A New *Horizon* ... *on green fields*

ANNUAL REPORT 2014

Zicom Group Limited

ABN 62 009 816 871 • ASX Code : ZGL

A New *Horizon*

from

green field investments

driven by

continuous innovations

disruptive technologies

open innovative culture

supported by

strong foundation businesses

strong financial position

strong engineering capabilities

network of clinical partnerships

outreach to global markets

Chairman's Message

Dear Shareholders

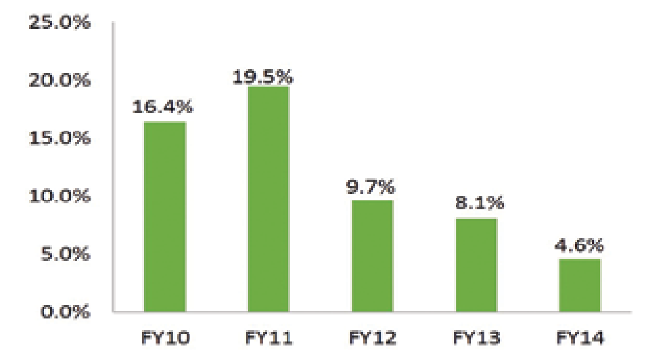
The Group has hit an inflection point. Structural changes are necessary to maintain the annual profit record in the last 10 years and to drive sustainable future growth.

Impact from a convergence of factors has been felt in the Group's recent results. Profit growth faces tough challenges even when total revenue continues to be maintained at healthy level due to cost pressures and maturity of markets. Restructuring costs mainly comprising gestation costs in technology development has further compounded the situation.

INVESTING FOR THE FUTURE

Your Board views the restructuring costs as an investment into the future. Growth in the dynamic global economy has been and will continue to be driven by technology that enables high value-added activities. Healthcare driven by a global aging population and fast growing wealth in nations that were once laggards has potentials for explosive growth. With its experiences in engineering and contract manufacturing of medical devices, the Group is well placed to foray into this sector. The Board has been very judicious in the Group's investments in technology and has so far only employed internal resources to invest with no bank borrowings.

Return on Equity



CONTINUOUS INNOVATION TO STAY AHEAD

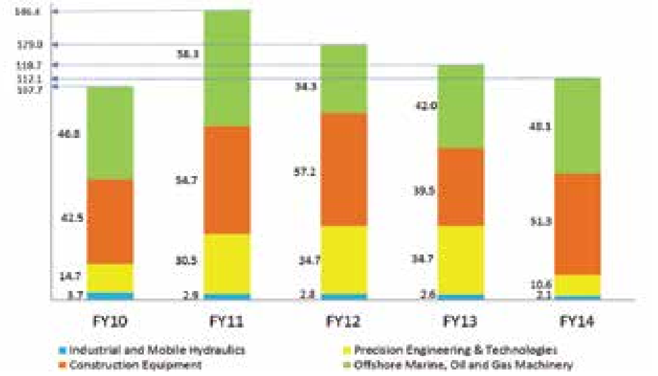
The Group's capacity to invest in new technologies and develop a new horizon is underscored by the continuing profitability of its foundation businesses. The Group will therefore continue to innovate, develop and expand its foundation businesses to stay ahead, while focusing to develop and expand on new technologies.

ECO-SYSTEM FOR TECHNOLOGY INVESTMENTS

An innovative culture has now been developed in the Group. This culture is permeating. To strengthen its journey ahead, the Group last year won S$4.5m grant from a Singapore government agency responsible for development of small and medium enterprises to develop a medical technology translation business. The Group's wholly owned subsidiary, Zicom MedTacc Private Limited, has also been awarded a private sector accelerator status in medtech technologies. With this award, the Singapore government's agency will co-invest with the Group in growth stage medical technology start-ups. Each party commits to a maximum investment amount of S$15m making an available investment pool of S$30m. The Group is given options to buy out the co-investors at cost plus nominal compound interest. The Group has meanwhile forged partnerships with international medtech accredited testing houses and overseas market development experts.

A full eco-system from seed funding, mentoring, support in engineering, strategic planning, financial management to growth stage funding and global commercialisation efforts has now been built within the Group, as a capability to develop and grow technology start-ups.

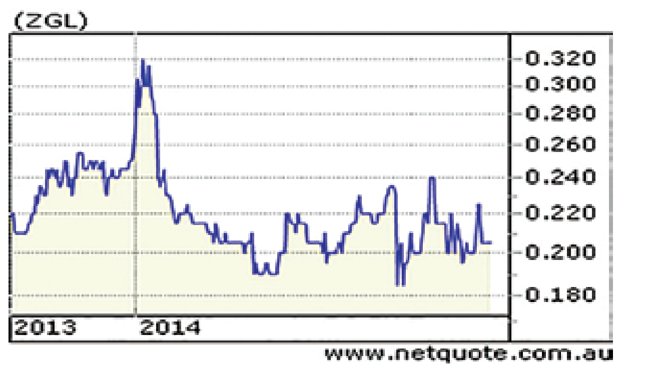
Segmental Revenue



CREATING A NEW HORIZON

A new horizon from green field investments has been created. Our present investments in technologies generally de-risk, as the technologies are successfully validated and relevant regulatory approvals obtained. Opportunities to unlock value are emerging.

Year Chart



APPRECIATION

I look forward to the new horizon enhancing shareholders' value as a return for shareholders' support. I take this opportunity to thank my management and employees in aligning their vision with the Board and in diligently supporting its directions. I am grateful to my Board members for their contributions.

G L Sim
Chairman

Directors and Company Secretaries

Executive Directors

GIOK LAK SIM, FCPA
Chairman and Group Managing Director, Age 68

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.

Member of Strategic Advisory Panel, Diagnostics Development Hub.
Member of Growth Oriented Enterprise Advisory Panel, SPRING Singapore
Member of Incubator Advisory Board, Singapore National Eye Centre
Singapore Ernst & Young Entrepreneur of the Year (Industrial Products), 2008.

Other current directorships and former directorships in last 3 years

Board member of SPRING Singapore – appointed on 1 April 2014

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 36

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. He is also the Managing Director of Zicom MedTacc Private Limited, the medtech technology accelerator investment company. Mr Sim graduated with a Bachelor's degree in Industrial Engineering and Operations Research from the University of Michigan with Honours (Magna Cum Laude) and a Master's 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
Managing Director of Zicom MedTacc Private Limited

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

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

KOK YEW SIM, BSc
Executive Director, Age 34

Experience and expertise

First appointed to the board as Alternate Director to Mr Kok Hwee Sim on 5 July 2010 and made an Executive Director on 25 September 2014. Mr Sim is a Director and 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. He is also a director of iPtec Pte Ltd, the medtech translation subsidiary, and Zicom MedTacc Private Limited, the medtech technology accelerator investment company. Mr Sim will be instrumental in building the Group's capabilities to support medical technologies. Mr Sim graduated with a Bachelor's 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

Executive Director in Zicom Holdings Pte Ltd
Director of Sys-Mac Automation Engineering Pte Ltd and its subsidiaries
Director of Biobot Surgical Pte Ltd
Director of Zicom MedTacc Private Limited

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: Ian Robert Millard, Yian Poh Lim, Shaw Pao Sze, Frank Leong Yee Yew

IAN ROBERT MILLARD, FCA, FAICD
Independent Director, Age 75

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

YIAN POH LIM, BSc, MSc
Independent Director, Age 68

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 Manufacturers' 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 70

Experience and expertise

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

FRANK LEONG YEE YEW, MBA, FCA (ENGLAND & WALES), FCA (SINGAPORE)
Independent Director, Age 71

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

Company Secretaries

SURENDRA KUMAR, CPA
Joint Company Secretary, Age 54

Experience and expertise

Mr Kumar is the Finance Manager of Cesco Australia Limited and holds a Bachelor's 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 41

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
Company Secretary of Zicom Holdings Pte Lte, Biobot Surgical Pte Ltd and Curiox Biosystems Pte Ltd
Joint Company Secretary of all other subsidiaries in Singapore except for MTA-Sysmac Automation 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

BIOBOT SURGICAL PTE LTD
MANAGING DIRECTOR
Chew Loong Yap

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

ZICOM MEDTACC PRIVATE LIMITED
MANAGING DIRECTOR
Kok Hwee Sim
EXECUTIVE DIRECTOR
Kok Yew Sim

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
DEPUTY MANAGING DIRECTOR
Saowaluke Phongchok

ZICOM THAI HYDRAULICS CO LTD
MANAGING DIRECTOR
Sammy Ng Siong Teck
DEPUTY MANAGING 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 2014

Your directors present their report on the consolidated accounts of Zicom Group Limited for the year ended 30 June 2014.

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. K Y Sim	(Executive Director) (appointed on 25 September 2014)*
Mr. Y P Lim	(Independent)
Mr. F Leong	(Independent)
Mr. I R Millard	(Independent)
Mr. S P Sze	(Independent)

*Prior to his appointment, he was an Alternate Director to Mr. 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 14 (S$ million)	Year ended 30 June 13 (S$ million)
Revenue	- 4.9	113.95	119.85
Net profits after tax (NPAT)	- 41.1	4.08	6.93

The Group's cash balances remain strong. As at 30 June 2014, the group's total cash and bank balances were S$22.33m as compared with S$21.36m as at 30 June 2013.

Dividends

The Group has decided to pay a final dividend of Australian cents 0.45 per share (2013: Australian cents 0.55) making the full year dividends to 0.90 Australian cent per share. This final dividend will be 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 14 November 2014 and is payable on 28 November 2014.

Review of Operations

The Group's consolidated revenue for the full year is S$113.95m as compared with S$119.85m in the previous year, a decrease of 4.9%. The Group's full year net consolidated profits after tax attributable to members to 30 June 2014 are S$4.08m as compared with S$6.93m in the previous year, a decrease of 41.1%.

The net profit margin achieved for the full year is 3.6% as compared with 5.8% in the previous year, a drop of 2.2%.

Earnings per share dropped from Singapore 3.24 cents to 1.90 cents per share, a decrease of Singapore 1.34 cents.

Net tangible assets per share decreased slightly from Singapore 35.05 cents to 34.80 cents per share due mainly to translation loss on consolidation arising from the depreciation in Thai Baht.

Return on equity, based on average of the opening and closing equity, for the year was 4.6% as compared to 8.1% in 2013.

The average rates for currency translation for revenue and expenses are A$1 to S$1.1521 (2013: S$1.2664) and for balance sheet items A$1 to S$1.1739 (2013: S$1.1699).

Directors' Report 2014

The results for the full year have been adversely affected by extended gestation costs of the Group's start-up technologies, restructuring costs, delays in project awards and losses suffered in the precision engineering sector caused by the protracted slump in the electronic sector which has since recovered.

Notwithstanding set-backs during the year, the Group's businesses remain resilient. Restructuring of the Group's businesses will continue in line with the Group's focus on new directions to address an inflection point in the Group's business structure so as to achieve long term sustainable growth.

