



**Zicom Group Limited**

ABN 62 009 816 871 • ASX Code : ZGL

# BEATING NEW PATHS

ANNUAL REPORT 2018



***“The only limit to our realization of tomorrow  
will be our doubts of today.”***

– Franklin D. Roosevelt



# Contents

Chairman's Message	01
Board of Directors	03
Company Secretaries	05
Corporate Chart	06
Directors' Report	07
Auditor's Independence Declaration	22
Corporate Governance Statement	23
Consolidated Statement of Comprehensive Income	31
Consolidated Balance Sheet	32
Consolidated Statement of Changes in Equity	33
Consolidated Statement of Cash Flows	34
Notes to the Consolidated Financial Statements	36
Directors' Declaration	101
Independent Auditor's Report	102
Information on Shareholdings	108
Corporate Directory	Inside back cover
Notice of Annual General Meeting	Inside back cover

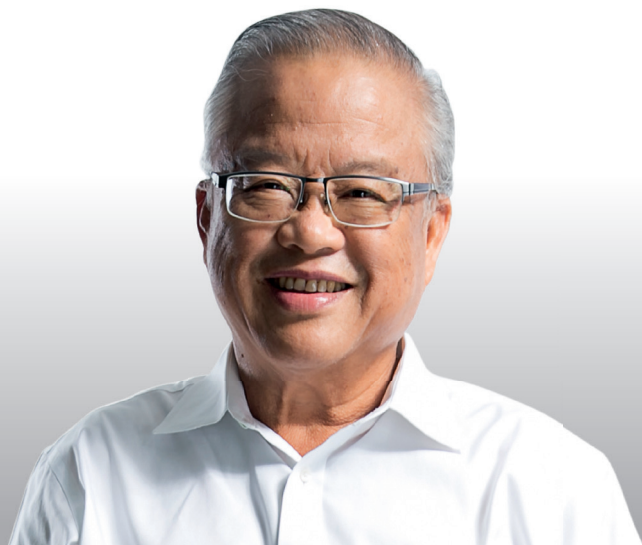
# BEATING NEW PATHS



# Chairman's Message

***“The only limit to our realization of tomorrow will be our doubts of today.”***

**– Franklin D. Roosevelt**



Dear Shareholders,

The Group has been confronted with unprecedented challenges. The Group's once biggest revenue earner, the marine offshore sector, has encountered serious adverse factors impacting the industry directly leading to surplus capacity and uncertainties. The main cause is geopolitical. It may take another 2-3 years before demand resurges. Although the Group's other revenue streams in construction and precision engineering are recovering in strength these are unable to cover the slack in the marine offshore sector. Gestation costs that include commercial development of the medtech investments are expected to compound the impact against Group's results for another 1-2 years.

## **Restructuring**

The Board has decided that a structural approach is required to strengthen focus and achieve cost cutting without undermining strength. One of the major considerations is the commercial development and gestation costs of its medtech investments which annually amount to more than S\$4.0m. This will increase in the next 1-2 years to drive scalability and profitability.

The Group has initially intended to cluster the medtech portfolio companies together to go for an initial public listing (IPO). Zicom Innovations Group Private Limited (ZIPL) had been formed for this purpose and was to hold all the investments in the cluster. After several interactions with potential strategic investors, it has been decided that direct investments into each portfolio company would generate better valuations. The value of the IPO would have been based on the sum-of-parts. We have therefore focused on new external investments directly into the portfolio companies. This strategic step will validate valuations of the Group's investments. The Group has therefore decided to defer the IPO of the medtech companies as a cluster. Most of the portfolio companies have been held under Zicom MedTacc Private Limited (ZMT), a medtech incubator. ZMT would have

become another portfolio company under ZIPL to focus on incubation as a business activity. As the IPO of the medtech cluster has been deferred, it has not been found necessary to place the medtech portfolio companies under ZIPL but to remain in ZMT.

## **Demerger**

The Group has reviewed the new realities in seeking the best paths to maximise value. In continuing to hold the medtech investments in the Group will necessitate the Group to continue being impacted by the gestation and commercial development costs of more than S\$4m a year for at least the next 1-2 years. Continuous funding will also be required. The Group's business direction will become increasingly difficult to differentiate due to the growing difference in the nature of the businesses. The Group's medtech investments are mainly disruptive innovations which require a dynamic contemporary human resource structure to be maintained. Its human resource reward schemes are inevitably different making forging uniform group policy impractical.

To enhance shareholder value, the Group has decided to demerge the medtech investments from our core businesses made up of marine offshore oil and gas, construction equipment and precision engineering. Zicom MedTacc Private Limited has changed its name to ZIG Ventures Private Limited (ZIGV) as a holding company of the various medtech portfolio companies. The entire share capital of ZIGV will be distributed in specie to all the existing shareholders of the Company in the same ratio as their shareholdings in ZGL. After the demerger the Group and ZIGV will operate as two independent entities with the same shareholders in both entities. They will be positioned to pursue more focused directions independently.

Zicom Group Limited ("ZGL") will continue to be listed on ASX. ZIGV will, in the immediate future, be an unlisted public company registered in Singapore. Post demerger your Board

# Chairman's Message

expects the ZGL's shares to retain a net book value of A\$0.23 per share. The Board therefore believes that the present market price of A\$0.082 per share, which is below net book value, is not expected to be reduced any further.

## Impending Board Changes

Board changes will be carried out. I will step down as the Group MD on 31 December 2018 and will remain an executive Chairman for the next 3 years, at the end of which the position will be reviewed. I will focus on strategic directions, mentoring and managing succession at all levels. At my request my pay has been frozen for 11 years since 2007. From January 2019, I will further reduce my pay by 30%. I will concurrently chair the board of ZIGV as a non-executive chairman.

Mr Kok Yew Sim, at present a Group's executive director, will take over as the Group MD and will be designated as Group CEO. Kok Yew who is currently an executive director in ZIGV will remain as a non-executive director. Mr Kok Hwee Sim who is a Group's executive director and currently CEO of ZIGV will remain a non-executive director of the Group. Kok Hwee will be fully responsible to raise new capital for ZIGV to drive growth and expansion as its Group CEO. Ms Jenny Lim, the Group's FC, will be appointed an executive director of the Group. Jenny will remain a non-executive director of ZIGV.

A profile of each of the above directors is given in the Annual Report.

The Group will concurrently be carrying out Board renewal. The intention is to eventually average down the Board's age from 65 to below 60 and that of independent directors from 75 to 65. This takes cognizance of the needs of the prevailing disruptive technological age which the Group embraces. The Group believes that experiences of Board members should be contemporaneous.

## Prospects

The Group has always adopted a judicious financial policy with a low gearing ratio. The Group embraces changes. These attributes will be maintained. Several setbacks notwithstanding, the Group continues to steadfastly maintain its course and, where necessary, make changes to its path to stay relevant and to achieve its long-term objectives. The Board is confident that given the changes made, the Group's recovery can be expedited.

## Appreciation

It has been challenging times. Board members, Group's management and employees have risen to the unprecedented challenges facing the Group. On this occasion I would also like to thank all of them and our shareholders for their continuing support. We look forward to enhance shareholders value with the restructuring and initiatives undertaken.



**G L Sim**  
Chairman



# Board of Directors

## EXECUTIVE DIRECTORS



**GLOK LAK SIM, FCPA**  
Chairman and Group Managing Director,  
Age 72

### *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, strategic management as well as international trade.

Member of Strategic Advisory Panel,  
Diagnostics Development Hub,  
A\*Star ETPL

Member of Incubation Advisory Board,  
Singapore National Eye Centre  
Member, Board of Governors, UOB-SMU  
Asian Enterprise Institute  
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 to 31 March 2018)

### *Special responsibilities*

Member of Nomination and Remuneration  
Committee  
Executive Chairman of all subsidiaries  
Chairman of Curiox Biosystems Pte Ltd  
Chairman of HistoIndex Pte Ltd  
Director of BELKIN Laser Ltd  
Chairman of Endofotonics Pte Ltd  
Director of Pellucid Networks Pte Ltd

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

101,267,137 ordinary shares



**KOK HWEE SIM, BSc, MSc**  
Executive Director, Age 40

### *Experience and expertise*

Mr Kok Hwee Sim was appointed to the Board on 21 November 2007. His corporate responsibilities include banking relationships, treasury management, mergers and acquisitions, strategic partnerships and fund raising. As the Chief Executive Officer of ZIG Ventures Private Limited, part of his focus is to co-invest with Enterprise Singapore, a Singapore statutory board, into promising early stage healthcare biomedical and sciences technologies companies. Kok Hwee leads a team of healthcare commercialisation professionals to proactively build and support capabilities and forge strategic partnerships with the global healthcare ecosystem. Mr Sim graduated with a Bachelor's degree in Industrial Engineering and Operations Research from the University of Michigan, Ann Arbor, USA with Honours (Magna Cum Laude) and a Master's degree in Financial Engineering from Columbia University, New York. He 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*

CEO of Biobot Surgical Pte Ltd  
CEO of ZIG Ventures Private Limited  
Director of Curiox Biosystems Pte Ltd  
Director of HistoIndex Pte Ltd  
Director of BELKIN Laser Ltd  
Director of Endofotonics Pte Ltd  
Director of Pellucid Networks Pte Ltd

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

1,538,180 ordinary shares and 300,000 options



**KOK YEW SIM, BSc**  
Executive Director, Age 38

### *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. For many years, as the Chief Executive Officer of Sys-Mac Automation Engineering Pte Ltd (Sys-Mac), Mr Kok Yew Sim has been instrumental in Sys-Mac Group's growth journey, focusing on providing customised automation solutions and building capabilities in Sys-Mac to support manufacturing for the Group's medical technologies companies. He has also successfully led the Group's investments in semiconductor technology to penetrate the competitive markets. Going forward, he will focus on innovating the Group's existing core businesses and seek mergers and acquisitions to expand or unlock values for these businesses. 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*

CEO of Sys-Mac Automation Engineering Pte Ltd and its subsidiaries  
CEO of Orion Systems Integration Pte Ltd  
Deputy Chairman of iPtec Pte Ltd  
Director of Curiox Biosystems Pte Ltd  
Director of Emage Vision Pte Ltd

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

1,350,253 ordinary shares and 300,000 options

# Board of Directors

## INDEPENDENT DIRECTORS



**YIAN POH LIM, BSc, MSc**  
Independent Director, Age 72

### *Experience and expertise*

Appointed to the Board on 24 July 2006. Mr 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. Since 2000, Mr Lim has been an Honorary Commercial Advisor to The Administrative Committee of Jiaying Economic Development Zone, China. He is also an Expert Consultant to Suzhou Vocational University.

### *Other current directorships and former directorships in last 3 years*

Chairman and Independent Director of Casa Holdings Limited (appointed 4 November 2008)  
Lead 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 Private Limited

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

488,000 ordinary shares



**FRANK LEONG YEE YEW, MBA, FCA (ENGLAND & WALES), FCA (SINGAPORE)**  
Independent Director, Age 75

### *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. Mr Leong is also the Honorary Treasurer of The Children's Charities Association of Singapore.

