012**
	S$'000	S$'000
Minority shareholder of a subsidiary company		
- Sales	261	284
- Purchases	241	46

23. Related party disclosures (cont'd)

(a) Sale and purchase of goods and services (cont'd)

	Consolidated 2013 S$'000	Consolidated 2012 S$'000
Associates		
- Sales	161	137
- Interest income	34	32
- Rental & utilities income	145	33
- Secretarial fees	24	18
Other related parties		
- Sales	27	12
- Purchases	-	22
- Commission paid	35	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.

Loan receivable from Curiox Biosystems Pte Ltd ("Curiox") amounting to S$919,000 (2012: S$nil) earns cumulative interest at 5% per annum. These will be either repaid or redeemed by Curiox equally on 2 maturity dates, 31 December 2014 and 31 December 2015. Zicom Holdings Pte Ltd holds the right to convert these into preference shares in Curiox on these maturity dates.

As at 30 June 2012, advances amounting to S$453,000 were given to Curiox which bears interest at 5.0% per annum. This advance has been applied against payment for the Right Shares due in September 2012.

Outstanding non-trade 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.

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)

(In Singapore dollars)

24. Key Management Personnel (cont'd)

(a) Details of Key Management Personnel (cont'd)

(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	
	2013	**2012**
	S$	S$
Short-term employee benefits	3,057,806	2,898,179
Post-employment benefits	67,875	54,129
Share-based payments	18,904	332,468
Total compensation	3,144,585	3,284,776

(c) Shareholdings of key management personnel

30 June 2013

	Balance as at 1 July 2012	**Granted as remuneration**	**Options exercised**	**Net change other**	**Balance as at 30 June 2013**
Directors					
G L Sim	76,085,212	887,883	–	501,273	77,474,368
K H Sim	1,062,846	195,334	–	–	1,258,180
K Y Sim	800,717	269,536	–	–	1,070,253
Y P Lim	438,000	–	50,000	–	488,000
F Leong	426,344	–	50,000	48,020	524,364
I R Millard	542,250	–	50,000	–	592,250
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	2,470,699	–	–	–	2,470,699
	108,375,772	1,352,753	150,000	549,293	110,427,818

(In Singapore dollars)

24. Key Management Personnel (cont'd)

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

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

(d) Option holdings of key management personnel

30 June 2013

	Balance at 1 July 2012	**Granted**	**Options exercised**	**Expired**	**Balance at 30 June 2013**	**Value of options granted**	**Exercisable**	**Not Exercisable**
Directors								
G L Sim	–	–	–	–	–	–	–	–
K H Sim	300,000	80,000	–	–	380,000	8,696	300,000	80,000
K Y Sim	300,000	80,000	–	–	380,000	8,696	300,000	80,000
Y P Lim	75,000	–	(50,000)	–	25,000	–	25,000	–
F Leong	75,000	–	(50,000)	–	25,000	–	25,000	–
I R Millard	75,000	–	(50,000)	–	25,000	–	25,000	–
S P Sze	30,000	–	–	–	30,000	–	30,000	–
Executives								
G H Teoh	200,000	80,000	–	–	280,000	8,757	200,000	80,000
J Koon Sim	–	–	–	–	–	–	–	–
J L Sim	400,000	80,000	–	(200,000)	280,000	8,757	200,000	80,000
H S Tang	300,000	80,000	–	(100,000)	280,000	8,757	200,000	80,000
	1,755,000	400,000	(150,000)	(300,000)	1,705,000	43,663	1,305,000	400,000

(In Singapore dollars)

24. Key Management Personnel (cont'd)

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

30 June 2012

	Balance at 1 July 2011	Granted	Options exercised	Expired	Balance at 30 June 2012	Value of options granted	Exercisable	Not Exercisable
Directors								
G L Sim	–	–	–	–	–	–	–	–
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

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$173,000 (2012: S$238,000). There have been no cancellations or modifications to the plan during the years 2013 and 2012.