Although the economy in the United States continues to strengthen, global economic growth appears to be patchy in other parts of the world. Some major economies show signs of inertia and appear fragile. The Group's focus is to develop businesses and directions that are capable of weathering any potential deceleration of the global economy caused by a loss in growth momentum that may be compounded by a reduction in monetary quantitative easing.

Strategic Repositioning

Although the precision engineering sector suffered a set-back in the year just ended, the first in 8 years, the Group's repositioning is aimed to strengthen its business structure. The Group's investment in technology is expected to generate a new and broader revenue stream for this sector.

At the same time, the Group is undertaking a strategic review of its existing businesses on their long term growth sustainability. Innovation capability to move up the value chain and scalability are factors for long term sustainability. In pursuit of this objective the Board may consider structural changes that may result in unlocking some values to employ on opportunities that align with the Group's long term objective.

Revenue by Business Segments

The following is an analysis of the segmental results:

Revenue by Business Segments	Change (%)	Year ended 30 June 14 (S$ million)	Year ended 30 June 13 (S$ million)
Offshore Marine, Oil & Gas Machinery	+ 14.2	48.08	42.11
Construction Equipment	+ 30.2	51.72	39.72
Precision Engineering & Technologies	- 66.8	11.68	35.21
Industrial & Mobile Hydraulics	- 9.9	3.09	3.43

Offshore Marine, Oil & Gas Machinery

Demand in deck machinery by offshore vessels had been strong and is expected to remain robust in the coming year. The oil and gas sector is recovering and we are confident of significant orders in the year. Management of such projects has been strengthened.

Orders for offshore structures for remote operated vehicles in sub-seas operations had been strong and are expected to remain so in the year.


Winch on Board


Winch Assembly


ROV Launcher


Gas Process Plant


Trailer Mounted Mixer


Vibro hammer

We are confident that the demand momentum will be maintained in the next few years.

As at the end of the financial year just ended, total confirmed orders in hand to be delivered in the financial year 2015 for this cluster were S$46.5m.

Construction Equipment

Revenue from construction equipment had increased by 30.2% in the current year from that of the previous year. The increase was due to a substantial order held back at the end of the previous financial year caused by customers' delay that was shipped in the current year.

The concrete mixer business in Australia, Thailand and China had been profitable for the current year although growth had been marginal. We expect order prospects for the year to be maintained with some improvements.

Demand for foundation equipment in Singapore and Malaysia is expected to strengthen in the coming years due to the increase in infrastructure programs that have been rolled out.

As at the end of the financial year just ended, total confirmed orders in hand to be delivered in the financial year 2015 for this cluster were S$6.3m.

Precision Engineering & Technologies

The precision engineering sector experienced a significant set-back in a 66.8% drop in revenue as compared to the previous year mainly due to a protracted slump in the electronic sector. In the previous year the launch of new hand-held mobile devices generated a huge demand for machines supplied by the Group. This had been the sector's first set-back in 8 years. The slump in the electronic sector had been broad-based. The sector has recovered and we expect to return to growth and profits next year.

The Group's foray into medical technologies is to balance the sector's over-reliance on the electronic industry which is volatile and at the same time enables it to climb up the value chain.

This sector achieved an average of 46% compound annual growth in the last 5 years to 2013. With a balanced revenue stream, we believe that compound growth is more sustainable.

The global semi-conductor industry is expected to grow by more than 4% in the next 5 years propelled by demand in hand-held devices such as smart phones and tablet computers. Advances in medical information communication technology that helps to accelerate advances in molecular sciences and surgical techniques are creating capability to meet the unmet needs of better healthcare and personalized medicine. A global aging population together with growing affluence in developed countries underscore demand in healthcare technology. These push factors are expected to maintain the momentum in demand for medical technology and medical devices in the coming years.

As at the end of the financial year just ended, total confirmed orders in hand to be delivered in the financial year 2015 for this cluster were S$11.7m.

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.

Directors' Report 2014

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$0.48m as compared with an exchange loss of S$2.69m 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 2014. The net loss of S$0.48m included the imputed unrealised loss in the valuation of these derivatives as at 30 June 2014 amounting to S$0.17m (2013: S$2.41m).

Financial Position

The group's financial position remains strong:

Classification	Increase (+) / Decrease (-) S$ million	As at 30 June 14 S$ million	As at 30 June 13 S$ million
Net Assets	+ 0.97	89.46	88.49
Net Working Capital	+ 0.14	45.09	44.95
Cash in Hand and at Bank	+ 0.97	22.33	21.36

Gearing Ratios

The Group gearing ratio is 0% at the same ratio for the year ended 30 June 2013. 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	2014 Singapore Cents	2013 Singapore Cents
Earnings Per Share	- 1.34	1.90	3.24

The weighted average ordinary shares used to compute basic earnings per share are 214,881,000 for this year and 213,798,000 shares for the previous year.

Classification	Decrease Singapore Cents	As at 30 June 14 Singapore Cents	As at 30 June 13 Singapore Cents
Net Tangible Assets Per Share	- 0.25	34.80	35.05

Net tangible assets per share has dropped due to translation loss on consolidation arising from the depreciation in Thai Baht.

Capital Expenditure

For the year ending 30 June 2015, the Group plans to invest up to S$1.0m in equipment for a wholly owned subsidiary iPtec Pte Ltd engaged in medical technology translation activities. Part of the investment is covered by a government grant.

Confirmed Orders

We have a total of S$64.8m (30 June 2013: S$56.0m) outstanding confirmed orders in hand as at 30 June 2014. A breakdown of these outstanding confirmed orders is as follows:-

	S$ m
Offshore Marine, Oil & Gas Machinery	46.5
Construction Equipment	6.3
Precision Engineering & Technologies	11.7
Industrial & Mobile Hydraulics	0.3
Total	**64.8**

These outstanding orders are scheduled for delivery in the financial year 2015. Prospects for on-going orders continue to be strong.

Development of PET

The Group's precision engineering technology (PET) cluster has been strengthened by a medical technology translation engineering subsidiary that is being supported by S$4.5m government grant. The Group intends to build up this subsidiary into a core multi-discipline specialist engineering company to support the Group's development into the medtech industry. Apart from this the Group is venturing into accelerator funding of growth medtech start-ups supported by its current internally developed capability in medtech technology incubation, translation and commercialisation expertise as well as manufacturing capability. Pursuant to this the Group's newly formed wholly owned subsidiary, Zicom MedTacc Private Limited (MedTacc), has been appointed a private sector accelerator by a government agency responsible for enterprise development. MedTacc and the government agency will each commit S$15m making an investment pool of S$30m available to co-invest in growth phases medical technologies.

Progress on Technology Investments

The Group's experiences in disruptive technologies have been a learning curve. Gestation for such technologies can be protracted. However these initial experiences have accumulated into developed expertise in this field. Going forward we would expect that the learning curve would be much shortened.

The Group made a prudent decision in not seeking bank borrowings for such investments. As a result the extended gestation has not impacted on its financial strength or business operations. It will continue to remain prudent.

While gestation has been generally protracted, definitive progress towards commercialisation is gaining traction.

Orion Systems Integration Pte Ltd (Orion)

Orion's Thermal Bonder for fine pitch flip chips has been accepted by the industry and is in the final evaluation by 2 of the world's leading chip assembly plants. The dynamic development in chip design has imposed on bonding machines to meet very exacting demand in the trade. Evaluation by the industry accordingly calls for compliance to stringent and exacting standards which the Orion's Bonder is able to meet but at the expense of protracted gestation.

We expect to be able to launch full scale commercialisation of the Orion Thermal Bonder towards the fourth quarter of calendar year 2014.

Biobot Surgical Pte Ltd (Biobot)

Biobot Surgical has set up its first Center of Excellence (COE) in USA in collaboration with New York University Langone Medical Center in May 2014. The robot has obtained FDA approval. The COE is now focused to clinically validate, in collaboration with the Singapore General Hospital, our latest software in MRI-US fusion which fuses MRI (Magnetic Resonance Imaging) with ultrasound images to enable targeted biopsies that reduce the number of biopsy samples currently being taken to diagnose prostate cancer. We aim to complete validation about end of 2014.

The robot has just received CE Mark approval. A COE is being set up in Germany with a partnering University Hospital. A COE in the UK is also being considered with a partnering University Hospital.

Following the CE mark we are applying for Therapeutic Goods Administration (TGA)'s approval in Australia, Biobot plans to set up 3 COEs in the eastern states of Australia.

Biobot aims to set up all the above COEs by the first quarter of calendar year 2015.

Turnkey Ink-Jet Plant

Surgical Robot

Epoxy Dispensing Machines

Directors' Report 2014

The COEs will partner Biobot in training and developing the robot's applications in the various areas in which they are located to support the robot's use in those countries. The COEs will potentially partner Biobot in further research and development.

Biobot has obtained regulatory approvals for its older version of the robot. Regulatory authorities require the current version of the robot for commercialisation which embodies several improvements and advance features to apply for new approvals. This has caused a protracted gestation in the commercialisation of the product. We expect to fully commercialise our product in the second quarter of calendar year 2015, after completion of the MRI-US fusion software validation by key opinion leaders in the first quarter of 2015. This will position Biobot to launch a product with the latest integrated state-of-the art features that meet contemporary clinical demands.

Curiox Biosystems Pte Ltd (Curiox)

Although the Curiox's DropArray (DA) technology has achieved break-through and has been accepted by 10 of the top 25 pharmaceutical companies in the USA and Europe, adoption has been slow. The DA technology has proven to the industry that it can achieve considerable costs savings in drug development costs as well as solving complex assay problems for the industry which existing technology finds difficult to achieve or to do so at much higher costs. However, this has raised the bar for adoption of our technology as the industry continues to seek more optimization from our technology which only extends our gestation. This demand is driven by the disruptive nature of our technology which, on adoption, would require significant changes to existing processes.

In view of the situation, we have re-strategised our approach and focused on areas where cost savings create more immediate impactful value to the customers with minimum disruption to existing processes, whereby adoption is quicker although volume is relatively lower. Break-through in this area has shown good promises. We aim to first achieve break-even and growth even if it is at a slower pace in the next 6 months.

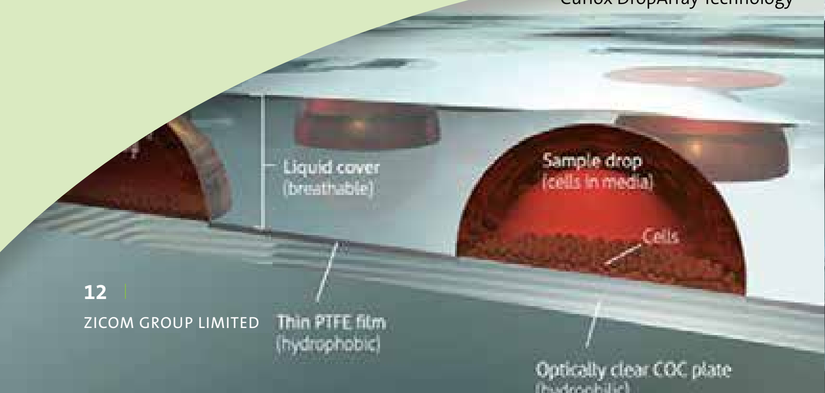
Curiox's engagement with major pharmaceutical companies continues. It is confident that adoption will gain traction as its user population increases. There is an established wide cross network of out-sourcing in research in the pharmaceutical industry. Although the pharmaceutical industry is very conservative, as the DA technology permeates the industry, there will be less psychological barrier to adoption and more willingness to change existing processes to embrace our technology. We aim to achieve this break-through in the next 12 months while aiming to break-even in the next 6 months.