### *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 Private Limited

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

624,364 ordinary shares



**IAN ROBERT MILLARD, FCA, FAICD**  
Independent Director, Age 79

### *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  
Non-Executive Director of Cesco Australia Limited

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

592,250 ordinary shares



**SHAW PAO SZE**  
Independent Director, Age 74

### *Experience and expertise*

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

### *Other current directorships and former directorships in last 3 years*

None

### *Special responsibilities*

None

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

NIL

# Company Secretaries



**LIM BEE CHUN, JENNY, FCCA**  
Joint Company Secretary, Age 45

## *Experience and expertise*

Ms Jenny Lim has been the Group's Financial Controller since 2005. She is 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 Private Limited  
Director of ZIG Ventures Private Limited  
Company Secretary of Zicom Holdings Private Limited  
Joint Company Secretary of Curiox Biosystems Pte Ltd

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

944,563 ordinary shares and 200,000 options



**IGOR SUSHKO (NICK),  
MBA, FCPA, BBus, BSc**  
Joint Company Secretary, Age 52

## *Experience and expertise*

Mr Sushko joined the Group in April 2017 as the Finance Manager of Cesco Australia Limited. He holds a Master's degree in Business Administration and has been a Fellow of Certified Practising Accountants, Australia since 2015. Mr Sushko has more than 20 years of experience in financial management, treasury and international trade in both publicly and privately-owned businesses.

## *Other current directorships and former directorships in last 3 years*

None

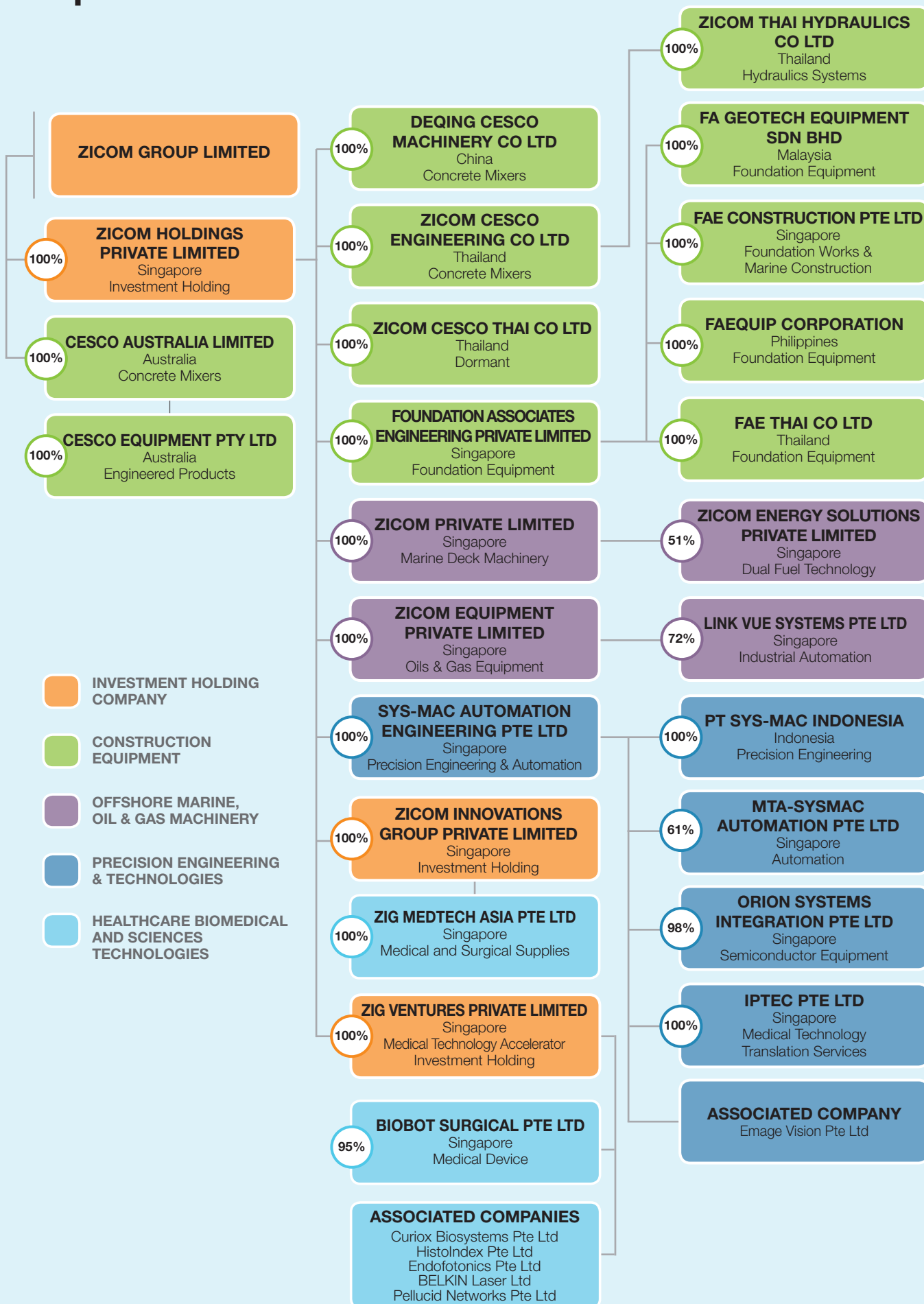
## *Special responsibilities*

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*

NIL

# Corporate Chart





# Directors' Report 2018

Your directors present their report on Zicom Group Limited (the "Company") and its subsidiaries (collectively, the "Group" or "consolidated entity") for the year ended 30 June 2018.

## 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)
Mr. Y P Lim	(Independent)
Mr. F Leong	(Independent)
Mr. I R Millard	(Independent)
Mr. S P Sze	(Independent)

Details of Directors' qualifications, experience, other current directorship and responsibilities are included in the "Board of Directors" section within the annual report.

## Principal Activities

The Group's principal activities comprise the manufacturing of deck machinery, gas metering stations, gas processing plants, foundation equipment, concrete mixers and precision engineered machinery, rental of foundation equipment, supply of automation products and solutions, supply of medtech equipment and products, medtech translation services 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 18 S\$ million	Year ended 30 June 17 S\$ million
Total revenue	-13.8	81.51	94.52
Net loss after tax attributable to equity holders of the Parent	+135.3	(10.87)	(4.62)

The Group's cash balances remain healthy. As at 30 June 2018, the Group's total cash and bank balances were S\$9.74m as compared with S\$18.59m as at 30 June 2017.

## Dividends

The Board has decided not to pay any dividend this year.

# Directors' Report 2018

## Review of Operations

The Group's consolidated revenue for the full year is S\$81.51m as compared with S\$94.52m in the previous year, a decrease of 13.8%. The Group's full year net consolidated loss after tax attributable to members to 30 June 2018 is S\$10.87m as compared with S\$4.62m in the previous year, an increase of 135.3%.

Loss per share for the year is Singapore 5.01 cents compared to Singapore 2.13 cents in the previous year, an increase of Singapore 2.88 cents.

Net tangible assets per share decreased from Singapore 30.28 cents to 25.31 cents per share.

Return on equity, based on average of the opening and closing equity, for the year was -14.5% as compared to -5.6% in 2017.

The average rates for currency translation for transactions and cash flows are A\$1 to S\$1.0375 (2017: S\$1.0498) for the year ended 30 June 2018 and balances A\$1 to S\$1.0076 (2017: S\$1.0570) as at 30 June 2018, reflecting a weakening A\$.

The Group's businesses, in particular the offshore marine and oil and gas segment, for the year just ended, encountered one of the greatest challenges. Demand for the marine segment dropped significantly by almost 80% and the oil and gas sector saw projects being delayed. The causes are both economic and geopolitical, the latter being a greater factor. Regrettably we do not anticipate any significant recovery in the marine sector for 2-3 years although the land-based oil and gas sector is experiencing signs of recovery as delayed projects are being awarded.

The construction and precision engineering segments had shown improvements but these were not sufficient to cover the losses caused by the continuing slump in the offshore marine, oil and gas sectors and the scaled up gestation costs relating to market development of the technology sector.

The Group has for the last 12 months engaged with relevant parties on unlocking values on its technology investments. It has come to the conclusion that the best way to maximise valuations for the Group is to demerge the medical technology investments from the core businesses of the Group. We believe that in this way each individual portfolio company can scale up and unlock its value with new external investments, engage in a trade sale or public listing at its own pace commensurate with its development and valuation. The technology investments adversely impacted the group with S\$4.0m in gestation costs for the year just ended and it is expected this cost is likely to increase further for the next 2-3 years as marketing development is accelerated.

Your Board has decided that a demerger of the technology businesses will take the form of a capital reduction by pro rata distribution in specie to all shareholders. We plan to consolidate the medtech businesses into one non-listed public holding entity whose shares will be distributed. A resolution on this will be put to shareholders for approval in the upcoming AGM. The demerger will enable management to focus on their respective business, eliminate continuing gestation costs, and save the Group further funding for such investments. The technology investments will seek alternative mode of funding independent of the Group.

Future new investments in the Group will be focused on developing lateral growth of existing core businesses. These include our investments on dual fuel technology for the marine offshore sector, and automation relating to oil and gas and industrial applications that strengthen our capability and catalyse our growth going forward. In line with this strategy, the Group has, subsequent to year end, disposed of its investment in SAEdge Vision Solutions Pte Ltd focused on vision development with a net gain of S\$1.6m. This investment was made to advance lateral growth on the precision engineering segment but has been found to take too long to gain traction and to achieve scalability on its own.

Prospects for the coming year will remain very challenging. Your Board is confident that the restructuring will help to improve on the Group's results and enhance shareholder value.

# Directors' Report 2018

## Segmental Revenue

The following is an analysis of the segmental revenue:-

Segmental Revenue	Change %	Year ended 30 June 18 S\$ million	Year ended 30 June 17 S\$ million
Offshore Marine, Oil & Gas Machinery	- 77.1	7.21	31.54
Construction Equipment	+ 33.4	41.41	31.05
Precision Engineering & Technologies	+ 2.5	30.95	30.19
Industrial & Mobile Hydraulics	+ 8.4	2.19	2.02

### Offshore Marine, Oil & Gas Machinery

Demand for offshore marine, oil and gas machinery decreased by 77.1% in the full year as compared with the previous year. Global geopolitical factors and potential trade wars have increased uncertainties compounding a situation caused by excess production capacity. The depressed sentiments are expected to last at least another 2-3 years even though oil prices have somewhat strengthened. As a result, the Group is looking seriously into cost cutting and diverting resources for alternative revenue stream.

We are, however, hopeful that the land-based oil and gas sector is showing signs of improvements as deferred projects are being awarded. The Group has just secured 2 projects involving gas regulating and metering stations amounting to S\$15m and are confident more projects can be secured within this coming financial year.

### Construction Equipment

The construction sector in Singapore, the main market for our foundation equipment, had been flat. However, our foray into regional markets such as Malaysia, the Philippines and Thailand are showing positive results that helped bring this sector to profitability.

Demand for concrete mixers in Australia and Thailand had been stronger increasing their contributions to the Group. We expect that the increase in infrastructure developments in Australia and Thailand will continue to support our businesses to achieve profitability in these countries.

### Precision Engineering & Technologies

Demand for the precision engineering and technologies sector increased by 2.5% in the full year as compared with the previous year. The semiconductor market has remained strong and this has helped to maintain repeat orders for our semiconductor equipment. Demand for industrial automation had also resurged and we are hopeful that the momentum will be maintained in the coming year.

During the year, this segment has also restructured itself to increase its focus on medical equipment which is less volatile. The precision engineering segment had been an outsourcing contractor for various established medical equipment manufacturers from Europe and USA prior to our investments in medical technologies. Our investments in medical technologies has contributed to its capability in this area that now includes engineering for such products raising its value chain. Its manufacturing capability is now FDA approved. The Group will continue to collaborate with the various medtech portfolio companies on an arms' length basis as is already a practice within the Group.