(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 vested options not exercised prior to that date will be lost except for exceptional circumstances such as death or physical or mental incapacity.

The contractual life of each option granted is 3-5 years. There are no cash-settlement alternatives.

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

(c) Outstanding number of options granted under ZESOP

	2013 (Thousands)	2012 (Thousands)
Outstanding at beginning of the year	6,375	6,888
Granted during the year	2,610	–
Forfeited during the year	(155)	(220)
Expired during the year	(1,278)	–
Exercised during the year	(517)	(293)
Outstanding at end of year	7,035	6,375

The outstanding balance as at 30 June 2013 is represented by:

No. of options (Thousands) 2013	2012	Exercise price (Australian Cents)	Exercisable on or after	Expiry Date
–	495	28	1/6/2010	31/5/2013
–	828	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	163	28	1/5/2012	30/4/2015
162	162	28	1/5/2013	30/4/2015
1,685	1,790	18	1/10/2011	30/9/2015
1,710	2,082	18	1/10/2012	30/9/2015
215	290	18	15/11/2011	14/11/2015
215	290	18	15/11/2012	14/11/2015
1,225	–	17	1/9/2013	31/8/2015
1,225	–	17	1/9/2014	31/8/2015
80	–	17	15/11/2013	14/11/2015
80	–	17	15/11/2014	14/11/2015
7,035	6,375			

(d) Weighted average fair value

The weighted average fair value of options granted in the current financial year was A$0.09 (2012: A$nil)

(e) The weighted average share price during the period of exercise is A$0.22 (2012: A$0.26).

(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 share options granted in the current financial year:

Inputs	2013
Exercise price (A$):	0.17
Stock price at grant date (A$):	0.21
Maximum option life in years:	3
Volatility:	65.5%
Risk free interest rate:	3.5%

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

(f) Option pricing model (cont'd)

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. Commitments

(a) Commitments

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

(i) Issued letters of credit amounting to S$6,435,000 (2012: S$196,000).

(ii) Issued letters of guarantee amounting to S$6,350,000 (2012: S$7,133,000).

(iii) The Group has entered into foreign exchange buy contracts amounting to S$30,939,000 (2012: S$315,000).

(iv) The Group has entered into foreign exchange sell contracts amounting to S$20,269,000 (2012: S$24,652,000).

(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. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease payments for the leases are as follows:

	Consolidated	
	2013	**2012**
	S$'000	S$'000
Within 1 year	2,299	2,406
Within 2 - 5 years	3,430	5,064
More than 5 years	5,426	5,212
	11,155	12,682

The amount of operating lease payments recognised as an expense in the year ended 30 June 2013 is S$2,470,000 (2012: S$2,448,000).

26. Commitments (cont'd)

(c) Finance lease commitments

The Group has finance leases for certain items of plant and equipment and motor vehicles. Future minimum lease payment under finance leases together with present value of the net minimum lease payments are as follows:

Consolidated	Minimum payments 2013	Present value of payments 2013	Minimum payments 2012	Present value of payments 2012
	S$'000	S$'000	S$'000	S$'000
Due within one year	2,047	1,948	1,460	1,378
After one year but not more than five years	1,482	1,407	1,762	1,660
Total minimum lease payments	3,529	3,355	3,222	3,038
Less: amounts representing finance charges	(174)	–	(184)	–
	3,355	3,355	3,038	3,038

(d) Capital commitments

The Group has no capital commitment as at 30 June 2013 and 30 June 2012.