Prospects

The global economic environment for the year just ended has continued to be one of uncertainty. Although economic growth in the United States appears sustainable, some major economies continue to splutter and showing signs of inertia in the face of potential winding down of the monetary quantitative easing.

The Group aims to position itself to address such uncertainties and potential economic deceleration that may arise if adverse factors converge.

Order prospects remain strong. As such, the Group continues to be confident of a profitable year in 2015.



Curiox DropArray Technology


Thermal Bonding machine

Directors' Report 2014

Subsequent Events after the Balance Sheet Date

On 10 August 2014, Zicom Holdings Pte Ltd incorporated a wholly-owned investment holding subsidiary, Zicom MedTacc Private Limited, with a paid up capital of $100,000.

On 27 August 2014, the directors of Zicom Group Limited declared a final unfranked dividend of 0.45 Australian cents per share for the financial year ended 30 June 2014 which has not been provided for in the financial statements of the current year.

On 25 September 2014, Zicom MedTacc Private Limited ("MedTacc") was appointed a Medtech Accelerator by SPRING Singapore (SPRING), a government agency responsible for enterprise development. As an appointed Medtech Accelerator, SPRING will co-invest with MedTacc on growth phase medtech start-ups over the next 4 years on 1:1 basis. Both MedTacc and SPRING shall commit S$15m each making a total investment pool of S$30m. SPRING will grant options to MedTacc to acquire their investments at nominal compound rates per year in the event that the investment prove commercially viable and value may be unlocked.

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.

Change in directors

On 25 September 2014, Mr Kok Yew Sim ended his appointment as an alternate director to Mr Kok Hwee Sim and was appointed an executive director of the Company. Mr Kok Yew Sim is a Director and 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. Sys-Mac is the fulcrum point for our thrust into technologies. Mr Sim is expected to helm our drive in this new direction taken by the Group and as such his appointment will facilitate his contribution to the Board.

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 number 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	-	-
Kok Yew Sim	3	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	-	-

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$8,562 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.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of its terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

Retirement, election and continuation in office of directors

Mr S P Sze retires by rotation and being eligible, offers himself for re-election.

Mr Kok Yew Sim was appointed as an executive director on 25 September 2014 after the last Annual General Meeting. In accordance with the Constitution, Mr Kok Yew Sim retires as a director at the next Annual General meeting and, being eligible, offers himself for re-election.

Directors' relevant interests in Zicom Group Limited

In accordance with S300(11) of the *Corporations Act 2001*, the relevant interests of the directors in the shares and options of Zicom Group Limited as at the date of this report are unchanged to those disclosed within the financial statements as at 30 June 2014.

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. Details of the KMP are set out in the following tables:

(i) Directors

G L Sim	(Chairman and Managing Director)
K H Sim	(Executive Director)
K Y Sim	(Executive Director) (appointed on 25 September 2014)
Y P Lim	(Independent)
F Leong	(Independent)
I R Millard	(Independent)
S P Sze	(Independent)

(ii) Executives

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

Directors' Report 2014

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. No options were granted to non-executive directors during the financial year and none are proposed for consideration at the 2014 Annual General Meeting.

The board recommends that total directors' fees for non-executive directors for the financial year ending 30 June 2015 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 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 and 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 shareholders' funds as at the reporting date.

B Service Agreements

Group Managing Director

The group managing director, Mr G L Sim is directly employed by Zicom Holdings Private Limited ("ZHPL") and has renewed his service agreement with ZHPL for another 5 years with effect from 1 July 2011. The group and Mr Sim are required to give each other at least 6 months' notice in the termination of the service agreement. Under the terms of his 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 and Remuneration Committee that he shall only receive 4.4% 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 4.4% 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 has elected to convert 50% of his performance bonus amounting to $102,328 (2013: $nil) into ZGL shares, fully paid at A$0.22 per share. This is subject to shareholders' approval.

Mr Sim is not paid any salary or fees by ZGL, Cesco Australia Limited ("CAL") or any other group companies. In the event CAL achieves the minimum pre-tax profits, Mr Sim will be paid a bonus not exceeding 5% of CAL's profits. During the financial 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 by 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 relevant 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 financial year just ended, none of the executives elected 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.

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 shares.

During the current financial year, no share options (2013: 2,610,000) were granted. In the same period, employees exercised options to acquire 195,000 (2013: 517,500) fully paid ordinary shares in Zicom Group Limited at a weighted average exercise price of A$0.17 per share. 275,000 (2013: 1,277,500) share options expired during the financial year.

There were 6,395,000 unissued ordinary shares under options at the reporting date and the date of this report.

Company Performance

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

	2014	**2013**	**2012**	**2011**	**2010**
Earnings per share (Australian cents)	1.65	2.56	2.83	5.15	4.02
Dividend per share (Australian cents)	0.90	1.00	1.00	1.00	0.85
Closing share price (Australian cents)	22.00	23.00	15.00	50.00	12.50
Net tangible asset per share (Australian cents)	29.64	29.96	26.49	24.73	23.53

C Details of remuneration

Details of the remuneration to the directors and the key management personnel of Zicom Group Limited for the years ended 30 June 2014 and 2013 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.

2014	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	41,477	–	–	–	–	–	–	41,477	–
F Leong	38,020	–	–	–	–	–	–	38,020	–
I R Millard	39,172	–	–	–	–	–	–	39,172	–
S P Sze	33,412	–	–	–	–	–	–	33,412	–
Sub-total non-executive directors	152,081	–	–	–	–	–	–	152,081	–
Executive Directors									
G L Sim - Chairman	432,000	102,327	–	24,000	5,525	102,328	–	666,180	30.7
K H Sim	166,814	120,000	–	12,000	13,600	–	3,959	316,373	37.9
K Y Sim	157,326	–	–	44,400	13,600	–	3,959	219,285	–
Sub-total executive directors	756,140	222,327	–	80,400	32,725	102,328	7,918	1,201,838	
Other key management personnel									
G H Teoh[(1)]	216,000	198,624	–	60,000	8,925	–	4,253	487,802	40.7
J L Sim[(2)]	216,974	190,000	–	21,600	5,950	–	4,253	438,777	43.3
H S Tang[(3)]	180,496	140,000	–	14,400	5,950	–	4,253	345,099	40.6
J K Sim[(4)]	170,881	–	–	45,500	11,900	–	–	228,281	–
Sub-total other key management personnel	784,351	528,624	–	141,500	32,725	–	12,759	1,499,959	
Grand total	1,692,572	750,951	–	221,900	65,450	102,328	20,677	2,853,878	

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

2013

Name	Short Term Employee Benefits				Post Employment Benefit	Share-Based Payments			
	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	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 K 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 K Sim is the managing director 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

Directors’ Report 2014

Details of share options to key management personnel

Options granted to, vested, exercised or expired during the years 2014 and 2013 as well as outstanding options held as at year end are shown in the tables below.

30 June 2014

	Balance at 1 July 2013	Granted	Options exercised	Expired	Balance at 30 June 2014	Value of options granted	Value of options expired	Exercisable	Not Exercisable
Directors									
G L Sim	–	–	–	–	–	–	–	–	–
K H Sim	380,000	–	–	(100,000)	280,000	–	4,633	240,000	40,000
K Y Sim	380,000	–	–	(100,000)	280,000	–	4,633	240,000	40,000
Y P Lim	25,000	–	–	(25,000)	–	–	1,144	–	–
F Leong	25,000	–	–	(25,000)	–	–	1,144	–	–
I R Millard	25,000	–	–	(25,000)	–	–	1,144	–	–
S P Sze	30,000	–	–	–	30,000	–	–	30,000	–
Executives									
G H Teoh	280,000	–	–	–	280,000	–	–	240,000	40,000
J K Sim	–	–	–	–	–	–	–	–	–
J L Sim	280,000	–	–	–	280,000	–	–	240,000	40,000
H S Tang	280,000	–	–	–	280,000	–	–	240,000	40,000
	1,705,000	–	–	(275,000)	1,430,000	–	12,698	1,230,000	200,000

30 June 2013

	Balance at 1 July 2012	Granted	Options exercised	Expired	Balance at 30 June 2013	Value of options granted	Value of options expired	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 K Sim	–	–	–	–	–	–	–	–	–
J L Sim	400,000	80,000	–	(200,000)	280,000	8,757	20,694	200,000	80,000
H S Tang	300,000	80,000	–	(100,000)	280,000	8,757	10,347	200,000	80,000
	1,755,000	400,000	(150,000)	(300,000)	1,705,000	43,663	31,041	1,305,000	400,000

The above options were granted under the Zicom Employee Share and Option Plan which was approved by shareholders on 23 November 2006.

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

Directors' Report 2014

Shareholdings of key management personnel as at 30 June 2014 and 30 June 2013 are as follows:

30 June 2014

	Balance as at 1 July 2013	Granted as remuneration	Options exercised	Net change other	Balance as at 30 June 2014
Directors					
G L Sim	77,474,368	–	–	–	77,474,368
K H Sim	1,258,180	–	–	–	1,258,180
K Y Sim	1,070,253	–	–	–	1,070,253
Y P Lim	488,000	–	–	–	488,000
F Leong	524,364	–	–	–	524,364
I R Millard	592,250	–	–	–	592,250
S P Sze	–	–	–	–	–
Executives					
G H Teoh	50,000	–	–	–	50,000
J K 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
	110,427,818	–	–	–	110,427,818

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 K 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

There were no other transactions and balances with key management personnel and their related parties during the year.

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.

Directors' Report 2014

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
29 September 2014

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 2014, 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
29 September 2014

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: Lay 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;

Corporate Governance Statement

- 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 Executive Director 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.

Corporate Governance Statement

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.

Corporate Governance Statement

Principle 3: Promote Ethical and Responsible Decision-Making

Code of Conduct

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

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

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

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

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

Diversity Policy

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

The Company has employees including executives from diversified cultural background and nationalities such as Australians, Bangladeshis, Chinese, Indians, Indonesians, Filipinos, Malaysians, Burmese, 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.

Corporate Governance Statement

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.