# Directors' Report 2018

## 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. There has not been any significant variation in this segment.

## Financial Position

The Group's financial position remains strong:-

Classification	Decrease S\$ million	As at 30 June 18 S\$ million	As at 30 June 17 S\$ million
Net assets	10.92	69.55	80.47
Net working capital	9.50	22.73	32.23
Cash in hand and at bank	8.85	9.74	18.59

## Gearing Ratio

The Group's gearing ratio is 13.46% (2017: 0%). Gearing ratio has been arrived at by dividing our interest-bearing liabilities less cash and cash equivalents over total capital.

## Return per Share

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

Classification	Decrease Singapore Cents	2018 Singapore Cents	2017 Singapore Cents
Earnings per share	2.88	(5.01)	(2.13)

The weighted average shares used to compute basic earnings per share are 217,140,780 for this year and the previous year.

Classification	Decrease Singapore Cents	As at 30 June 18 Singapore Cents	As at 30 June 17 Singapore Cents
Net tangible assets per share	4.97	25.31	30.28

Net tangible assets per share has decreased due to the Group's operational loss for the year.

## Capital Expenditure

For the year ending 30 June 2019, the Group does not plan to invest in any capital equipment.

# Directors' Report 2018

## Confirmed Orders

We have a total of S\$37.8m (30 June 2017: S\$21.3m) outstanding confirmed orders in hand on 30 June 2018. A breakdown of these outstanding confirmed orders is as follows:-

	S\$ m
Offshore Marine, Oil & Gas Machinery	15.6
Construction Equipment	9.0
Precision Engineering & Technologies	12.9
Industrial & Mobile Hydraulics	0.3
Total	<u><u>37.8</u></u>

These outstanding orders are scheduled for delivery in the financial year 2019. Prospects for ongoing orders, save for the offshore marine, are strengthening.

## Prospects

The global economic environment being impacted by unprecedented geopolitical factors compounded by the ongoing trade war between the world's two largest economies has deteriorated amidst great uncertainties. The road ahead has become more challenging. Post demerger, while the Group continues to focus on vertical expansion, it will concurrently consider, where necessary, investments on technology and products to catalyse the expansion of the Group's businesses laterally.

## Subsequent Events after the Balance Sheet Date

### *Investment in Endofotonics Pte Ltd*

On 28 August 2018, 1,058,201 ordinary shares were allotted to Zicom MedTacc Private Limited for a cash consideration of S\$222,000 pursuant to the subscription of a non-renounceable rights issue by Endofotonics Pte Ltd ("Endofotonics"). As a result of this allotment, the Group's interest in Endofotonics increased to 24.39%.

### *Demerger of technology businesses*

On 29 August 2018, the Board resolved to approve, subject to final approval by shareholders, for the purposes of Section 256B of the *Corporations Act 2001*, that the Company shall demerge Zicom MedTacc Private Limited from the Group, in a form of capital reduction by distributing all the issued ordinary shares in Zicom MedTacc Private Limited to the Company's shareholders on a pro rata basis.

### *Disposal of SAEdge Vision Solutions Pte Ltd*

On 31 August 2018, Sys-Mac Automation Engineering Pte Ltd ("Sys-Mac") completed the disposal of its 96% equity interest in SAEdge Vision Solutions Pte Ltd ("SAEdge") to Eimage Vision Pte Ltd ("EV") for a consideration of S\$3,473,000, satisfied by the allotment of 43,336 EV voting shares to Sys-Mac, representing an equity interest of 14.88% in EV.

### *Zicom MedTacc Private Limited changed its name*

On 7 September 2018, Zicom MedTacc Private Limited changed its name to ZIG Ventures Private Limited.

# Directors' Report 2018

## Environmental Regulations

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

## Meetings of directors

The number of meetings of the Company's board of directors and of each board committee held since the last Annual General Meeting, and the 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	–	–	1	1
Kok Hwee Sim	4	4	–	–	–	–
Kok Yew Sim	2	4	–	–	–	–
Yian Poh Lim	4	4	3	3	1	1
Frank Leong Yee Yew	4	4	3	3	1	1
Ian R Millard	4	4	3	3	–	–
Shaw Pao Sze	4	4	–	–	–	–

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\$8,415 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 Australia, 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 end of the financial year.

## Retirement, election and continuation in office of directors

Messrs Frank Leong Yee Yew and Kok Hwee Sim retire by rotation and being eligible, offer themselves for re-election.



# Directors' Report 2018

## 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 remuneration report as at 30 June 2018.

## Remuneration report (Audited)

This remuneration report outlines the remuneration arrangements of 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 Parent. 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)
Y P Lim	(Independent Director)
F Leong	(Independent Director)
I R Millard	(Independent Director)
S P Sze	(Independent Director)

### (ii) Senior Executives

J L Sim	(Joint Managing Director of Zicom Private Limited and Director of Zicom Holdings Private Limited)
H S Tang	(Joint Managing Director of Zicom Private Limited and Director of Zicom Holdings Private Limited)

There were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

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.

# Directors' Report 2018

## Remuneration report (Audited)

### *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 Company. An additional fee of A\$2,000 is 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 2018 Annual General Meeting.

The Board recommends that total directors' fees for Non-Executive Directors for the financial year ending 30 June 2019 be fixed at a maximum sum of A\$150,000 (S\$148,000) at the same level as the previous year.

### *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; and
- Participation in the Zicom Employee Share and Option Plan.

### *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 S\$500,000 or 15% of total shareholders' funds outstanding at the end of the previous financial year.

# Directors' Report 2018

## Remuneration report (Audited)

### **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 2016. 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 pre-tax consolidated profits of ZHPL exceed 15% return on shareholders' funds as at the end of that financial year. 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 2016 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 minimum performance bonus of 5% but not exceeding 10% of the pre-tax consolidated profits of ZHPL upon achieving agreed minimum profit targets, being the only criterion for his entitlement. Mr Sim is entitled to convert part of his performance bonus up to 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 financial year just ended, Mr Sim was not entitled to any bonus as the minimum profit target was not achieved.

Pursuant to Mr Sim's service agreement with ZHPL, he 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 consolidated profits, Mr Sim will be paid a bonus not exceeding 5% of CAL's consolidated profits. For the financial year just ended, CAL has achieved its profit target. However, given the current challenging business environment, Mr Sim has decided to offset his CAL bonus entitlement of A\$75,477 against the remuneration paid to him by ZHPL during the year and will therefore waive payment of such an incentive from ZHPL.

#### 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 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 exercised the option to convert part of their performance bonus into ZGL shares.



# Directors' Report 2018

## Remuneration report (Audited)

### *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 first allocated to each group company based on its profit contribution to the Group for the past 3 years adjusted by factors such as potential contribution to the Group and past conversion rates. 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 shareholder 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.

No share options were granted or exercised during the current financial year.

There were 2,610,000 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:

	2018	2017	2016	2015	2014
Earnings per share (Australian cents)	(4.83)	(2.03)	(0.95)	1.04	1.65
Dividends per share (Australian cents)	–	0.15	0.45	0.70	0.90
Closing share price (Australian cents)	9.6	12.00	17.00	20.50	22.00
Net tangible assets per share (Australian cents)	25.12	28.65	32.37	33.37	29.64

Exchange rates used for currency translation

Average rate for EPS	1.0375	1.0498	1.0106	1.0864	1.1521
Closing rate for NTA per share	1.0076	1.0570	1.0026	1.0323	1.1739

# Directors' Report 2018

## Remuneration report (Audited)

### 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 2018 and 2017 are set out in the following tables. All performance related bonus and share-based payments listed in the table were 100% vested for both financial years.

2018	Name	Short Term Employee Benefits				Post-Employment	Share-Based Payments			Consisting Of Share Options %		
		Cash Salary and Fees S\$	Bonus S\$	Non-Monetary Benefits S\$	Other Short-Term Employee Benefits S\$	Benefit	Performance					
						Superannuation S\$	Bonus Paid in Shares S\$	Share options S\$	Total S\$		Performance Related %	
Non-Executive Directors												
	Y P Lim	38,388	-	-	-	-	-	-	-	38,388	-	-
	F Leong	35,275	-	-	-	-	-	-	-	35,275	-	-
	I R Millard	36,313	-	-	-	-	-	-	-	36,313	-	-
	S P See	31,125	-	-	-	-	-	-	-	31,125	-	-
	Sub-total Non-Executive Directors	141,101	-	-	-	-	-	-	-	141,101		
Executive Directors												
	G L Sim – Chairman	432,000	-	-	24,000	5,400	-	-	-	461,400	-	-
	K H Sim	169,200	-	-	12,000	12,240	-	-	-	193,440	-	-
	K Y Sim	151,200	-	-	44,400	12,240	-	-	-	207,840	-	-
	Sub-total Executive Directors	752,400	-	-	80,400	29,880	-	-	-	862,680		
Other Key Management Personnel												
	J L Sim <sup>(1)</sup>	216,000	-	-	21,600	8,280	-	-	-	245,880	-	-
	H S Tang <sup>(2)</sup>	181,200	-	-	14,400	6,900	-	-	-	202,500	-	-
	Sub-total Other Key Management Personnel	397,200	-	-	36,000	15,180	-	-	-	448,380		
	Grand total	1,290,701	-	-	116,400	45,060	-	-	-	1,452,161		

<sup>(1)</sup> J L Sim is the joint managing director of Zicom Private Limited and a director of Zicom Holdings Private Limited

<sup>(2)</sup> H S Tang is the joint managing director of Zicom Private Limited and a director of Zicom Holdings Private Limited

# Directors' Report 2018

## Remuneration report (Audited)

2017

Name	Cash Salary and Fees S\$	Bonus S\$	Non- Monetary Benefits S\$	Short-Term Employee Benefits S\$		Superannuation S\$	Performance Bonus Paid in Shares S\$		Share options S\$	Total S\$	Performance Related %	Consisting Of Share Options %
Non-Executive Directors												
Y P Lim	37,793	-	-	-	-	-	-	-	-	37,793	-	-
F Leong	34,643	-	-	-	-	-	-	-	-	34,643	-	-
I R Millard	34,643	-	-	-	-	-	-	-	-	34,643	-	-
S P See	30,444	-	-	-	-	-	-	-	-	30,444	-	-
Sub-total Non-Executive Directors	137,523	-	-	-	-	-	-	-	-	137,523		
Executive Directors												
G L Sim – Chairman	432,000	-	-	24,000		5,400	-	-	-	461,400	-	-
K H Sim	168,588	-	-	12,000		12,240	-	-	6,176	199,004	-	3.1
K Y Sim	150,571	-	-	44,400		12,240	-	-	6,176	213,387	-	2.9
Sub-total Executive Directors	751,159	-	-	80,400		29,880	-	-	12,352	873,791		
Other Key Management Personnel												
J L Sim <sup>(1)</sup>	216,252	20,000	-	21,600		6,480	-	-	2,770	267,102	7.5	1.0
H S Tang <sup>(2)</sup>	181,411	20,000	-	14,400		7,650	-	-	2,770	226,231	8.8	1.2
Sub-total Other Key Management Personnel	397,663	40,000	-	36,000		14,130	-	-	5,540	493,333		
Grand total	1,286,345	40,000	-	116,400		44,010	-	-	17,892	1,504,647		

<sup>(1)</sup> J L Sim is the joint managing director of Zicom Private Limited and a director of Zicom Holdings Private Limited

<sup>(2)</sup> H S Tang is the joint managing director of Zicom Private Limited and a director of Zicom Holdings Private Limited



# Directors' Report 2018

## Remuneration report (Audited)

### Details of share options to key management personnel

Options granted to, vested, exercised or expired during the years 2018 and 2017 as well as their outstanding options held as at year end are shown in the tables below.