27. Auditors' remuneration

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

	Consolidated 2013	2012
	S$	S$
Amounts received or due and receivable by Ernst & Young (Australia)		
- Audit or review of financial statements	145,953	155,720
Amounts received or due and receivable by Ernst & Young (Singapore)		
- Audit or review of financial statements	208,000	198,938
Amounts received or due and receivable by other audit firms		
- Audit or review of financial statements	24,487	26,157
- Taxation services	13,614	12,746
	392,054	393,561

28. Parent entity disclosures

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

	2013 S$'000	2012 S$'000
Balance sheet of the parent entity at year end		
Non-current assets	48,623	49,281
Current assets	2,869	1,841
Total assets	51,492	51,122
Current liabilities	50	118
Total liabilities	50	118
Net Assets	51,442	51,004
Total equity of the parent entity comprising of:		
Share capital	71,405	70,937
Share capital-exercise of share options	225	153
Capital reserve	689	689
Foreign currency translation reserve	(199)	(89)
Share based payments reserve	681	736
Accumulated losses	(21,359)	(21,422)
	51,442	51,004
Results of parent entity		
Profit for the year	2,669	2,834
Other comprehensive income	–	–
Total comprehensive income	2,669	2,834

(b) Guarantees

(i) The parent entity has issued letters of guarantee amounting to S$9,600,000 (2012: S$9,152,000) to secure trade facilities and factory loans to controlled entities.

(ii) The parent entity has entered into a Deed of Cross Guarantee and the subsidiaries 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 2013 and 30 June 2012.

29. Subsequent events

(a) Redemption of redeemable loans stocks

On 1 July 2013, 3,016,772 redeemable loan stocks in Biobot Surgical Pte Ltd ("Biobot") held by Zicom Holdings Pte Ltd has been fully redeemed by Biobot via the issue of 1 ordinary share fully paid for every loan stock held. As a result, the Group equity interest in Biobot was adjusted to 91.8%.

(b) Incorporation of iPtec Pte Ltd

On 2 July 2013, Sys-Mac Automation Engineering Pte Ltd incorporated a wholly owned subsidiary, iPtec Pte Ltd, which will be principally engaged in medical technology translation services.

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 2013 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 2013.

(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

GL Sim
Chairman/Managing Director
23 September 2013

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 2013, 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 2013 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 2013. 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 Zicom Group Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ric Roach
Partner
Brisbane
23 September 2013

INFORMATION ON SHAREHOLDINGS

As at 30 September 2013

Distribution of Equity Securities

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

			Ordinary Shares	Number of Holders
1	–	1,000	97,499	251
1,001	–	5,000	1,444,307	499
5,001	–	10,000	3,388,828	383
10,001	–	100,000	27,512,401	762
100,001		and over	182,308,795	182
			214,751,830	2,077

b) There were 459 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	66,548,603	30.98%
JUAT KOON SIM	17,300,920	8.06%
GIOK LAK SIM	10,925,765	5.09%
VENTRADE (ASIA) PTE LTD	8,478,344	3.95%
JUAT LIM SIM	6,207,767	2.89%
CITICORP NOMINEES PTY LIMITED	6,008,414	2.80%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,859,443	1.80%
EE GEK GOH	2,791,017	1.30%
HUNG SEAH TANG	2,460,199	1.15%
SIONG TECK NG	2,410,665	1.12%
MANDEL PTY LTD	2,065,000	0.96%
ALAN BLACKBURN & ASSOCIATES PTY LTD	2,000,000	0.93%
FIRST CHARNOCK SUPERANNUATION PTY LTD	1,890,000	0.88%
JUAT KHIANG SIM	1,789,525	0.83%
MAKRAM HANNA & RITA HANNA	1,629,448	0.76%
DEBUSCEY PTY LTD	1,355,615	0.63%
CLAPSY PTY LTD	1,220,000	0.57%
KOK HWEE SIM	1,208,180	0.56%
KOY YEW SIM	1,070,253	0.50%
ANTHONY SARACENI & CARMEL SARACENI	1,015,000	0.47%

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 GL SIM & HIS ASSOCIATES	77,474,368	36.07%
JUAT KOON SIM & HIS ASSOCIATES	20,091,937	9.36%

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.

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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

Link Market Services Limited
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

Thomsons Lawyers
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 Limited
China Merchants Bank

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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, Queensland
Australia

Time: 11.30am (Brisbane time)
Date: Thursday, 7 November 2013

A formal Notice of Meeting is enclosed.

ZICOM

Zicom Group Limited www.zicomgroup.com

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