Corporate Governance Statement

The board acknowledges that such internal control assurance are not absolute and can only be provided on a reasonable basis after having made due enquiries. This is due to factors such as the need for judgement and the inherent limitations in internal controls and therefore is not and 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 Directors 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 implementation of policy on risk oversight and management or for senior management to make statements to the Board concerning those matters.	Given the nature and size of the Company, its business interests and the involvement of all Directors, all of whom have business management skills, it was not considered necessary to establish a written policy. The Company adheres to the Recommendations under this Principle for statements by senior management to the Board.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2014
(In Singapore dollars)

	Note	2014 S$'000	2013 S$'000
Revenue from continuing operations	5	112,083	118,733
Other operating income	5	1,870	1,116
Cost of materials		(58,895)	(61,265)
Employee, contract labour and related costs		(29,102)	(29,374)
Depreciation and amortisation		(5,211)	(5,256)
Property related expenses		(2,578)	(2,595)
Other operating expenses	5	(13,166)	(13,367)
Finance costs		(378)	(474)
Share of results of associates		(739)	(613)
Profit before taxation		3,884	6,905
Tax benefit	6	31	303
Profit for the year from continuing operations after taxation		3,915	7,208
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss			
Foreign currency translation on consolidation		(515)	(326)
Effect of tax on other comprehensive income		–	–
		(515)	(326)
Total comprehensive income		3,400	6,882
Profit/(loss) attributable to:			
Equity holders of the Parent		4,081	6,929
Non-controlling interests		(166)	279
Profit for the year		3,915	7,208
Total comprehensive income/(loss) attributable to:			
Equity holders of the Parent		3,566	6,603
Non-controlling interests		(166)	279
		3,400	6,882
Earnings per share (cents)			
Basic earnings per share	7	1.90	3.24
Diluted earnings per share	7	1.89	3.23

Consolidated Balance Sheet

as at 30 June 2014
(In Singapore dollars)

	Note	2014 S$'000	2013 S$'000
Non-current assets			
Property, plant and equipment	9	30,784	33,101
Intangible assets	10	14,792	13,212
Deferred tax assets	6	2,418	1,943
Convertible loan receivable from an associate	23	459	919
Investment in an associate	12	1,804	2,578
Others		1	1
		50,258	51,754
Current assets			
Cash and bank balances	20	22,328	21,355
Inventories	13	27,758	21,829
Trade and other receivables	14	39,061	34,832
Prepayments		626	546
Tax recoverable		–	109
Assets held for sale		–	524
		89,773	79,195
TOTAL ASSETS		140,031	130,949
Current liabilities			
Payables	16	30,701	20,747
Interest-bearing liabilities	17	12,105	9,459
Provisions	18	966	1,138
Provision for taxation		336	431
Unearned income		400	64
Unrealised loss on derivatives		173	2,411
		44,681	34,250
NET CURRENT ASSETS		45,092	44,945
Non-current liabilities			
Interest-bearing liabilities	17	2,758	5,147
Deferred tax liabilities	6	2,745	2,622
Provisions	18	390	443
		5,893	8,212
TOTAL LIABILITIES		50,574	42,462
NET ASSETS		89,457	88,487
Equity attributable to equity holders of the Parent			
Contributed equity	19	37,593	37,623
Reserves		(703)	(251)
Retained earnings		51,703	50,099
		88,593	87,471
Non-controlling interests		864	1,016
TOTAL EQUITY		89,457	88,487
TOTAL EQUITY AND LIABILITIES		140,031	130,949

Consolidated Statement of Changes in Equity

for the year ended 30 June 2014
(In Singapore dollars)

		Attributable to equity holders of the Parent							
	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 interests	Total equity
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1.7.2012		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 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	24(a)	–	–	–	173	–	173	–	173
Expiry of employee share options		–	–	–	(136)	136	–	–	–
Acquisition of non-controlling interests		–	–	–	–	(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	8	–	–	–	–	(2,742)	(2,742)	–	(2,742)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	(97)	(97)
Balance at 30.6.2013		37,397	226	(957)	706	50,099	87,471	1,016	88,487
Other comprehensive income/(loss)		–	–	(515)	–	–	(515)	–	(515)
Profit for the year		–	–	–	–	4,081	4,081	(166)	3,915
Total comprehensive income for the year		–	–	(515)	–	4,081	3,566	(166)	3,400
Exercise of employee share options	19	39	21	–	(21)	–	39	–	39
Minimum holding share buy-back	19	(90)	–	–	–	–	(90)	–	(90)
Cost of share-based payments	24(a)	–	–	–	110	–	110	–	110
Expiry of employee share options		–	–	–	(26)	26	–	–	–
Acquisition of non-controlling interests		–	–	–	–	(11)	(11)	11	–
Change of interest in subsidiary company		–	–	–	–	(3)	(3)	3	–
Dividends paid on ordinary shares	8	–	–	–	–	(2,489)	(2,489)	–	(2,489)
Balance at 30.6.2014		37,346	247	(1,472)	769	51,703	88,593	864	89,457

(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 2014
(In Singapore dollars)

	Note	2014 S$'000	2013 S$'000
Cash flows from operating activities:			
Operating profit before taxation		3,884	6,905
Adjustments for:			
Depreciation of property, plant and equipment	9	4,477	4,406
Amortisation of intangible assets	10	734	850
Bad debts written off	5	16	–
Allowance for doubtful debts, net	5	5	–
Allowance for inventory obsolescence	5	123	19
Inventories written off	5	30	3
Interest expenses		378	474
Interest income	5	(179)	(152)
Property, plant and equipment written off	5	9	133
Intangible assets written off	5	5	5
Loss/(gain) on disposal of property, plant and equipment, net	5	13	(54)
Gain on disposal of assets held for sale	5	(260)	–
Trade payables written back	5	(50)	–
Provisions made, net	18	77	152
Cost of share-based payments		102	157
Share of results of associates		739	613
Unrealised loss on derivatives		173	2,411
Unrealised exchange difference		26	(8)
Operating profit before reinvestment in working capital		10,302	15,914
(Increase)/decrease in stocks and work-in-progress		(4,998)	7,591
Decrease/(increase) in projects-in-progress		76	(5,024)
(Increase)/decrease in debtors		(1,287)	2,790
Increase/(decrease) in creditors		9,625	(12,167)
Cash generated from operations		13,718	9,104
Interest received		179	152
Interest paid		(374)	(477)
Income taxes paid		(418)	(1,032)
Net cash provided by operating activities		13,105	7,747
Cash flows from investing activities:			
Purchase of property, plant and equipment	9(b)	(2,007)	(2,320)
Proceeds from disposal of property, plant and equipment	9(c)	14	83
Proceeds from disposal of asset held for sale		784	–
Increase in software development	10	(227)	(530)
Increase in development expenditure		(2,007)	(1,390)
Increase in patented technology	10	(86)	(34)
Investment in associate	12(a)	–	(453)
(Increase)/decrease in amount due from associate		(1,140)	193
Subscription of convertible loan stocks		–	(919)
Acquisition of non-controlling interest		–	(595)
Net cash used in investing activities		(4,669)	(5,965)

Consolidated Statement of Cash Flows

for the year ended 30 June 2014
(In Singapore dollars)

	Note	2014 S$'000	2013 S$'000
Cash flows from financing activities:			
(Decrease)/increase in amount due to directors		(3)	22
Repayments of bank borrowings		(2,956)	(1,188)
Dividends paid on ordinary shares	8	(2,489)	(2,742)
Dividends paid to non-controlling shareholders		–	(97)
Proceeds from exercise of employee share options		39	117
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
Payment for minimum holding share buy-back	19	(90)	–
Repayment of hire purchase creditors		(2,250)	(1,263)
Net cash used in financing activities		(7,749)	(4,720)
Net increase/(decrease) in cash and cash equivalents		687	(2,938)
Net foreign exchange differences		(87)	(101)
Cash and cash equivalents at beginning of year	20	21,202	24,241
Cash and cash equivalents at end of year	20	21,802	21,202

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 2014 was authorised for issue in accordance with a resolution of the directors on 25 September 2014.

Zicom Group Limited is a for profit 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 ("AASB"). 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 2013.

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- AASB 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*

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

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

2.2 Statement of compliance (cont'd)

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

Certain Australian Accounting Standards and Interpretations have been recently issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2014. Except for IFRS 15 and AASB 9 which the directors have yet to finalise their assessment of the impact, 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 2012 -3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- AASB 9 *Financial Instruments*
- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]*
- AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*
- Annual Improvements to IFRSs 2010-2012 Cycle *[IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 38, IAS 24]*
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation* *
- IFRS 15 – *Revenue from Contracts with Customers* *

** These IFRS amendments have not yet been adopted by AASB*

2.3 Principles of consolidation

Basis of consolidation from 1 July 2010

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specially, the Group controls an investee if and only it the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Right arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

2.3 Principles of consolidation (cont'd)

Basis of consolidation from 1 July 2010 (cont'd)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in profit and loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

2.4 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

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 pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

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

2.4 Business combinations and goodwill (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within scope of AASB 139, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of the net assets acquired over the aggregate consideration transferred, then the gain 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 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.

2.5 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.

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

2.5 Operating segments (cont'd)

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
- Nature of the regulatory environment

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

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

2.6 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.

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

2.6 Foreign currency translation (cont'd)

(c) Consolidated financial statements (cont'd)

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. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its costs is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

Leasehold properties	over remaining period of the lease expiring years 2039 to 2043
Buildings	20 years
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 de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

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

2.8 Intangible assets

Intangible assets acquired separately 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. Internally generated intangible excluding development and computer software costs are not capitalised and related expenditure is recognised in profit and loss in the period in which such expenditure is incurred.

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

Intangible assets with finite useful lives are amortised over their useful economic 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. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are not amortised end but 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. The assessment of indefinite useful life is reviewed annually to determine whether it 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	5 years
Customer list	8 years
Patented technology	10 – 20 years
Unpatented technology	7 – 14 years

Research and development costs

Research costs are expensed as incurred. 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 de-recognition 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 indication exists, or when annual impairment testing for an asset is required, the Group estimates 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.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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 assumptions 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 Associates

An associate is an entity, over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group generally deems they have significant influence if they have over 20% of the voting rights.

The Group's investment in associate is accounted for using equity method from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Under the equity method, investment in an associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the 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.

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

2.10 Associates (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.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its 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 profit or loss.

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 retained investment and proceeds from disposal is recognised in profit or loss.

2.11 Financial Instrument – Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulations or convention in the market place (regular way trades) are recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purpose of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loan and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

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

2.11 Financial Instrument – Initial recognition and subsequent measurement (cont'd)

(i) Financial assets (cond't)

(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. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

The Group has not designated any financial assets at fair value though profit or loss. Financial assets at fair value through profit or loss are measured at fair value with net changes in fair value presented as finance costs or finance income in profit or loss.

(b) *Loans and receivables*

This category is the most relevant to the Group. Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) *Held-to-maturity investment*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measures at amortised cost using the effective interest rate, less impairment. The Group did not have any held-to-maturity investments during the years ended 30 June 2014 and 2013.

(d) *Available-for-sale (AFS) financial investments*

AFS financial investment include equity investment and debt securities. Equity investments classified as AFS 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 measurement, AFS financial investments subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income and credited in the AFS reserve until the investment is de-recognised, at which time the cumulative gain or loss is recognised in other operating income, or the investments is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss. Interest earned whilst holding AFS financial investments is reported as interest income using effective interest rate method.