#### 30 June 2018

	Balance at 1 July 2017	Granted	Options exercised	Expired	Balance at 30 June 2018	Value of options granted S\$	Value of options expired S\$	Exercisable	Not Exercisable
<i>Directors</i>									
G L Sim	–	–	–	–	–	–	–	–	–
K H Sim	300,000	–	–	–	300,000	–	–	300,000	–
K Y Sim	300,000	–	–	–	300,000	–	–	300,000	–
Y P Lim	–	–	–	–	–	–	–	–	–
F Leong	–	–	–	–	–	–	–	–	–
I R Millard	–	–	–	–	–	–	–	–	–
S P Sze	–	–	–	–	–	–	–	–	–
<i>Executives</i>									
J L Sim	200,000	–	–	–	200,000	–	–	200,000	–
H S Tang	200,000	–	–	–	200,000	–	–	200,000	–
	1,000,000	–	–	–	1,000,000	–	–	1,000,000	–

#### 30 June 2017

	Balance at 1 July 2016	Granted	Options exercised	Expired	Balance at 30 June 2017	Value of options granted S\$	Value of options expired S\$	Exercisable	Not Exercisable
<i>Directors</i>									
G L Sim	–	–	–	–	–	–	–	–	–
K H Sim	300,000	–	–	–	300,000	–	–	300,000	–
K Y Sim	300,000	–	–	–	300,000	–	–	300,000	–
Y P Lim	–	–	–	–	–	–	–	–	–
F Leong	–	–	–	–	–	–	–	–	–
I R Millard	–	–	–	–	–	–	–	–	–
S P Sze	–	–	–	–	–	–	–	–	–
<i>Executives</i>									
J L Sim	200,000	–	–	–	200,000	–	–	200,000	–
H S Tang	200,000	–	–	–	200,000	–	–	200,000	–
	1,000,000	–	–	–	1,000,000	–	–	1,000,000	–

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 2018

## Remuneration report (Audited)

Shareholdings of key management personnel as at 30 June 2018 and 30 June 2017 are as follows:

### 30 June 2018

	Balance as at 1 July 2017	Granted as remuneration	Options exercised	Purchases	Balance as at 30 June 2018
<i>Directors</i>					
G L Sim	94,753,137	–	–	6,514,000	101,267,137
K H Sim	1,538,180	–	–	–	1,538,180
K Y Sim	1,350,253	–	–	–	1,350,253
Y P Lim	488,000	–	–	–	488,000
F Leong	624,364	–	–	–	624,364
I R Millard	592,250	–	–	–	592,250
S P Sze	–	–	–	–	–
<i>Executives</i>					
J L Sim	6,687,767	–	–	–	6,687,767
H S Tang	2,111,339	–	–	–	2,111,339
	108,145,290	–	–	6,514,000	114,659,290

### 30 June 2017

	Balance as at 1 July 2016	Granted as remuneration	Options exercised	Purchases	Balance as at 30 June 2017
<i>Directors</i>					
G L Sim	89,345,442	–	–	5,407,695	94,753,137
K H Sim	1,538,180	–	–	–	1,538,180
K Y Sim	1,350,253	–	–	–	1,350,253
Y P Lim	488,000	–	–	–	488,000
F Leong	624,364	–	–	–	624,364
I R Millard	592,250	–	–	–	592,250
S P Sze	–	–	–	–	–
<i>Executives</i>					
J L Sim	6,687,767	–	–	–	6,687,767
H S Tang	2,111,339	–	–	–	2,111,339
	102,737,595	–	–	5,407,695	108,145,290

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

# Directors' Report 2018

## 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.

## 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.

## Non-Audit Services

Tax compliance services was provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of non-audit services provided did not compromise auditor's independence.

Ernst & Young Australia received or due to receive the following amounts for the provision of services:

	S\$
Assurance related	148,363
Tax compliance services	19,764
	<hr/>
	168,127

## Rounding of Amounts

The Company is an entity to which the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and accordingly, the amounts contained 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/Group Managing Director  
28 September 2018

# Auditor's Independence Declaration

to the Directors of Zicom Group Limited



Ernst & Young  
111 Eagle Street  
Brisbane QLD 4000 Australia  
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333  
Fax: +61 7 3011 3100  
ey.com/au

As lead auditor for the audit of Zicom Group Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Zicom Group Limited and the entities it controlled during the financial year.

A large, stylized handwritten signature that reads 'Ernst &amp; Young' in a cursive script.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Tom du Preez', with a long horizontal line extending to the right.

Tom du Preez  
Partner  
28 September 2018

# 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.

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

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

### *Role of Board and management*

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 and strategic objectives. It monitors performance and achievement of these 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, available resources, major capital expenditure, capital raising, acquisition and divestment of Company’s assets;
- maintains liaison with the Company’s auditor; and
- reports to shareholders.

### *Candidates for election or re-election as a Director*

The Company is guided by the Board for the selection, nomination and appointment of Directors. As part of this process the Board ascertains the qualifications and experience that a potential candidate possesses. Background checks, as appropriate, are carried out before a person is appointed by the Board. In addition, the Board will continue to provide shareholders with all material information in its possession relevant to any decision to elect or re-elect a Director by inclusion in the Notice of Meeting.

### *Written agreements with Directors*

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

The other Directors 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.

### *Company Secretaries*

The Joint Company Secretaries are directly accountable to the Board through the Chairman.



# Corporate Governance Statement

## *Diversity Policy*

The Company does not have a written diversity policy but 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.

## *Performance Review*

The Chairman is responsible for evaluating the performance of its senior executives, committees and individual Directors. The review process is currently informal, generally done through a meeting with the Chairman of the Board. The performance 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.

The review process as disclosed above was undertaken in the current reporting period.

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

### *Composition of Board*

The names of the Directors of the Company in office at the date of this annual report are set out in the Directors' report on page 7.

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.

The composition of the Board has been 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.

### *Nomination and Remuneration Committee*

A combined Nomination and Remuneration Committee has been established comprising the following members:

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

The Committee is responsible for the selection, nomination and appointment of Directors, monitoring the skills and expertise of current Board members, consider succession planning issues, assessing the independence of Non-Executive Directors and identifying the likely order of retirement by rotation of Directors. In addition, the committee formulates the remuneration policies for the Board Members and Managing Director of the Group.

For details on the number of meetings of the Nomination and Remuneration Committee held during the year and the attendees at those meetings, please refer to page 12 of the Directors' Report.

# Corporate Governance Statement

## *Board Skills Matrix*

The Board seeks to ensure as a minimum the Board's skills matrix includes:

- (a) Each Director must be capable of making a valuable contribution to the effective operations of the Company and Board's deliberations and processes;
- (b) Directors must collectively have the necessary skills, knowledge and experience to understand the risks of the Company and to ensure that the Company is managed in an appropriate way taking into account these risks; and
- (c) All Directors must be able to read and understand fundamental financial statements.

The Board believes that it has adequate representation of the necessary skills and requirements noted above.

## *Independence*

Majority of the Company's Board of Directors are independent. An independent director is one who:

- does not hold an executive position;
- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or other group member, or been a director after ceasing to hold any such employment;
- is not a principal of a significant professional adviser or a significant consultant of the Company or other group member, or an employee materially associated with the service provided;
- is not a significant supplier or customer of the Company or other group member, or an officer of, or otherwise associated directly or indirectly with a significant supplier or customer;
- has no significant contractual relationship with the Company or other group member other than as a Director of the Company;
- 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; and
- has not been a director of the entity for such a period that his or her independence may have been compromised.

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 20% shareholding if a private company or 2% if a listed company.

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.

# Corporate Governance Statement

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.

Mr G L Sim was appointed the Group 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 Private Limited ("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 G L Sim is, and was not independent.

As such, the Chairperson and Managing Director positions are held by the same non-independent director. The Board recognises the importance of having an independent chair, however, other selection criterion, in particular business acumen and industry experience, are also fundamentally important. The Board has chosen a director who has significant diversified and broad-based experience in the business who will lead the Company in the best interests of the shareholders.

## *Length of Service*

The term in office held by each Director in office at the date of this report is as follows:

Executive		Independent	
Mr G L Sim	23 years	Mr Ian R Millard	12 years
Mr K H Sim	11 years	Mr Y P Lim	12 years
Mr K Y Sim	4 years	Mr Frank Leong	12 years
		Mr S P Sze	8 years

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

## *Independent Professional Advice*

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

## *Induction and Professional Development*

The Company does not consider it necessary to have a formal program for inducting new directors and professional development for directors. However, whenever appropriate, the Company provides opportunities to develop and maintain their skills and knowledge to perform their roles as Directors effectively.

# Corporate Governance Statement

## Principle 3: Act Ethically and Responsibly

### *Code of Conduct*

The Board expects all Directors, officers, employees and consultants to the Company to observe high standards of honesty, integrity, fairness and business ethics. 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 and to act in accordance with the *Corporations Act 2001* 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.

### *Share Trading Policy*

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's shares. The undertaking of any trading in shares must be notified to the Company Secretary who makes disclosure to the ASX.

## Principal 4: Safeguard Integrity in Corporate Reporting

### *Audit Committee*

The Audit Committee comprises only independent members:

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

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

- Review, assess and approve the annual report, the half year financial report and all other financial information published by the Company or released to the market.
- Review the effectiveness of the Group's internal control environment, including effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

# Corporate Governance Statement

- Recommend the appointment or removal of the external auditor and the rotation of the audit engagement partner.
- Recommend the 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.
- Report on matters relevant to the committee's role and responsibilities.

Non-committee members, including members of the management team and the external auditor, may attend meetings of the Committee by invitation of the Committee Chair.

The Committee has rights of access to management and external auditor without management present and rights to seek explanations and additional information from both management and auditor.

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, please refer to page 12 of the Directors' Report.

To ensure the integrity of the Company's financial reports, the Group Managing Director and the Group Financial Controller are required to provide written assurance to the Board that, in their opinion, the financial records of the Company for the relevant financial year have been properly maintained in accordance with the *Corporations Act 2001*, the financial statements and the notes for the financial year comply with accounting standards and present a true and fair view of the financial position and performance of the entity.

The Company's external auditor is requested to attend the Company's Annual General Meeting to answer any questions from shareholders.

## Principal 5: Make Timely and Balanced Disclosure

The Board recognises that the Company as a publicly listed entity has an obligation to make timely and balanced disclosure in accordance with the requirements of the *Australian Securities Exchange Listing Rules* and the *Corporations Act 2001*. The Board is committed to keep the market reasonably informed of information which may have a material effect on the price or value of the Company's securities in a balanced and understandable way.

The Executive Chairman is responsible for monitoring information which could be price sensitive, liaising with the Company Secretaries to make an initial assessment and forwarding to the Board for confirmation of disclosure of such information. If not all Directors are immediately available, the Company Secretary is authorised to lodge such information upon receiving the majority of Directors' approval in order not to delay in giving this information to ASX.

## Principal 6: Respect the Rights of Shareholders

The Company aims to communicate all important information relating to the Company to its shareholders. Additionally, the Company recognises potential investors and other interested stakeholders may wish to obtain information about the Company from time to time.

To achieve this, the Company communicates information regularly to shareholders and other stakeholders through the following:

- Annual General Meeting ("AGM"): the Company encourages full participation of shareholders at the AGM and for those shareholders who are unable to attend in person, they are able to lodge proxies. The external auditor will attend the AGM and is available to answer any questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.



# Corporate Governance Statement

- Annual Report: the Company Annual Report will be available on its website and contains important information about the Company's activities and results for the previous financial year.
- ASX Announcements: all ASX announcements, including annual and half year financial reports are posted on the Company's website as soon as these have been released by ASX.
- Investor relations: the Company provides an online email inquiry service to assist shareholders with any queries.