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

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

2.11 Financial Instrument – Initial recognition and subsequent measurement (cont'd)

(i) Financial assets (cond't)

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised when:

- The rights to receive cash flows from the assets have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. An impairment exist if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in the interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial asset with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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.

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

2.11 Financial Instrument – Initial recognition and subsequent measurement (cont'd)

(ii) Impairment of financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decrease because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognised in profit or loss.

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings 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 de-recognised as well as through the amortisation process.

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

2.11 Financial Instrument – Initial recognition and subsequent measurement (cont'd)

(iii) Financial liabilities (cont'd)

De-recognition

A financial liability is re-recognised when the obligation under the liability is discharged or 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 the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.12 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. These also include bank overdrafts which forms an integral part of the Group's cash management. Bank overdrafts are included within interest-bearing liabilities under current liabilities in the balance sheet.

2.13 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 materials and trading stocks: 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.

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.

2.14 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.

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

2.14 Construction contracts (cont'd)

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.

2.15 Fair value measurement

The Group measures financial instruments, such as forward currency options, at fair value at the reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) In the principal market for the asset or liability, or
ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be assessable to by the Group.

The fair value of an asset or liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

2.16 Provisions

General

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.

Warranty provisions

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.

Wages and salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits and 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.

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.

2.17 Government grants

Government grants are recognised 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, it is deducted in arriving at the carrying amount of the asset.

2.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

2.19 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for 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.

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 2.21. 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 2.21.

2.20 Employee benefits

(a) Defined contribution plans

The Group makes contributions to pension schemes 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.

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 year in which the related services is performed.

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

2.20 Employee benefits (cont'd)

(b) 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 share-based payments 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 share-based payments reserve is transferred to retained earnings upon expiry or forfeiture of the share options after its vesting date. When the options are exercised, the share-based payments reserve is transferred to share capital as new shares are issued.

2.21 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

Revenue recognised on projects

Revenue on projects 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 rate.

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

2.21 Revenue recognition (cont'd)

Dividends

Dividend income is recognised when the Group's right to receive payment is established, which is generally when shareholders approve the dividends.

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.

2.22 Taxation

(a) *Current tax*

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

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

(b) *Deferred tax*

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

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

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

- 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.

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

2.22 Taxation (cont'd)

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

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

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

- 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.

(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.

2.23 Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are deducted against share capital.

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

2.24 Related parties

A related party is defined as follows:

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

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

(ii) has significant influence over the Company; or

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

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

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

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

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

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

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

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

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

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure made. 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 future periods.

(a) Judgements made in applying accounting policies

(i) Determination of control over investee

As at 30 June 2014, the Group holds 46.49% of equity interest in Curiox Biosystems Pte Ltd ("Curiox") and 918,652 convertible loan stocks which could potentially convert into a further 5.51% interest in Curiox. It has been assessed that these potential rights are not substantive as they are not currently exercisable. As the Group does not have the ability to direct relevant activities nor control the Board but has significant influence over its financial and operating policy decisions, the investment in Curiox is treated as an associated company as opposed to being a subsidiary company.

3. Significant accounting judgements, estimates and assumptions (cont'd)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over its estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 29 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 9 to the financial statements.

(ii) Impairment of non-financial assets

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

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 10 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 15 to the financial statements.

3. Significant accounting judgements, estimates and assumptions

(b) Key sources of estimation uncertainty (cont'd)

(v) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's current tax payables and deferred tax liabilities at 30 June 2014 was S$336,000 (2013: S$431,000) and S$2,745,000 (2013: S$2,622,000) respectively. The Group also has deferred tax assets of S$2,418,000 (2013: S$1,943,000) as at 30 June 2014.

4. 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 chief operating decision maker and the executive management team in assessing performance and in determining the allocation of resources. The operating segments are identified based on products and services 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 Technologies – manufacture of precision and automation equipment, medtech equipment and products, medtech translation 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. Unallocated expenses comprise mainly of non-segmental expenses such as head office expenses.

4. 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 2014 and 2013.

	Offshore marine, oil and gas machinery	Construction equipment	Precision engineering and technologies	Industrial and mobile hydraulics	Consolidated
	S$'000	S$'000	S$'000	S$'000	S$'000
Year ended 30 June 2014					
Revenue					
Sales to external customers	48,063	51,278	10,634	2,108	112,083
Other revenue	14	444	1,041	3	1,502
Inter-segment sales	–	2	4	978	984
Total segment revenue	48,077	51,724	11,679	3,089	114,569
Inter-segment elimination					(984)
Unallocated revenue					189
Interest income					179
Total consolidated revenue					113,953
Results					
Segment results	6,097	4,810	(4,761)	555	6,701
Unallocated revenue					189
Unallocated expenses					(2,068)
Share of results of associate					(739)
Profit before tax and finance cost					4,083
Finance costs					(378)
Interest income					179
Profit before taxation					3,884
Income tax benefit					31
Net profit after taxation					3,915
Other segment information					
Capital expenditure					
- property, plant and equipment	199	3,861	339	–	4,399
- intangible assets	133	36	2,147	–	2,316
					6,715
Depreciation and amortisation	570	3,315	1,055	18	4,958
Other non-cash expenses	76	363	102	61	602

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

Business segments (cont'd)

	Offshore marine, oil and gas machinery S$'000	Construction equipment S$'000	Precision engineering and automation S$'000	Industrial and mobile hydraulics S$'000	Consolidated S$'000
Year ended 30 June 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 associates					(613)
Profit before tax and finance cost					7,227
Finance costs					(474)
Interest income					152
Profit before taxation					6,905
Income tax benefit					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

4. 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 2014 and 2013.

Year ended 30 June 2014

	Australia	Malaysia	Singapore	China	United States	India	Bangladesh	Thailand	Others	Total
Revenue	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Sales to external customers	16,438	12,908	30,022	17,297	9,532	10,513	5,191	6,273	3,909	112,083
Other revenue from external customers	15	53	1,499	7	–	–	–	295	1	1,870
										113,953
Other segment information										
Segment non-current assets	3,452	5,177	29,189	208	–	–	–	6,433	1,117	45,576
Investment in an associate										1,804
Unallocated assets										2,878
										50,258
Capital expenditure										
- property, plant and equipment	42	384	4,203	30	–	–	–	12	8	4,679
- intangible assets	4	–	2,325	–	–	–	–	–	–	2,329
										7,008

Notes to the Consolidated Financial Statements

(In Singapore dollars)

4. Segment information (cont'd)

Geographical segments (cont'd)

Year ended 30 June 2013

Revenue	**Australia** S$'000	**Malaysia** S$'000	**Singapore** S$'000	**China** S$'000	**United States** S$'000	**India** S$'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	7	2,227	6,910	4,152	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 an associate										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

5. Revenue, income and expenses

(i) Revenue

	Consolidated 2014 S$'000	Consolidated 2013 S$'000
Sales of goods	63,923	76,094
Rendering of services	6,614	6,860
Rental revenue	5,927	6,335
Revenue recognised on projects	35,619	29,444
	112,083	118,733

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

(ii) Other operating income

	Consolidated	
	2014	**2013**
	S$'000	S$'000
Interest income	179	152
Commission income	–	26
Gain on disposal of property, plant and equipment	–	59
Gain on disposal of asset held for sale	260	–
Service rendered	261	398
Government grants	1,078	230
Bad debts recovered	–	4
Trade discount received	–	108
Trade payables written back	50	–
Other revenue	42	139
	1,870	1,116

(iii) Other operating expenses

Included in other operating expenses are the following:

	Consolidated	
	2014	**2013**
	S$'000	S$'000
Allowance for inventory obsolescence, net	123	19
Allowance for doubtful debts, net	5	–
Bad debts written off	16	–
Foreign exchange loss	482	2,687
Provision for product warranties, net	22	47
Loss on disposal of property, plant and equipment, net	13	5
Property, plant and equipment written off	9	133
Warranty expense charged directly to profit or loss	8	55
Inventories written off	30	3
Intangible assets written off	5	5

6. Tax expense

	Consolidated 2014 S$'000	Consolidated 2013 S$'000
Current income tax		
- Current income tax charge	1,065	1,392
- Loss transferred under Group Relief Scheme	(736)	(848)
- Adjustments in respect of previous years	(6)	(96)
Deferred income tax		
- Relating to the origination and reversal of temporary differences	(496)	(1,258)
- Adjustment in respect of previous years	142	507
Income tax benefit	(31)	(303)

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 2014 S$'000	Consolidated 2013 S$'000
Profit before taxation	3,884	6,905
Tax expense:		
Tax at the domestic rates applicable to profits in the countries where the group operates	992	1,402
Release of deferred tax liability on intangible assets	(60)	(111)
Non-deductible expenses	520	530
Non-taxable income	(689)	(397)
Partial tax exemption	(31)	(113)
Deferred tax asset not recognised	404	265
Recognition of deferred tax assets not previously recognised	(160)	(1,001)
Underprovision in prior years	136	411
Enhanced tax credits	(1,137)	(1,267)
Others	(6)	(22)
Tax benefit	(31)	(303)

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

6. Tax expense (cont'd)

Deferred taxation as at 30 June relates to the following:

	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2014	**2013**	**2014**	**2013**
	S$'000	S$'000	S$'000	S$'000
Deferred tax liabilities				
Differences in depreciation	(2,285)	(2,386)	(97)	876
Intangible assets	(479)	(636)	(157)	(48)
Accrual for unconsumed leave	–	58	58	(22)
Provisions	–	147	147	(147)
Unutilised capital allowances	–	7	7	(7)
Unutilised tax losses	19	188	169	(188)
	(2,745)	(2,622)		
Deferred tax assets				
Unutilised tax losses	2,870	2,036	(840)	(1,529)
Unutilised capital allowances	411	86	(325)	(78)
Provisions	297	201	(96)	205
Accrual for unconsumed leave	–	11	11	29
Differences in depreciation	(360)	(28)	332	(170)
Intangible assets	(800)	(363)	437	328
	2,418	1,943	(354)	(751)

	Consolidated	
	2014	**2013**
	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	4,375	3,293

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.

Notes to the Consolidated Financial Statements
(In Singapore dollars)

7. Earnings per share

Earnings per share are calculated by dividing the Group's net profit attributable to equity holders of the Parent by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share are calculated by dividing the Group's net profit attributable to equity holders of the Parent by the adjusted weighted average number of ordinary shares which takes into account the effects of all dilutive potential ordinary shares comprising share options granted to employees.

		Consolidated	
		2014	**2013**
		S$'000	S$'000
(a)	Earnings used in calculating basic and diluted earnings per share		
	Net profit attributable to equity holders of the Parent	4,081	6,929
		No. of shares (Thousands)	
(b)	Weighted average number of ordinary shares for basic earnings per share	214,881	213,798
	Effect of dilution:		
	Share options	1,268	849
	Adjusted weighted average number of ordinary shares	216,149	214,647
		Singapore cents	
(c)	Earnings per share		
	Basic	1.90	3.24
	Diluted	1.89	3.23

There have been no transactions involving ordinary or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

8. Dividends

	Consolidated	
	2014	**2013**
	S$'000	S$'000
Declared and paid during the financial year:		
- Final unfranked dividend for 2013: 0.55 Australian cents per share	1,377	–
- Interim unfranked dividend for 2014: 0.45 Australian cents per share	1,112	–
- 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
	2,489	2,742
Proposed but not recognised as a liability as at 30 June:		
- Final unfranked dividend for 2014: 0.45 Australian cents per share (2013: 0.55 Australian cents per share)	1,115	1,358

After the reporting date, the final dividend for 2014 was approved by the board of directors.

9. 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 1.7.2012	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
Currency realignment	(99)	(4)	(253)	(5)	(190)	(2)	(10)	(563)
Additions	–	–	–	–	4,238	124	317	4,679
Disposals	–	–	–	–	(62)	–	(41)	(103)
Reclassification to inventory	–	–	–	–	(2,256)	–	–	(2,256)
Reclassification to intangible assets	–	–	–	–	(23)	–	–	(23)
Reclassification	–	–	(5)	–	–	5	–	–
Write off	–	–	–	–	(28)	–	–	(28)
At 30.6.2014	1,705	10,432	4,334	95	36,175	2,488	1,896	57,125
Accumulated depreciation and impairment								
At 1.7.2012	–	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
Currency realignment	–	(3)	(52)	–	(66)	–	(4)	(125)
Charge for 2014	–	268	222	–	3,525	275	187	4,477
Disposals	–	–	–	–	(52)	–	(24)	(76)
Reclassification to inventory	–	–	–	–	(218)	–	–	(218)
Reclassification to intangible assets	–	–	–	–	(16)	–	–	(16)
Reclassification	–	–	–	–	(14)	14	–	–
Write off	–	–	–	–	(19)	–	–	(19)
At 30.6.2014	–	3,651	1,039	–	18,552	1,874	1,225	26,341
Net carrying value								
At 30.6.2014	1,705	6,781	3,295	95	17,623	614	671	30,784
At 30.6.2013	1,804	7,050	3,723	100	19,084	776	564	33,101

9. Property, plant and equipment (cont'd)

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

	Consolidated	
	2014	**2013**
	S$'000	S$'000
Motor vehicles	177	240
Plant and equipment	3,681	5,008
	3,858	5,248

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$4,679,000 (2013: S$4,234,000) of which S$1,681,000 (2013: S$1,580,000) were acquired by means of hire purchase financing. Cash payments of S$2,007,000 (2013: S$2,320,000) were made to purchase property, plant and equipment. Included in additions is an amount of S$991,000 (2013: S$314,000) which was previously included in stock but was converted and capitalised as fixed assets during the current financial year. In the previous financial year, the balance of $20,000 included in additions was in relation to the provision for reinstatement cost.

(c) During the financial year, the Group disposed of property, plant and equipment with an aggregate net book value of S$27,000 (2013: S$29,000). Sales proceeds amounting to S$14,000 (2013: S$83,000) 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$9,000 (2013: S$133,000).

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

	Consolidated	
	2014	**2013**
	S$'000	S$'000
Mortgage of leasehold properties	2,999	3,125
Mortgage of freehold land and buildings	5,000	5,527
	7,999	8,652

10. 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 1.7.2012	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
Currency realignment	–	–	8	–	–	(24)	–	–	(16)
Additions	–	–	–	2,016	–	227	–	86	2,329
Reclassification from property, plant & equipment	–	–	–	–	–	23	–	–	23
Write off	–	–	–	–	–	(27)	–	–	(27)
At 30.6.2014	918	1,141	7,254	3,827	10	2,092	3,721	146	19,109
Accumulated amortisation:									
At 1.7.2012	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
Currency realignment	–	–	–	–	–	1	–	–	1
Amortisation	44	–	–	36	–	380	274	–	734
Reclassification from property, plant & equipment	–	–	–	–	–	16	–	–	16
Write off	–	–	–	–	–	(22)	–	–	(22)
At 30.6.2014	918	1,141	–	73	–	1,278	907	–	4,317
Net carrying value:									
At 30 June 2014	–	–	7,254	3,754	10	814	2,814	146	14,792
At 30 June 2013	44	–	7,246	1,774	10	990	3,088	60	13,212

10. Intangible assets (cont'd)

	Customer list	Developed technology	Computer software	Unpatented technology	Patented technology
Average remaining Amortisation period (years) – 2014	–	–	4	10.4	10
Average remaining Amortisation period (years) – 2013	1	–	5	11.4	10

Impairment tests for goodwill

In accordance with AASB 3, the carrying value of the Group's goodwill on acquisition as at 30 June 2014 was assessed for impairment.

Group	As at 30.6.2014	As at 30.6.2013	Basis on which recoverable values are determined	Growth rate per annum		Discount rate per annum	
				2014	2013	2014	2013
	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% - 15%	8% - 20%	16%	16%
Zicom Group Limited	2,299	2,291	Value-in-use	5% - 10%	5% - 10%	18%	18%
Orion Systems Integration Pte Ltd ("Orion")	664	664	Value-in-use	-	10% - 20%	17%	16%
Biobot Surgical Pte Ltd ("BBS")	1,316	1,316	Value-in-use	-	15% - 30%	19%	19%
	7,253	7,245					

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 cash flow projections based on financial budgets approved by management covering a one to five year period. Budgeted revenue and gross margin in the financial budgets are based on past performance and its expectation of market development. Both Orion and BBS are start-up companies engaged in disruptive technologies and it is in the inherent nature of such green field investments to experience protracted gestation in the process of gaining full adoption by customers. Terminal growth rate of 1% were used for the above cash generating units with the exception of Orion 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 – These are used to extrapolate cash flow projections beyond the period covered by the most recent budgets and 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. Most recent budgets for Orion and BBS covered a period of 5 years, hence, no growth rate was used for extrapolation.

Notes to the Consolidated Financial Statements
(In Singapore dollars)

10. 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 2014 and 2013 for goodwill as their recoverable values were in excess of their carrying values.

11. Investment in subsidiaries

	Parent Entity	
	2014	**2013**
	S$'000	S$'000
Investment in controlled entities, at cost	54,544	54,544
Less: Impairment loss	(5,334)	(5,921)
	49,210	48,623

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**	
		2014	**2013**	**2014**	**2013**
		S$'000	S$'000	%	%
Held by the Company:					
Cesco Australia Limited	Australia	5,035	4,448	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

11. Investment in subsidiaries (cont'd)

Name of Company	Country of incorporation/ formation	Carrying value of Parent Entity Investment 2014 S$'000	Carrying value of Parent Entity Investment 2013 S$'000	Percentage of equity held by the Group 2014 %	Percentage of equity held by the Group 2013 %
Controlled entities held by subsidiary companies: (cont'd)					
SAEdge Vision Solutions Pte Ltd	Singapore	–	–	95	100
Integrated Automation Systems Pte Ltd	Singapore	–	–	100	100
iPtec Pte Ltd	Singapore	–	–	100	–
Orion Systems Integration Pte Ltd	Singapore	–	–	84	84
Biobot Surgical Pte Ltd	Singapore	–	–	92	92
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
		49,210	48,623		

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 the 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 has also 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.

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.

Notes to the Consolidated Financial Statements

(In Singapore dollars)

11. Investment in subsidiaries (cont'd)

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**	
	2014	**2013**
	S$'000	S$'000
Profit from continuing activities before taxation	2,311	2,707
Income tax expense	–	–
Net profit for the year	2,311	2,707
Accumulated losses at the beginning	(24,436)	(24,537)
Expiry of employee share options	25	136
Dividends paid	(2,489)	(2,742)
Accumulated losses at the end	(24,589)	(24,436)

Consolidated Balance Sheet	**Closed Group**	
	2014	**2013**
	S$'000	S$'000
Non-current assets		
Property, plant and equipment	1,164	1,644
Intangible assets	519	593
Investment in subsidiaries	44,175	44,175
	45,858	46,412
Current assets		
Cash and bank balances	1,620	1,776
Inventories	3,979	3,239
Trade and other receivables	5,982	5,662
	11,581	10,677
Current liabilities		
Payables	7,766	6,969
Interest-bearing liabilities	1,084	1,434
Provisions	347	240
	9,197	8,643
NET CURRENT ASSETS	2,384	2,034
Non-current liabilities		
Interest-bearing liabilities	–	10
Provisions	124	220
	124	230
NET ASSETS	48,118	48,216
Equity attributable to equity holders of the Parent		
Contributed equity	71,601	71,631
Reserves	1,106	1,021
Accumulated losses	(24,589)	(24,436)
TOTAL EQUITY	48,118	48,216

12. Investment in an associate

The Group has 46.49% (2013: 46.49%) equity interest in Curiox Biosystems Pte Ltd ("Curiox"), a company incorporated in Singapore, which is principally involved in research and development on life sciences and manufacturing of pharmaceutical and biological products for drug discovery and diagnostics.

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

	2014 S$'000	**2013** S$'000
At beginning of year	2,578	2,768
Additional investment	–	453
Share of losses after income tax	(739)	(613)
Unrealised profits	(35)	(30)
At end of year	1,804	2,578

(b) Summarised financial information

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

	2014 S$'000	**2013** S$'000
Current assets	1,141	1,257
Non-current assets	559	537
	1,700	1,794
Current liabilities	(3,038)	(1,666)
Net (liabilities)/assets	(1,338)	128
Fair value adjustments arising from acquisition	264	325
	(1,074)	453
Proportion of Group's investment	46.49%	46.49%
Share of net assets	(499)	211
Goodwill	2,399	2,399
Unrealised profits	(81)	(46)
Other equity transactions	(15)	14
Carrying amount of the Group's investment in associate	1,804	2,578
Results :		
Revenue	527	500
Cost of goods sold	(92)	(105)
	435	395
Other income	350	171
Operating expenses	(2,313)	(1,842)
Loss before tax	(1,528)	(1,276)
Income tax expense	(1)	–
	(1,529)	(1,276)
Fair value adjustments arising from acquisition	(60)	(60)
Net loss for the year	(1,589)	(1,336)
Group's share of losses for the year	(739)	(613)

13. Inventories

	Consolidated 2014 S$'000	Consolidated 2013 S$'000
Raw materials/trading stocks, at cost or net realisable value	14,103	13,349
Work-in-progress, at cost	9,561	6,722
Finished goods, at cost or net realisable value	3,276	1,243
Stocks-in-transit, at cost	818	515
Total inventories at lower of cost and net realisable value	27,758	21,829

Inventories recognised as cost of sales for the year ended 30 June 2014 totalled S$60,543,000 (2013: S$61,851,000) for the Group.

14. Current Assets - Receivables

	Consolidated 2014 S$'000	Consolidated 2013 S$'000
Trade receivables (a)	24,316	23,827
Allowance for impairment loss (b)	(163)	(317)
	24,153	23,510
Advance payments to suppliers	1,817	1,006
Amount due from customers for contract work (note 15)	10,075	8,743
Deposits	155	158
Related party receivables (c):		
- Associate		
- trade	622	155
- non-trade	282	109
- convertible loan stocks	460	–
- loans	500	–
- Other related parties (trade)	45	125
Other receivables	952	1,026
	39,061	34,832

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

(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.