All shareholders are given the options to receive communications from, and send communications to, the share registry electronically.

## Principle 7: Recognise and Manage Risk

Given the size of the Company, the Board has not established a risk committee nor does it have an internal audit function. Rather the Board is responsible for the Company's risk management. The responsibility and control of risk management rests with the senior management of the respective subsidiaries chaired by the Executive Chairman.

The Board is conscious of the need to continually maintain systems of risk management and controls 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, investment, 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.

The Company does not consider that it has any material exposure to economic, environmental and social sustainability risks.

In accordance with Section 295A of the *Corporations Act 2001*, 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 for the financial year just ended is founded on a sound system of risk management and internal control which implements the policies adopted by the Board; and
- The Company's risk management and internal control system is operating efficiently and effectively in all material respects to manage the Company's key business risks.

The Board acknowledges that such internal control assurance is 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, the use of testing on a sample basis, the inherent limitations in internal controls and because much of the evidence available is persuasive rather than conclusive 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 combined Nomination and Remuneration Committee has been established by the Board comprising the Executive Chairman and two independent directors.

For details on the number of meetings of the Nomination and Remuneration Committee held during the year and the attendees at those meetings, please refer to page 12 of the Directors' Report.

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

# Corporate Governance Statement

The Managing Director and Executive Directors receive performance-based remuneration. The Managing Director has renewed his service agreement with the Group for a term of another 5 years from 1 July 2016. The Non-Executive Directors do not receive any performance-based remuneration and do not have contracts with the Company that give them any form of specific tenure. One-third of the Directors except the Managing Director 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, the Board must take into account of the time demands on the Directors together with the responsibilities undertaken by them.

The Directors with the exception of Mr G L Sim were granted options. The first grant of options 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 sensible and balanced which aligns the interests of shareholders and all Directors. Transactions which limit the economic risk of participating in unvested elements under equity-based remuneration schemes are not allowed.

# Consolidated Statement of Comprehensive Income

for the year ended 30 June 2018

(In Singapore dollars)

	Note	2018 S\$'000	2017 S\$'000
<b>Revenue</b>	5	78,994	92,628
Other operating income	5	2,512	1,892
		<u>81,506</u>	<u>94,520</u>
Cost of materials		(40,156)	(45,571)
Employee, contract labour and related costs		(32,742)	(28,601)
Depreciation and amortisation		(5,208)	(5,356)
Property related expenses		(2,599)	(2,484)
Other operating expenses	5	(10,523)	(17,119)
Finance costs		(424)	(421)
Share of results of associates	12	(1,273)	(724)
<b>Loss before taxation</b>		<u>(11,419)</u>	<u>(5,756)</u>
Tax benefit	6	277	1,003
<b>Loss after taxation</b>		<u>(11,142)</u>	<u>(4,753)</u>
<b>Other comprehensive income:</b>			
- Items that may be subsequently reclassified to profit and loss			
Share of other comprehensive income of associates, net of tax		2	(19)
Foreign currency translation on consolidation		(208)	915
Other comprehensive (loss)/income for the year, net of tax		<u>(206)</u>	<u>896</u>
<b>Total comprehensive loss</b>		<u>(11,348)</u>	<u>(3,857)</u>
<b>Loss attributable to:</b>			
Equity holders of the Parent		(10,873)	(4,620)
Non-controlling interests		<u>(269)</u>	<u>(133)</u>
<b>Loss for the year</b>		<u>(11,142)</u>	<u>(4,753)</u>
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Parent		(11,079)	(3,724)
Non-controlling interests		<u>(269)</u>	<u>(133)</u>
<b>Total comprehensive loss</b>		<u>(11,348)</u>	<u>(3,857)</u>
<b>Earnings per share (cents)</b>			
Basic loss per share	7	(5.01)	(2.13)
Diluted loss per share	7	<u>(5.01)</u>	<u>(2.13)</u>

# Consolidated Balance Sheet

as at 30 June 2018  
(In Singapore dollars)

	Note	2018 S\$'000	2017 S\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	21,301	22,969
Intangible assets	10	14,602	14,725
Deferred tax assets	6	3,054	2,767
Convertible loans to an associate	12	1,131	602
Investments in associates	12	8,798	9,448
		<u>48,886</u>	<u>50,511</u>
<b>Current assets</b>			
Cash and bank balances	20	9,739	18,591
Inventories	13	28,007	23,145
Trade and other receivables	14	21,802	19,195
Gross amount due from customers for contract work	15	4,227	3,305
Prepayments		398	409
Tax recoverable		–	32
		<u>64,173</u>	<u>64,677</u>
<b>TOTAL ASSETS</b>		<u><u>113,059</u></u>	<u><u>115,188</u></u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	16	19,122	19,991
Gross amount due to customers for contract work	15	1,844	19
Interest-bearing liabilities	17	18,407	9,935
Provisions	18	1,882	2,281
Provision for taxation		192	219
		<u>41,447</u>	<u>32,445</u>
<b>NET CURRENT ASSETS</b>		<u><u>22,726</u></u>	<u><u>32,232</u></u>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	17	664	652
Deferred tax liabilities	6	983	1,224
Provisions	18	414	398
		<u>2,061</u>	<u>2,274</u>
<b>TOTAL LIABILITIES</b>		<u><u>43,508</u></u>	<u><u>34,719</u></u>
<b>NET ASSETS</b>		<u><u>69,551</u></u>	<u><u>80,469</u></u>
<b>Equity attributable to equity holders of the Parent</b>			
Share capital	19	38,314	38,314
Reserves		(1,562)	(1,501)
Retained earnings		<u>32,581</u>	<u>43,444</u>
		<u>69,333</u>	<u>80,257</u>
<b>Non-controlling interests</b>		<u>218</u>	<u>212</u>
<b>TOTAL EQUITY</b>		<u><u>69,551</u></u>	<u><u>80,469</u></u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><u>113,059</u></u>	<u><u>115,188</u></u>

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2018

(In Singapore dollars)

	Attributable to equity holders of the Parent						Total equity
	Share capital	Share capital – exercise of share options (a)	Foreign currency translation reserve (b)	Share-based payments reserve (c)	Retained earnings	Total	
Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance at 1.7.2016</b>	37,842	472	(2,597)	160	49,146	85,023	85,092
Loss for the year	-	-	-	-	(4,620)	(4,620)	(4,753)
Other comprehensive gain	-	-	896	-	-	896	896
Total comprehensive loss for the year	-	-	896	-	(4,620)	(3,724)	(3,857)
Share-based payments	-	-	-	43	-	43	43
Forfeiture of employee share options	-	-	-	(3)	3	-	-
Acquisition of non-controlling interest	-	-	-	-	(276)	(276)	-
Dividends paid on ordinary shares	-	-	-	-	(809)	(809)	(809)
<b>Balance at 30.6.2017</b>	37,842	472	(1,701)	200	43,444	80,257	80,469
Loss for the year	-	-	-	-	(10,873)	(10,873)	(11,142)
Other comprehensive loss	-	-	(206)	-	-	(206)	(206)
Total comprehensive loss for the year	-	-	(206)	-	(10,873)	(11,079)	(11,348)
Share-based payments	-	-	-	155	-	155	155
Forfeiture of employee share options	-	-	-	(10)	10	-	-
Acquisition of subsidiary companies	-	-	-	-	-	275	275
<b>Balance at 30.6.2018</b>	37,842	472	(1,907)	345	32,581	69,333	69,551

- (a) Share capital – exercise of share options is used to record the transfer from share-based payments 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 2018

(In Singapore dollars)

	Note	2018 S\$'000	2017 S\$'000
<b>Cash flows from operating activities:</b>			
Operating loss before taxation		(11,419)	(5,756)
Adjustments for:			
Depreciation of property, plant and equipment	9	3,984	4,300
Amortisation of intangible assets	10	1,224	1,056
Bad debts written off	5	–	5
Allowance for doubtful debts, net	5	403	412
Allowance for inventory obsolescence, net	5	322	307
Inventories written off	5	186	62
Finance costs		424	421
Interest income	5	(94)	(62)
Property, plant and equipment written off	5	47	7
Intangible assets written off	5	72	–
Gain on disposal of property, plant and equipment	5	(57)	(71)
Forfeiture of customer deposit	5	–	(95)
Trade and other payables written back	5	(72)	(37)
Provisions made, net	18	167	1,423
Share-based payments		155	43
Share of results of associates		1,273	724
Unrealised exchange differences		(177)	573
<b>Operating (loss)/profit before reinvestment in working capital</b>		(3,562)	3,312
Increase in stocks and work-in-progress		(3,837)	(835)
Decrease in projects-in-progress		903	5,869
Increase in debtors		(2,859)	(3,712)
(Decrease)/increase in creditors		(1,140)	3,969
<b>Cash (used in)/generated from operations</b>		(10,495)	8,603
Interest received		62	45
Interest paid		(428)	(402)
Income taxes paid		(278)	(407)
<b>Net cash (used in)/generated from operating activities</b>		(11,139)	7,839
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	9(b)	(3,278)	(1,777)
Proceeds from disposal of property, plant and equipment	9(c)	61	94
Proceeds from disposal of available-for-sale asset		–	1
Purchase of computer software	10	(17)	(68)
Increase in development expenditure		(854)	(974)
Increase in patented technology	10	(53)	(56)
Investments in associates	12(b)	(676)	(3,339)
Subscription of convertible loan in an associate		(497)	(600)
Acquisition of subsidiaries	11(b)	(145)	–
<b>Net cash used in investing activities</b>		(5,459)	(6,719)

# Consolidated Statement of Cash Flows

for the year ended 30 June 2018

(In Singapore dollars)

	Note	2018 S\$'000	2017 S\$'000
<b>Cash flows from financing activities:</b>			
Proceeds from bank borrowings		11,495	2,800
Repayments of bank borrowings		(5,063)	(4,033)
Loans from a related party	17(e)	1,352	–
Dividends paid on ordinary shares	8	–	(809)
Repayment of hire purchase creditors		(430)	(819)
		<hr/>	<hr/>
<b>Net cash generated from/(used in) financing activities</b>		7,354	(2,861)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(9,244)	(1,741)
Net foreign exchange differences		(39)	(1)
Cash and cash equivalents at beginning of year	20	18,239	19,981
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	20	<u>8,956</u>	<u>18,239</u>

# 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 (collectively, the “Group” or “consolidated entity”) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 28 September 2018.

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 Company is also the ultimate parent.

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 statements have been prepared on a going concern basis and items are measured 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 also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### (i) *Changes in accounting policies and disclosures*

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 July 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

Certain Australian Accounting Standards and Interpretations have been recently issued or amended but are not yet effective. The directors expect the adoption of these new and amended standards and interpretations will have no material impact on the financial statements in the period of initial application except for the standards disclosed below for which the directors have yet to finalise their assessment of the impact. In respect of AASB 15 in particular, the review of revenue contracts to date have not identified any material adjustments in respect of material revenue generating business segments. For AASB 9, all indications are that on a consolidated basis the impact will be immaterial. AASB 16 is likely to result in the recognition of right of use assets, however the assessment is ongoing.

- AASB 9 *Financial Instruments (Effective for annual periods on or after 1 July 2018)*
- AASB 15 *Revenue from Contracts with Customers (Effective for annual periods on or after 1 July 2018)*

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

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

- AASB 16 Leases (Effective for annual periods on or after 1 July 2019)
- Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Interpretation 23 Uncertainty over Income Tax Treatments

### 2.3 Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2018. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Parent Entity. 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. Specifically, the Group controls an investee if and only if 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.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and 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(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses 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 loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements 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.

In the Parent Entity's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.4 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair values at the date of acquisition. 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 assesses 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 in the acquiree is remeasured to fair value at the acquisition date and any resulting gain or loss is recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the Group reassesses 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 reassessment 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 is 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 has been allocated to 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. 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Operating segments (cont'd)

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

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

- Nature of the products and services
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and
- 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. Capital expenditure consists of additions of property, plant and equipment and intangible assets.

### 2.6 Foreign currency

#### (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) *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Differences arising on the settlement or translation of monetary items are recognised in profit or loss.

#### (c) *Consolidated financial statements*

On consolidation, the results and balance sheets of foreign operations are translated into Singapore dollars using the following procedures:

- Assets and liabilities are translated at the closing rate prevailing at the reporting date; and
- Income and expenses are translated at average exchange rate for the year, which approximates the exchange rates at the dates of the transactions.



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.6 Foreign currency (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 depreciates them separately based on their specific useful lives. 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 buildings	over remaining period of the lease expiring years 2036 to 2042
Buildings	20 years
Machinery	10 years
Office furniture and equipment	3 - 5 years
Leasehold improvements	5 years
Motor vehicles	5 years
Computers	1 year

Machinery under installation or construction are not depreciated as these assets are not yet available for use.

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

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

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 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 assets with the exception of development expenditure and computer software costs are not capitalised and the related expenditure is recognised in profit or 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 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 amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis.

Intangible assets with indefinite useful lives or not yet available for use are not amortised, 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
Developed technology	7 years
Development expenditure	3 – 10 years
Patented technology	10 – 20 years
Unpatented technology	12 – 16 years

#### Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset 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 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. During the period of development, the asset is tested for impairment annually.

#### Club membership

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

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 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 which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the period covered by the budgets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses 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 through its power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies.

The Group's investments in associates are accounted for using the equity method from the date it becomes an associate.

On acquisition of the investment, any excess of the cost of investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Such goodwill is neither amortised nor tested for impairment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of investment is included as income in the determination of the share of results of associate in the period in which the investment is acquired.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.10 Associates (cont'd)

Under the equity method, investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The profit or loss reflects the Group's share of 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 its interest in the associate.

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.

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

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures the retained interest at fair value. Any difference between the aggregate of fair value of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued 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 regulation 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

#### (i) *Financial assets (cont'd)*

##### *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 assets

#### (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 or 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 through profit or loss. Financial assets at fair value through profit or loss are carried at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or interest income (positive net changes in fair value) 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 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 investments*

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 the investment to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process. The Group did not have any held-to-maturity investments during the years ended 30 June 2018 and 2017.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

#### (i) *Financial assets (cont'd)*

##### (d) *Available-for-sale (AFS) financial assets*

AFS financial assets include equity investments 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 or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or when the investment is determined to be impaired, the cumulative loss is reclassified from the AFS reserve to profit or loss. Interest earned while holding AFS financial assets is reported as interest income using the effective interest method.

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

##### *Derecognition*

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

#### (ii) *Impairment of financial assets*

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists 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 debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into 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.

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 assets 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.



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 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)*

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.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. When the asset becomes uncollectable, the carrying amount of the impaired financial asset is reduced directly or if the amount was previously charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases 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 liabilities 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:

#### (a) *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 or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of 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 at fair value through profit or loss.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

#### (iii) *Financial liabilities (cont'd)*

##### *Subsequent measurement (cont'd)*

#### (b) *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 method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

##### *Derecognition*

A financial liability is derecognised 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 a derecognition 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 Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency forward contracts 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 remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

### 2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.14 Inventories

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

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

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

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

### 2.15 Construction contracts

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the reporting date, when the outcome of a construction contract can be estimated reliably.

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

Where the outcome of the construction contract cannot be measured reliably (principally during the early stages of a contract), both contract revenue and expenses are not recognised until the 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 costs. Only costs that reflect services performed are included in the estimated total costs of the contract.

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

### 2.16 Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each 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 accessible by the Group.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.16 Fair value measurement (cont'd)

The fair value of an asset or a 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 or 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 at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

### 2.17 Provisions

#### *General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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 reporting 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, when 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 is provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is reviewed annually and revised, if necessary.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.17 Provisions (cont'd)

#### *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 reporting 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 government or corporate bond rates with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### 2.18 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 periods that the related costs, for 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.

### 2.19 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. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the asset is substantially completed for its intended use or sale. 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.

### 2.20 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if 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 or assets, even if that asset is or those assets are not explicitly specified in the arrangement.

#### *Group as a lessee*

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. An operating lease is a lease other than a finance lease.

Finance leases 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 as finance costs.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.20 Leases (cont'd)

#### *Group as a lessor*

Leases where the Group transfers substantially all the risks and rewards of ownership of the leased asset is accounted for in accordance with the Group's policy for sale of goods as set out in note 2.22. Costs incurred in connection with negotiating and arranging the finance lease are 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 and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in note 2.22.

### 2.21 Employee benefits

#### *(a) Defined contribution plans*

The Group makes contributions to national pension schemes as defined by the laws of the countries in which it has operations.

For its Australian subsidiaries, contributions are made to employee accumulation superannuation funds. For the Group's companies in Singapore, contributions are made 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 expense in the year in which the related service is performed.

#### *(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 of grant using an appropriate valuation model. This cost is recognised in profit or loss, with a corresponding increase in the share-based payments reserve, over the period in which service conditions are fulfilled ("vesting period"). The cumulative expense 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.21 Employee benefits (cont'd)

#### (b) *Employee share option plan (cont'd)*

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where the employee share option plan is cancelled, it is treated as if it vested on the date of cancellation, and any expense that otherwise would have been recognised for services received over the remaining vesting period is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date it was granted, the cancelled and new awards are treated as if there was a modification of the original award, as described in the previous paragraph.

#### (c) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled within 12 months from the reporting date is recognised for services rendered by the employees up to the end of the reporting period.

### 2.22 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 received. Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates, 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, associated costs or the possible return of goods.

#### *Rendering of services*

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

#### *Revenue recognised on projects*

Revenue on projects are recognised using the percentage of completion method. The stage of completion is determined by reference to the costs incurred to date as a percentage of total estimated costs for each project. Losses, if any, are immediately recognised when their existence is foreseen.



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.22 Revenue recognition (cont'd)

#### *Interest income*

Interest income is recognised using the effective interest method.

#### *Dividends*

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

#### *Rental income*

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

#### *Commission income*

Commission for services rendered is recognised on an accrual basis.

### 2.23 Taxation

#### (a) *Current income 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 reporting 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 income 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 tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable 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 arrangements, 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.23 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 arrangements, 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 reporting 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 reporting 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 reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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 services tax*

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

- When 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
- When receivables and payables 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 in the balance sheet.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.24 Share capital and share issuance expenses

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

## 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 the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods.

### (a) Judgements made in applying accounting policies

#### (i) Determination of control and significant influence over investees

As at 30 June 2018, the Group holds 72.28% (2017: 73.02%) equity interest in Curiox Biosystems Pte Ltd ("Curiox"). Although the Group holds the majority of voting rights in Curiox, it has been assessed that the Group does not have the power and practical ability to direct the relevant activities of Curiox unilaterally but has significant influence over its financial and operating policy decisions. Hence, the investment in Curiox is treated as an associate as opposed to being a subsidiary company.

As at 30 June 2018, the Group holds 10.88% (2017: 10.88%), 16.66% (2017: 16.66%) and 11.51% (2017: 8.23%) equity interests in HistolIndex Pte Ltd, BELKIN Laser Ltd and Pellucid Networks Pte Ltd respectively. The Group considers these investees as associates as the Group has the ability to exercise significant influence through both its shareholdings and active participation on the respective Boards of Directors.

### (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. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### (i) Impairment of non-financial assets and investments in associates

The Group assesses whether there are any indicators of impairment for all non-financial assets and investments in associates at each reporting date. Impairment exists when the carrying value of an asset or cash-generating unit (CGU) exceeds its recoverable amount which is the higher of its fair value less costs of disposal and its value in use.

Goodwill and other intangibles with indefinite lives are tested for impairment annually and at other times when such indicators exist. Other non-financial assets and investments in associates are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

#### (i) Impairment of non-financial assets and investments in associates (cont'd)

The fair value less costs of disposal calculation is based on available data from binding sales transactions conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the assets (where applicable). The value in use calculations are based on a discounted cash flow (DCF) model. As these calculations are based on assumptions involving unobservable inputs, they are categorised within Level 3 of the fair value hierarchy. The cash flows are derived from budgets for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

When value in use calculations are undertaken to determine the recoverable amount, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amounts are sensitive to the discount rates used in the DCF model, future cash inflows including the timing of such cash inflows and the growth rates used for both the initial five year cash flow period and long term growth rates. For some CGUs, management also considers the ability to commercialise based on the stage of development of the CGU's product and services. Whilst these decisions are based on outcomes from research and development to date, it also involves a significant level of judgement. These estimates are most relevant to goodwill and other intangible assets recognised by the Group. These estimates are also relevant where the carrying value of investments in associates are considered.

The key assumptions used to determine the recoverable amounts for the different CGUs are disclosed in note 10 to the financial statements.

#### (ii) Impairment of loans and receivables

The Group assesses at the end of each reporting period 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. The Group also takes into account if there have been significant changes in the technological, market, economic or legal environment in which the debtor operates in.

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 receivables at the reporting date is disclosed in note 21 to the financial statements.

#### (iii) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the reporting date, when the outcome of a construction contract can be estimated reliably. The stage of completion is determined by reference to the costs incurred to date for work performed as a percentage of total estimated contract costs. Significant assumptions are required to estimate the total contract costs which will affect the stage of completion. In making these estimates, management has relied 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

#### (iv) Development expenditure

The Group capitalises development expenditure in accordance with its accounting policy as set out in note 2.8. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed. In determining the amount to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. As at 30 June 2018, the carrying amount of capitalised development expenditure was S\$5,209,000 (2017: S\$5,113,000).

#### (v) Taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. The Group recognises deferred tax assets for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits. Where the final tax outcome 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 amounts of the Group's current tax payables and deferred tax liabilities at 30 June 2018 were S\$192,000 (2017: S\$219,000) and S\$983,000 (2017: S\$1,224,000) respectively. The Group also had deferred tax assets of S\$3,054,000 (2017: S\$2,767,000) as at 30 June 2018.

## 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 & Gas Machinery – manufacture and supply of deck machinery, gas metering stations, gas processing plants 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 & Technologies – manufacture and supply of precision and automation equipment and products, medtech equipment and products, medtech translation and engineering services.
- Industrial & Mobile Hydraulics – supply of hydraulic drive systems, parts and services.

#### *Intersegment sales*

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 4. Segment information (cont'd)

### Business segments (cont'd)

#### Unallocated revenue and expenses

Unallocated revenue comprises mainly non-segmental revenue. Unallocated expenses comprise mainly non-segmental expenses such as head office expenses.

The following tables present information regarding operating segments for the years ended 30 June 2018 and 2017.