14. Current Assets - Receivables (cont'd)

(b) Allowance for impairment loss (cont'd)

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	
	2014	**2013**	**2014**	**2013**
	S$'000	S$'000	S$'000	S$'000
Nominal amounts	163	317	26	26
Less: allowance for impairment	(163)	(317)	(26)	(26)
	–	–	–	–
Movements in allowance accounts:				
As at 1 July	317	374	26	26
Charge for the year	5	1	–	–
Written off	(158)	(55)	–	–
Write back	–	(1)	–	–
Currency realignment	(1)	(2)	–	–
As at 30 June	163	317	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.

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

	Consolidated	
	2014	**2013**
	S$'000	S$'000
Contract costs incurred to date	17,790	14,994
Recognised profits to date	6,993	4,712
	24,783	19,706
Progress billings and advances	(18,564)	(13,410)
Amount due from customers for contract work, net	6,219	6,296
Gross amount due from customers for contract work (note 14)	10,075	8,743
Gross amount due to customers for contract work (note 16)	(3,856)	(2,447)
	6,219	6,296
Advances received included in gross amount due to customers for contract work	5,470	–

Revenue recognised on projects is disclosed in note 5.

16. Current Liabilities - Payables

	Consolidated	
	2014	**2013**
	S$'000	S$'000
Trade, other payables and accruals (a)	26,608	18,221
Amount due to customers for contract work (note 15)	3,856	2,447
Owing to related parties (b)		
- trade	187	26
- non-trade	50	53
	30,701	20,747

(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	
	2014	**2013**
	S$'000	S$'000
Current		
Bank overdraft (a)	526	153
Bills payable (b)	5,802	2,817
Factory loan (c)	591	611
Machinery loan (d)	–	239
Invoice finance facility (e)	1,734	1,311
Term loan (f)	1,651	2,380
Lease liabilities (note 25)	1,801	1,948
	12,105	9,459
Non-Current		
Factory loan (c)	620	1,236
Term loan (f)	1,153	2,504
Lease liabilities (note 25)	985	1,407
	2,758	5,147

17. Interest-Bearing Liabilities (cont'd)

Details of the secured borrowings are as follows:

(a) Bank overdraft amounting to S$462,000 (2013: S$nil) which bears interest at 6.00% to 6.50% per annum is secured by corporate guarantee from Zicom Holdings Pte Ltd ("ZHPL").

Bank overdraft of S$55,000 (2013: S$nil) which bears interest at 7.90% per annum is secured by a corporate guarantee from Zicom Cesco Engineering Co. Ltd.

The remaining bank overdraft amounting of S$9,000 (2013: S$153,000) which bears interest at 7.90% per annum is secured by a 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.

(b) Bill payable amounting to S$5,802,000 (2013: S$2,817,000) with an average maturity of 3 - 4 months (2013: 2.5 - 4 months) bears interest at 1.58% to 2.50% (2013: 2.17% to 2.34%) per annum. All bill payables are secured by a corporate guarantee given by ZHPL.

(c) Factory loans amounting to S$790,000 (2013: S$1,031,000) which is made up of current and long-term portions of S$240,000 (2013: S$240,000) and S$550,000 (2013: S$791,000) respectively is repayable over the remaining 38 monthly instalments at fixed interest rate of 1.75% (2013: 1.75%) 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$421,000 (2013: S$816,000) which is made up of current and non-current portions of S$351,000 (2013: S$371,000) and S$70,000 (2013: S$445,000) respectively is repayable over the remaining 14 monthly instalments at a floating interest rate of 3.9% (2013: 4.13%) 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) All machinery loans were fully repaid in the current financial year. As at 30 June 2013, machinery loan amounting to S$156,000 bore interest at 4.13% per annum and was 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 of S$83,000 which was outstanding as at 30 June 2013 bore interest at a fixed rate of 8.62% per annum and was secured by a fixed and floating charge over all the assets of Cesco Australia Limited ("CAL").

(e) Invoice finance facility amounting to S$1,073,000 (2013: S$1,311,000) which bears floating interest rate at 5.62% to 5.86% (2013: 5.88% to 6.64%) is secured by a fixed and floating charge over all the assets of CAL.

The remaining invoice finance facility amounting to S$661,000 (2013: S$nil) which is secured by a corporate guarantee given by ZHPL bears fixed interest rates until expiry, ranging from 2.21% to 2.41% per annum, at which point interest rate resets.

17. Interest-Bearing Liabilities (cont'd)

(f) Term loans amounting to S$1,612,000 (2013: S$2,067,000) comprising current and long-term portions of S$459,000 (2013: S$455,000) and S$1,153,000 (2013: 1,612,000) respectively which bears interest at fixed rates of 1.75% per annum is payable over 5 years and is secured by a corporate guarantee given by ZHPL.

Short term loan with a tenure of 3 months amounting to S$300,000 (2013: S$nil) bears interest at fixed rate of 2.35% per annum is secured by a corporate guarantee given by ZHPL.

The remaining term loan due within the next 12 months amounting to S$892,000 (2013: S$2,335,000 made up of current portion: S$1,443,000; non-current portion: S$892,000) bears interest at floating rates of 2.53% (2013: 2.38%) per annum and is secured by a corporate guarantee given by ZHPL.

Term loan amounting to S$482,000 outstanding as at 30 June 2013 which bore interest at 5.50% per annum and 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 was fully repaid in the current financial year.

(g) Financing facilities available

As at 30 June 2014, the Group had available S$117,000,000 (2013: S$138,200,000) of undrawn committed borrowing facilities and all bank covenants were complied with.

18. Provisions

	Consolidated	
	2014	**2013**
	S$'000	S$'000
Current		
Product warranties	679	927
Employee benefits	233	211
Reinstatement costs	54	–
	966	1,138
Non-Current		
Employee benefits	247	246
Reinstatement costs	143	197
	390	443

Movements in provision for warranties:

	Consolidated	
	2014	**2013**
	S$'000	S$'000
At beginning of year	927	1,061
Additional provision	413	862
Written back	(391)	(815)
Utilised	(270)	(183)
Currency realignment	–	2
At end of year	679	927
Warranty expense written-off directly to profit or loss (note 5)	8	55

18. Provisions (cont'd)

Movements in provision for employee benefits

	Consolidated 2014 S$'000	Consolidated 2013 S$'000
At beginning of year	457	388
Additional provision	55	105
Utilised	(29)	–
Currency realignment	(3)	(36)
At end of year	480	457

Movements in provision for reinstatement costs:

	Consolidated 2014 S$'000	Consolidated 2013 S$'000
At beginning of year	197	183
Additional provision	–	20
Currency realignment	–	(6)
At end of year	197	197

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

In the previous financial year, an additional provision of S$20,000 was raised 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. None was raised during the current financial year.

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 2014	Parent Entity 2013	Consolidated 2014	Consolidated 2013
	No. of shares (Thousands)		S$'000	S$'000
Ordinary fully paid shares	214,547	214,752	37,593	37,623

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.

19. Contributed equity (cont'd)

(b) Movements in ordinary share capital

	Company Number of ordinary shares (Thousands)	Group S$'000
At 1 July 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
Issue of shares under Zicom Employee Share and Option Plan *(i)*	195	60
Minimum holding share buy-back *(iii)*	(400)	(90)
At 30 June 2014	214,547	37,593

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

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.

On 1 October 2013, the Company issued and allotted 155,000 and 40,000 ordinary shares, fully paid at A$0.17 and A$0.18 per share respectively, 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.

(iii) Minimum holding share buy-back

ZGL completed a share buy-back exercise for holders of unmarketable parcels. A total of 400,000 ordinary shares were bought back by the Company at A$0.192 per share and cancelled.

20. Cash and cash equivalents

	Consolidated	
	2014	2013
	S$'000	S$'000
Cash at bank and in hand	18,895	19,956
Short-term fixed deposits	3,433	1,399
	22,328	21,355
For the purpose of cash flow statements, cash and cash equivalents comprise the following as at 30 June:		
Cash and short-term deposits	22,328	21,355
Bank overdrafts	(526)	(153)
	21,802	21,202

Cash at bank balance amounting to S$2,660,000 as at 30 June 2014 (2013: S$2,312,000) earned interest at floating rate based on daily bank deposit rates ranging of 0.24% to 3.33% (2013: 1.29% to 2.73%) 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 of 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	
	2014	**2013**
	S$'000	S$'000
Financial assets		
Cash and bank balances	2,660	2,312
Financial liabilities		
Bank overdraft	526	153
Invoice finance facility	1,073	1,311
Factory loans	421	816
Machinery loans	–	156
Term loan	892	2,335
	2,912	4,771

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$1,000)/S$1,000 (2013: (S$10,000)/S$9,000) lower/higher, as a result of the higher/lower interest rates. Accordingly, the Group's equity as at year-end will be (S$1,000)/S$1,000 (2013: (S$10,000)/S$9,000) lower/higher.

(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)	
	2014	**2013**
Consolidated	S$'000	S$'000
USD		
- strengthened 3% (2013: 3%)	168	300
- weakened 3% (2013: 2%)	(168)	(200)
EUROS		
- strengthened 5% (2013: 4%)	8	(5)
- weakened 5% (2013:3%)	(8)	4
AUD		
- strengthened 3% (2013: 3%)	47	67
- weakened 3% (2013: 7%)	(47)	(157)
GBP		
- strengthened 3% (2013: 5%)	(5)	(4)
- weakened 3% (2013: 3%)	5	3

(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 as follows:

21. Financial instruments (cont'd)

(d) Credit risk (cont'd)

	2014		2013	
	S$'000	% of total	S$'000	% of total
Austria	98	0.4%	201	0.8%
Australia	3,378	14.0%	3,290	14.0%
Bangladesh	3,014	12.5%	1,381	5.9%
Hong Kong	188	0.8%	160	0.7%
Indonesia	81	0.3%	134	0.6%
Malaysia	3,913	16.2%	5,593	23.8%
New Zealand	304	1.3%	–	–
People's Republic of China	2,089	8.6%	3,159	13.4%
Singapore	9,543	39.5%	5,954	25.3%
Thailand	738	3.1%	2,250	9.6%
United States of America	726	3.0%	1,290	5.5%
Vietnam	–	–	58	0.2%
Others	81	0.3%	40	0.2%
	24,153	100%	23,510	100%

At the balance sheet date, approximately 68.5% (2013: 63.3%) of the Group's trade receivables were due from 16 (2013: 18) major customers.