	Offshore marine, oil & gas machinery	Construction equipment	Precision engineering & technologies	Industrial & mobile hydraulics	Consolidated
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Year ended 30 June 2018</b>					
<b>Revenue</b>					
Sales to external customers	6,472	41,349	29,288	1,885	78,994
Other revenue	629	60	1,659	–	2,348
Intersegment sales	108	4	–	301	413
Total segment revenue	7,209	41,413	30,947	2,186	81,755
Intersegment elimination					(413)
Unallocated revenue					70
Interest income					94
<b>Total consolidated revenue</b>					<b>81,506</b>
<b>Results</b>					
Segment results	(5,431)	2,223	(5,789)	516	(8,481)
Unallocated revenue					70
Unallocated expenses					(1,405)
Share of results of associates			(1,273)		(1,273)
Loss before tax and finance costs					(11,089)
Finance costs					(424)
Interest income					94
<b>Loss before taxation</b>					<b>(11,419)</b>
Tax benefit					277
<b>Net loss after taxation</b>					<b>(11,142)</b>
<b>Other segment information</b>					
Capital expenditure					
- property, plant and equipment	12	3,464	366	–	3,842
- intangible assets	341	6	965	–	1,312
					<b>5,154</b>
Depreciation and amortisation	394	2,993	1,555	11	4,953
Other non-cash expenses	447	574	418	22	1,461

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 4. Segment information (cont'd)

### Business segments (cont'd)

	Offshore marine, oil & gas machinery S\$'000	Construction equipment S\$'000	Precision engineering & technologies S\$'000	Industrial & mobile hydraulics S\$'000	Consolidated S\$'000
<b>Year ended 30 June 2017</b>					
<b>Revenue</b>					
Sales to external customers	31,362	30,965	28,717	1,584	92,628
Other revenue	173	82	1,468	–	1,723
Intersegment sales	–	1	4	436	441
Total segment revenue	31,535	31,048	30,189	2,020	94,792
Intersegment elimination					(441)
Unallocated revenue					107
Interest income					62
<b>Total consolidated revenue</b>					<b>94,520</b>
<b>Results</b>					
Segment results	492	(1,154)	(3,011)	347	(3,326)
Unallocated revenue					107
Unallocated expenses					(1,454)
Share of results of associates			(724)		(724)
Loss before tax and finance costs					(5,397)
Finance costs					(421)
Interest income					62
<b>Loss before taxation</b>					<b>(5,756)</b>
Tax benefit					1,003
<b>Net loss after taxation</b>					<b>(4,753)</b>
<b>Other segment information</b>					
Capital expenditure					
- property, plant and equipment	228	2,125	478	–	2,831
- intangible assets	–	2	1,108	–	1,110
					<b>3,941</b>
Depreciation and amortisation	422	3,344	1,318	17	5,101
Other non-cash expenses	972	458	864	64	2,358



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 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 and as at 30 June 2018 and 2017.

### 30 June 2018

	Australia S\$'000	Malaysia S\$'000	Singapore S\$'000	China S\$'000	United States S\$'000	Bangladesh S\$'000	Thailand S\$'000	Indonesia S\$'000	Philippines S\$'000	Taiwan S\$'000	Others S\$'000	Total S\$'000
<b>Revenue</b>												
Sales to external customers	23,988	5,327	23,069	546	1,758	2,829	2,446	1,852	5,932	5,521	5,726	78,994
Other revenue from external customers	22	33	1,757	2	-	615	20	58	-	-	5	2,512
												<u>81,506</u>
<b>Other segment information</b>												
Segment non-current assets	3,091	1,373	24,973	468	3	-	5,725	319	210	-	872	37,034
Investments in associates	-	-	7,602	-	-	-	-	-	-	-	1,196	8,798
Unallocated assets												<u>3,054</u>
												<u>48,886</u>
Capital expenditure												
- property, plant and equipment	855	267	1,299	340	-	-	899	9	185	-	-	3,854
- intangible assets	-	-	1,312	-	-	-	-	-	-	-	-	<u>1,312</u>
												<u>5,166</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 4. Segment information (cont'd)

### Geographical segments (cont'd)

30 June 2017

	Australia S\$'000	Malaysia S\$'000	Singapore S\$'000	China S\$'000	United States S\$'000	Bangladesh S\$'000	Thailand S\$'000	Indonesia S\$'000	Philippines S\$'000	Taiwan S\$'000	Others S\$'000	Total S\$'000
<b>Revenue</b>												
Sales to external customers	17,377	4,434	12,386	21,226	2,135	7,596	3,322	2,578	1,755	14,055	5,764	92,628
Other revenue from external customers	16	17	1,825	9	-	-	21	3	1	-	-	1,892
												94,520
<b>Other segment information</b>												
Segment non-current assets	2,564	1,674	27,217	216	20	-	5,230	429	36	-	910	38,296
Investments in associates	-	-	8,074	-	-	-	-	-	-	-	1,374	9,448
Unallocated assets												2,767
												50,511
Capital expenditure												
- property, plant and equipment	336	246	2,223	136	-	-	3	8	38	-	-	2,990
- intangible assets	2	-	1,129	-	-	-	-	-	-	-	-	1,131
												4,121

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 5. Revenue, income and expenses

### (i) Revenue

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Sale of goods	54,193	53,926
Rendering of services	4,849	4,491
Rental income	3,303	2,794
Revenue recognised on projects	16,649	31,417
	<u>78,994</u>	<u>92,628</u>

### (ii) Other operating income

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Interest income	94	62
Forfeiture of customer deposit	–	95
Gain on disposal of property, plant and equipment	57	71
Trade and other payables written back	72	37
Sale of machinery previously written off	24	–
Recovery of liquidated damages paid	615	–
Services rendered	857	487
Government grants	761	1,122
Other revenue	32	18
	<u>2,512</u>	<u>1,892</u>

### (iii) Other operating expenses

Included in other operating expenses are the following:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Allowance for inventory obsolescence, net	322	307
Allowance for doubtful debts, net	403	412
Bad debts written off	–	5
Foreign exchange loss/(gain)	350	(236)
Provision for product warranties made, net	103	1,365
Property, plant and equipment written off	47	7
Warranty expense charged directly to profit or loss	3	4
Inventories written off	186	62
Intangible assets written off	72	–
Sales commission	805	6,501
Sea freight	1,017	879
Travelling expenses	960	1,177
Utility charges	766	772

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 6. Taxation

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Current income tax		
- Current income tax charge	329	508
- Loss transferred under Group Relief Scheme	–	(396)
- Adjustments in respect of previous years	(46)	(14)
Deferred income tax		
- Relating to the origination and reversal of temporary differences	(10)	(917)
- Adjustments in respect of previous years	(550)	(184)
Tax benefit	<u>(277)</u>	<u>(1,003)</u>

A reconciliation between the tax benefit and the product of accounting loss of the Group multiplied by the applicable tax rate for the year ended 30 June is as follows:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Loss before taxation	<u>(11,419)</u>	<u>(5,756)</u>
Tax at the domestic rates applicable to profits in the countries where the Group operates	(1,423)	(673)
Release of deferred tax liability on intangible assets	(47)	(47)
Non-deductible expenses	154	174
Non-taxable income	(127)	(123)
Partial tax exemption	(36)	(37)
Deferred tax assets not recognised	2,559	751
Utilisation of previously unrecognised tax losses	(433)	(262)
Adjustments in respect of previous years	(596)	(198)
Enhanced tax credits	(331)	(588)
Others	3	–
Tax benefit	<u>(277)</u>	<u>(1,003)</u>

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 6. Taxation (cont'd)

Deferred taxation as at 30 June relates to the following:

	<b>Consolidated balance sheet</b>		<b>Consolidated statement of comprehensive income</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Deferred tax assets</b>				
Differences in depreciation	(28)	(95)	(67)	(34)
Intangible assets	(1,027)	(1,022)	5	34
Provisions	464	710	246	(370)
Unutilised tax losses	3,104	2,662	(467)	40
Unutilised capital allowances	541	512	(29)	(45)
	<u>3,054</u>	<u>2,767</u>		
<b>Deferred tax liabilities</b>				
Differences in depreciation	(988)	(1,138)	(157)	(734)
Intangible assets	(292)	(339)	(47)	(46)
Unutilised capital allowances	275	184	(91)	63
Unutilised tax losses	5	56	51	4
Unutilised donations	17	13	(4)	(13)
	<u>(983)</u>	<u>(1,224)</u>	<u>(560)</u>	<u>(1,101)</u>
			<b>Consolidated</b>	
			<b>2018</b>	<b>2017</b>
			S\$'000	S\$'000
The directors estimate that the potential future income tax benefit at 30 June in respect of revenue tax losses of certain subsidiaries not brought to account is			<u>7,991</u>	<u>6,324</u>

The benefit will only be obtained if –

- (a) these subsidiaries derive future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) these subsidiaries continue to be in the same trade and there is no substantial change in their shareholdings; and
- (c) there are no changes in tax legislation that adversely affect these subsidiaries' 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

Basic earnings per share is calculated by dividing the Group's net profit or loss attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the Group's net profit or loss 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.

		<b>Consolidated</b>	
		<b>2018</b>	<b>2017</b>
		S\$'000	S\$'000
(a)	Earnings used in calculating basic and diluted earnings per share		
	Net loss attributable to equity holders of the Parent	(10,873)	(4,620)
		<b>No. of shares (Thousands)</b>	
(b)	Weighted average number of ordinary shares for basic and diluted earnings per share	217,141	217,141
		<b>Singapore cents</b>	
(c)	Earnings per share		
	Basic	(5.01)	(2.13)
	Diluted	(5.01)	(2.13)

There were 2,610,000 (2017: 2,680,000) share options excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for the current period presented.

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

## 8. Dividends

		<b>Consolidated</b>	
		<b>2018</b>	<b>2017</b>
		S\$'000	S\$'000
Declared and paid during the financial year:			
-	Final unfranked dividend for 2017: nil	—	—
-	Interim unfranked dividend for 2018: nil	—	—
-	Final unfranked dividend for 2016: 0.20 Australian cents per share	—	459
-	Interim unfranked dividend for 2017: 0.15 Australian cents per share	—	350
		<u>—</u>	<u>809</u>
Proposed but not recognised as a liability as at 30 June:			
-	Final unfranked dividend for 2018: nil (2017: nil)	—	—
		<u>—</u>	<u>—</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 9. Property, plant and equipment

Consolidated	Freehold land S\$'000	Leasehold buildings S\$'000	Buildings S\$'000	Machinery under installation or construction S\$'000	Plant and equipment S\$'000	Leasehold improvements S\$'000	Motor vehicles S\$'000	Total S\$'000
<b>Cost</b>								
<b>At 1.7.2016</b>	1,701	10,431	4,322	—	35,614	3,009	2,043	57,120
Currency realignment	93	4	236	—	254	6	29	622
Additions	—	—	—	81	2,526	23	360	2,990
Disposals	—	—	—	—	(275)	—	(389)	(664)
Reclassification to inventories	—	—	—	—	(1,246)	—	—	(1,246)
Write off	—	—	—	—	(425)	—	—	(425)
<b>At 30.6.2017</b>	1,794	10,435	4,558	81	36,448	3,038	2,043	58,397
Currency realignment	26	2	68	—	(51)	(4)	(12)	29
Acquisition of subsidiaries	—	—	—	—	7	—	—	7
Additions	—	—	—	5	3,509	194	146	3,854
Disposals	—	—	—	—	(137)	—	(120)	(257)
Reclassification to inventories	—	—	—	—	(4,013)	—	—	(4,013)
Reclassification	—	—	—	(86)	86	—	—	—
Write off	—	—	—	—	(134)	—	—	(134)
<b>At 30.6.2018</b>	1,820	10,437	4,626	—	35,715	3,228	2,057	57,883
<b>Accumulated depreciation</b>								
<b>At 1.7.2016</b>	—	4,183	1,468	—	23,081	2,213	1,447	32,392
Currency realignment	—	4	83	—	237	7	22	353
Charge for 2017	—	267	225	—	3,351	233	224	4,300
Disposals	—	—	—	—	(265)	—	(376)	(641)
Reclassification to inventories	—	—	—	—	(558)	—	—	(558)
Write off	—	—	—	—	(418)	—	—	(418)
<b>At 30.6.2017</b>	—	4,454	1,776	—	25,428	2,453	1,317	35,428
Currency realignment	—	2	25	—	(82)	(5)	(7)	(67)
Acquisition of subsidiaries	—	—	—	—	4	—	—	4
Charge for 2018	—	266	233	—	3,027	234	224	3,984
Disposals	—	—	—	—	(136)	—	(117)	(253)
Reclassification to inventories	—	—	—	—	(2,427)	—	—	(2,427)
Write off	—	—	—	—	(87)	—	—	(87)
<b>At 30.6.2018</b>	—	4,722	2,034	—	25,727	2,682	1,417	36,582
<b>Net carrying value</b>								
<b>At 30.6.2018</b>	1,820	5,715	2,592	—	9,988	546	640	21,301
<b>At 30.6.2017</b>	1,794	5,981	2,782	81	11,020	585	726	22,969



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Motor vehicles	301	408
Plant and equipment	796	1,414
	<u>1,097</u>	<u>1,822</u>

Leased assets are pledged as security for the related finance lease liabilities (note 17).