Financial assets that are neither past due nor impaired

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

Included in trade receivables as at 30 June 2014, S$2,522,000 (2013: S$103,000) 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 2014, the ageing analysis of trade receivables is as follows:

	Consolidated	
	2014	2013
	S$'000	S$'000
Less than 30 days	4,612	6,723
30 to 60 days	1,712	4,258
61 to 90 days	1,322	992
91 to 120 days	164	260
More than 120 days	2,833	2,711
	10,643	14,944

Financial assets that are impaired

Please refer to note 14 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
2014					
Financial assets:					
Trade receivables	24,225	–	–	–	24,225
Other receivables	670	93	–	–	763
Investment securities	–	–	1	–	1
Loan receivable	500	531	471	–	1,502
Cash and bank balances	22,328	–	–	–	22,328
Total undiscounted financial assets	47,723	624	472	–	48,819
Financial liabilities:					
Trade payables	9,777	–	–	–	9,777
Other payables	6,350	1,078	389	–	7,817
Unrealised loss on derivatives	173	–	–	–	173
Loans and borrowings	10,965	1,353	2,884	–	15,202
Total undiscounted financial liabilities	27,265	2,431	3,273	–	32,969
Total net undiscounted financial assets/(liabilities)	20,458	(1,807)	(2,801)	–	15,850

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

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				
2014				
Financial assets:				
Available-for-sale	1	–	–	1
At 30 June 2014	1	–	–	1
Financial liabilities:				
Derivatives – foreign currency options	–	173	–	173
At 30 June 2014	–	173	–	173
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

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.

The Group enters into derivative financial instruments such as foreign currency options with financial institutions to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

The fair value of these foreign currency options are derived from mark to market valuations using the Monte Carlo valuation model which incorporates various inputs such as foreign exchange spot and forward rates, volatility, tenure, time value and forward rates curves of the underlying commodity. The Group's own non-performance risk as at 30 June 2014 was assessed to be insignificant.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

There were no transfers between level 1 and level 2 during the financial years 2014 and 2013.

21. Financial instruments (cont'd)

(f) Derivative financial instruments (cont'd)

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

Reconciliation of Level 3 fair value movements

	2014	2013
	S$'000	S$'000
Opening balance	–	300
Total gains or losses		
in other comprehensive income	–	–
in profit or loss	–	–
Reclassified to investment in subsidiary	–	(300)
Ending balance	–	–

(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 using discount rate that reflects the issuer's borrowing rate at the end of the reporting period. The Group's own non-performance risk as at 30 June 2014 was assessed to be insignificant.

	Carrying Amount		Fair Value	
	2014	2013	2014	2013
	S$'000	S$'000	S$'000	S$'000
Financial liabilities:				
Obligations under finance leases	985	1,407	955	1,356
Bank loans	1,773	3,740	1,600	3,405

22. Capital Management

The Group's primary objective when managing capital structure is to maintain an efficient mix of debt and equity in order to achieve a low cost of capital while taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

Management regularly reviews the company's capital structure and make adjustments to reflect economic conditions, business strategies and future commitments. 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 Parent and reserves. The Group's policy is to keep its gearing ratio at less than 50%.

The gearing ratios as at 30 June 2014 and 30 June 2013 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	
	2014	**2013**
	S$'000	S$'000
Minority shareholder of a subsidiary company		
- Sales	167	261
- Purchases	312	241
Associates		
- Sales	464	161
- Interest income	84	34
- Rental & utilities income	134	145
- Secretarial fees	24	24
Other related parties		
- Sales	268	27
- Commission paid	–	35

(In Singapore dollars)

23. Related party disclosures (cont'd)

(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.

Convertible loan stocks from Curiox Biosystems Pte Ltd ("Curiox") amounting to $919,000 (2013: S$919,000) earns 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 2 maturity dates.

As at 30 June 2014, $500,000 (2013: $nil) was extended to Curiox as an interest-bearing loan at 5% per annum.

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 14 and 16.

(c) Compensation of key management personnel

	Consolidated	
	2014	**2013**
	S$	S$
Short-term employee benefits	2,665,423	3,057,806
Post-employment benefits	65,450	67,875
Share-based payments	123,005	18,904
Total compensation	2,853,878	3,144,585

24. 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$110,000 (2013: S$173,000). There have been no cancellations or modifications to the plan during the years 2014 and 2013.

(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.

Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

(c) Outstanding number of options granted under ZESOP

	2014 (Thousands)	2013 (Thousands)
Outstanding at beginning of the year	7,035	6,375
Granted during the year	–	2,610
Forfeited during the year	(170)	(155)
Expired during the year	(275)	(1,278)
Exercised during the year	(195)	(517)
Outstanding at end of year	6,395	7,035

The outstanding balance as at 30 June 2014 and 30 June 2013 is represented by:

No. of options (Thousands) 2014	No. of options (Thousands) 2013	Exercise price (Australian Cents)	Exercisable on or after	Expiry Date
–	100	28	28/8/2010	27/8/2013
–	175	28	28/8/2011	27/8/2013
135	163	28	1/5/2012	30/4/2015
135	162	28	1/5/2013	30/4/2015
1,650	1,685	18	1/10/2011	30/9/2015
1,675	1,710	18	1/10/2012	30/9/2015
215	215	18	15/11/2011	14/11/2015
215	215	18	15/11/2012	14/11/2015
1,040	1,225	17	1/9/2013	31/8/2015
1,170	1,225	17	1/9/2014	31/8/2015
80	80	17	15/11/2013	14/11/2015
80	80	17	15/11/2014	14/11/2015
6,395	7,035			

(d) Weighted average fair value

The weighted average fair value of options granted in the previous financial year was A$0.09. No options were granted in the current financial year.

(e) The weighted average share price during the period of exercise is A$0.22 (2013: A$0.22).

(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 previous financial year. No share options were 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%

Notes to the Consolidated Financial Statements

(In Singapore dollars)

24. 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.

25. Commitments

(a) Commitments

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

(i) Issued letters of credit amounting to S$1,094,000 (2013: S$6,435,000).

(ii) Issued letters of guarantee amounting to S$12,358,000 (2013: S$6,350,000).

(iii) The Group has entered into foreign exchange buy contracts amounting to S$375,000 (2013: S$30,939,000).

(iv) The Group has entered into foreign exchange sell contracts amounting to S$1,996,000 (2013: S$20,269,000).

(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	
	2014	**2013**
	S$'000	S$'000
Within 1 year	2,373	2,299
Within 2 - 5 years	2,349	3,430
More than 5 years	5,639	5,426
	10,361	11,155

The amount of operating lease payments recognised as an expense in the year ended 30 June 2014 is S$2,425,000 (2013: S$2,470,000).

25. 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 2014 S$'000	Present value of payments 2014 S$'000	Minimum payments 2013 S$'000	Present value of payments 2013 S$'000
Due within one year	1,892	1,801	2,047	1,948
After one year but not more than five years	1,034	985	1,482	1,407
Total minimum lease payments	2,926	2,786	3,529	3,355
Less: amounts representing finance charges	(140)	–	(174)	–
	2,786	2,786	3,355	3,355

(d) Capital commitments

The Group has no capital commitment as at 30 June 2014 and 30 June 2013.

26. Auditors' remuneration

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

	Consolidated 2014 S$	Consolidated 2013 S$
Amounts received or due and receivable by Ernst & Young(Australia)		
- Audit or review of financial statements	138,255	145,953
Amounts received or due and receivable by Ernst & Young (Singapore)		
- Audit or review of financial statements	217,000	208,000
Amounts received or due and receivable by other audit firms		
- Audit or review of financial statements	24,886	24,487
- Taxation services	9,259	13,614
	389,400	392,054

27. Parent entity disclosures

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

	2014	2013
	S$'000	S$'000
Balance sheet of the parent entity at year end		
Non-current assets	49,210	48,623
Current assets	2,573	2,869
Total assets	51,783	51,492
Current liabilities	70	50
Total liabilities	70	50
Net Assets	51,713	51,442
Total equity of the parent entity comprising:		
Share capital	71,354	71,405
Share capital-exercise of share options	247	226
Capital reserve	688	688
Foreign currency translation reserve	(200)	(199)
Share based payments reserve	732	681
Accumulated losses	(21,108)	(21,359)
	51,713	51,442
Results of parent entity		
Profit for the year	2,714	2,669
Other comprehensive income	–	–
Total comprehensive income	2,714	2,669

(b) Guarantees

(i) The parent entity has issued letters of guarantee amounting to S$9,620,000 (2013: S$9,600,000) 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 11.

(c) Contingent liabilities

The parent entity has no contingent liabilities and commitments as at 30 June 2014 and 30 June 2013.

28. Subsequent events

(a) Incorporation of Zicom MedTacc Private Limited

On 10 August 2014, Zicom Holdings Pte Ltd incorporated a wholly-owned investment holding subsidiary, Zicom MedTacc Private Limited ("MedTacc"), with a paid up capital of $100,000.

On 25 September 2014, MedTacc was appointed a Medtech Accelerator by SPRING Singapore (SPRING), a government agency responsible for enterprise development, where SPRING will co-invest with MedTacc on growth phase medtech start-ups over the next 4 years on 1:1 basis. Both MedTacc and SPRING shall commit S$15,000,000 each making a total investment pool of S$30,000,000. SPRING will grant options to MedTacc to acquire their investments at nominal compound rates per year in the event that the investment prove commercially viable and value may be unlocked.

(b) Declaration of final dividend

On 27 August 2014, the directors declared a final unfranked dividend of 0.45 Australian cents per share for the financial year ended 30 June 2014. This amount has not been recognised as a liability as at 30 June 2014 but will be accounted for in the next financial year.

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 2014 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 2014.

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 11 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
29 September 2014

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 2014, 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 2014 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 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
29 September 2014

Information on Shareholdings

As at 26 September 2014

Distribution of Equity Securities

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

			Ordinary Shares	Number of Holders
1	–	1,000	9,314	56
1,001	–	5,000	980,110	263
5,001	–	10,000	2,984,190	334
10,001	–	100,000	22,399,403	633
100,001		and over	188,174,446	152
			214,547,463	1,438

b) There were 94 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	31.02%
JUAT KOON SIM	17,040,920	7.94%
CITICORP NOMINEES PTY LIMITED	15,238,497	7.10%
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%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	3,757,126	1.75%
EE GEK GOH	2,791,017	1.30%
BNP PARIBAS NOMS (NZ) LTD	2,716,871	1.27%
HUNG SEAH TANG	2,460,199	1.15%
SIONG TECK NG	2,410,665	1.12%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,232,150	1.04%
MAKRAM HANNA & RITA HANNA	2,232,138	1.04%
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%
DEBUSCEY PTY LTD	1,355,615	0.63%
KOK HWEE SIM	1,208,180	0.56%
KOK 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
GIOK LAK SIM & HIS ASSOCIATES	77,474,368	36.11%
JUAT KOON SIM & HIS ASSOCIATES	19,831,937	9.24%
CITICORP NOMINEES PTY LIMITED	15,238,497	7.10%

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)
Kok Yew Sim	(Executive Director)
Yian Poh Lim	
Frank Leong Yee Yew	
Ian Robert Millard	
Shaw Pao Sze	

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

Thomson Geer
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

Contents

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

Notice of General Meeting

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

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

Time: 10.00am (Brisbane time)
Date: Monday, 3 November 2014

A formal Notice of Meeting is enclosed.