- (b) During the year, the Group acquired property, plant and equipment with an aggregate cost of S\$3,854,000 (2017: S\$2,990,000) of which S\$40,000 (2017: S\$651,000) were acquired by means of hire purchase financing and S\$354,000 (2017: S\$43,000) was acquired by means of loan financing. Cash payments of S\$3,278,000 (2017: S\$1,777,000) were made to purchase property, plant and equipment. Included in additions is an amount of S\$182,000 (2017: S\$519,000) which was previously included in stock but was converted and capitalised as fixed assets during the current financial year.
- (c) During the financial year, the Group disposed of property, plant and equipment with an aggregate net book value of S\$4,000 (2017: S\$23,000). Sales proceeds amounting to S\$61,000 (2017: S\$94,000) 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\$47,000 (2017: S\$7,000).
- (e) The net book value of property, plant and equipment pledged as security are as follows:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Leasehold buildings	5,715	2,623
Freehold land and buildings	4,412	4,576
Plant and equipment	354	–
Motor vehicles	93	110
	<u>10,574</u>	<u>7,309</u>

Please refer to note 17 for details.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 10. Intangible assets

Consolidated	Customer list	Developed technology	Goodwill	Development expenditure	Club membership	Computer software	Unpatented technology	Patented technology	Total
Cost	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 1.7.2016</b>	918	1,141	6,919	5,661	9	2,250	3,721	220	20,839
Currency realignment	-	-	106	-	1	30	-	-	137
Additions	-	-	-	1,007	-	68	-	56	1,131
Reclassification to inventories	-	-	-	(92)	-	-	-	-	(92)
<b>At 30.6.2017</b>	918	1,141	7,025	6,576	10	2,348	3,721	276	22,015
Currency realignment	-	-	(97)	-	-	(15)	-	-	(112)
Acquisition of subsidiary	-	-	-	-	-	5	-	-	5
Additions	-	-	327	915	-	17	-	53	1,312
Reclassification to inventories	-	-	-	(43)	-	-	-	-	(43)
Write off	-	-	(45)	-	-	-	-	(27)	(72)
<b>At 30.6.2018</b>	918	1,141	7,210	7,448	10	2,355	3,721	302	23,105
<b>Accumulated amortisation</b>									
<b>At 1.7.2016</b>	918	1,141	-	907	-	1,780	1,455	6	6,207
Currency realignment	-	-	-	-	-	27	-	-	27
Amortisation	-	-	-	556	-	221	274	5	1,056
Reclassification to inventories	-	-	-	-	-	-	-	-	-
<b>At 30.6.2017</b>	918	1,141	-	1,463	-	2,028	1,729	11	7,290
Currency realignment	-	-	-	-	-	(16)	-	-	(16)
Acquisition of subsidiary	-	-	-	-	-	5	-	-	5
Amortisation	-	-	-	776	-	168	274	6	1,224
Reclassification to inventories	-	-	-	-	-	-	-	-	-
Write off	-	-	-	-	-	-	-	-	-
<b>At 30.6.2018</b>	918	1,141	-	2,239	-	2,185	2,003	17	8,503
<b>Net carrying value</b>									
<b>At 30 June 2018</b>	-	-	7,210	5,209	10	170	1,718	285	14,602
<b>At 30 June 2017</b>	-	-	7,025	5,113	10	320	1,992	265	14,725

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 10. Intangible assets (cont'd)

	Development expenditure	Unpatented technology
Average remaining amortisation period (years) – 2018	4.9	6.4
Average remaining amortisation period (years) – 2017	5.2	7.4

*Assets by business segment:*

Assets and investments in associates by business segment are summarised as follows:

	Offshore marine, oil & gas machinery	Construction equipment	Precision engineering & technologies	Industrial & mobile hydraulics	Unallocated	Total
Property plant and equipment	2,883	15,244	1,187	2	1,985	21,301
Intangible assets	358	1,987	12,212	10	35	14,602
Investments in associates	–	–	8,798	–	–	8,798
	3,241	17,231	22,197	12	2,020	44,701

### *Offshore Marine, Oil and Gas Machinery*

The assets in this segment relate predominantly to Zicom Private Limited and Zicom Equipment Private Limited. The most significant asset in this segment relates to a leasehold building amounting to S\$2.5m, carried at historical cost less accumulated depreciation, which has been supported by market valuation that confirmed no indicator of impairment. The oil and gas segment continues to generate positive cash flows with a pipeline of contracts and margin on product sales and projects further supporting no impairment trigger.

### *Construction Equipment*

The assets in this segment relate predominantly to Foundation Associates Engineering Private Limited, Cesco Australia Limited and Zicom Cesco Engineering Co. Ltd. This segment manufactures and supply concrete mixers and foundation equipment including equipment rental continues to generate positive cash flows. Due to the goodwill that arose at acquisition of Cesco Australia Limited, an impairment analysis is performed annually (refer below for discussion on Zicom Group Limited).

### *Precision Engineering and Technologies*

Companies included in this segment are Sys-Mac Automation Engineering Pte Ltd, Orion Systems Integration Pte Ltd, Biobot Surgical Pte Ltd (entities discussed below) and investments in associates (refer to note 12 and below). Due to the goodwill that arose at acquisition of these entities, an annual impairment assessment is performed.

### *Industrial and Mobile Hydraulics*

As noted above, there are no material assets in this segment.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 10. Intangible assets (cont'd)

### *Unallocated*

The most significant asset in this segment represents leasehold building which is carried at historical cost adjusted for accumulated depreciation. Market valuation performed on this building in the current financial year has confirmed that there are no impairment indicators.

### *Impairment tests for goodwill and associates*

The Group did not have any intangible assets with indefinite useful life as at 30 June 2018. Goodwill acquired through business combinations are allocated to the individual entity which is also the cash-generating unit (CGU). These entities fall within the Precision Engineering and Technologies (PET) and Construction Equipment (CE) segments of the Group as outlined above.

			Basis on which recoverable values are determined	Pre-tax discount rate per annum	
Consolidated	As at 30.6.2018	As at 30.6.2017			
	S\$'000	S\$'000		2018	2017
<b><i>Carrying value of capitalised goodwill based on cash-generating units</i></b>					
Sys-Mac Automation Engineering Pte Ltd	2,975	2,975	Value in use	14%	15%
Zicom Group Limited	1,973	2,070	Value in use	14%	14%
Orion Systems Integration Pte Ltd (“Orion”)	664	664	Value in use	19%	24%
Biobot Surgical Pte Ltd (“BBS”)	1,316	1,316	Value in use	18%	17%
Zicom Energy Solutions Private Limited	282	–	–	–	–
	7,210	7,025			

In accordance with AASB 136, the carrying value of the Group's goodwill on acquisition as at 30 June 2018 was assessed for impairment.

The businesses in the PET segment are in different phases of development with some of the businesses close to or just starting commercialisation and others still firmly in the product development phase. For all businesses in the PET segment there were no triggers associated with technical feasibility including ability to sell, complete or use the projects, nor any indicators linked to the generation of probable future economic benefits from the projects.

The recoverable amount of each CGU is determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a 5 year period. Budgeted revenue and gross margin in the financial budgets are based on past performance and its expectation of market development. Long term growth rate of 1% was used for the above CGUs with the exception of Orion for which 0% was used.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 10. Intangible assets (cont'd)

### *Impairment tests for goodwill and associates (cont'd)*

#### *Zicom Group Limited*

Goodwill in this CGU relates mainly to Cesco Australia Limited that operates in the construction industry in the manufacturing of cement mixers. The recoverable amount of the CGU has been determined based on value in use calculation using cash flow projections from financial budgets that was approved by management covering a 5 year period. The cash flows beyond 5 years were extrapolated using a long term growth rate of 1% based on market information consistent for the industry it operates in. The cash flows for the first 5 years included growth of between 5% and 8%.

#### *Sys-Mac Automation Engineering Pte Ltd ("Sys-Mac")*

Sys-Mac is involved in contract manufacturing and system integration which includes machining works, design and build of customised automation equipment and systems. The recoverable amount of the CGU has been determined based on value in use calculation using cash flow projections from financial budgets that was approved by management covering a 5 year period. The cash flows beyond 5 years were extrapolated using a long term growth rate of 1% based on market information consistent for the industry it operates in. The cash flows for the first 5 years included growth of between 0% and 100%.

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

BBS is a medical technology CGU and its main product is the iSR'obot™ Mona Lisa, an intelligent robotic prostate biopsy device. BBS is in its early stage of commercialisation of its product. The recoverable amount of the CGU has been determined based on value in use calculation using cash flow projections from financial budgets that was approved by management covering a 5 year period. The projected cash flows reflect initial outflows through early stage commercialisation and then ramp up based on market share assumptions through the increased demand for its products, consumables and services. The cash flows beyond 5 years were extrapolated using a long term growth rate of 1% based on market information consistent for the industry it operates in. The cash flows for the first 5 years included growth of between 0% and 60%.

#### *Orion Systems Integration Pte Ltd ("Orion")*

Orion provides equipment with high performance flip chip applications to companies involved in back-end semiconductor production. Its signature product is Phoenix Quadpro, a high speed, fine pitch flip chip bonder. Orion is in its second year of commercial production. The recoverable amount of the CGU has been determined based on value in use calculation using cash flow projections from financial budgets that was approved by management covering a 5 year period. The projected cash flows reflect early ramp up in 2019 based on market share assumptions through the increased demand for its products. The cash flows do not extend beyond 5 years as this is considered to be the expected product life cycle. The cash flows for the first 5 years included growth of between 0% and 100%.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 10. Intangible assets (cont'd)

*Impairment tests for goodwill and associates (cont'd)*

*Associates*

*Curiox Biosystems Pte Ltd ("Curiox")*

Curiox is a bioinstrumentation company which is accounted for as an associate as disclosed in note 12. It is involved in the development and commercialisation of innovative assay platforms based on its expertise in surface chemistry and engineering. It has introduced a series of DropArray Microplates. Curiox's DA-Cell Plate and Washing Station has just entered the commercialisation stage. The recoverable amount of Curiox has been determined based on value in use calculation using cash flow projections from financial budgets that was approved by management covering a 5 year period. The projected cash flows reflect initial outflows through early stage commercialisation and then ramp up based on market share assumptions through the increased demand for its products, consumables and services. The cash flows beyond 5 years were extrapolated using a long term growth rate of 1% based on market information consistent for the industry it operates in. The cash flows for the first 5 years included growth of between 0% and 100%.

Interests in the rest of the associates as disclosed in note 12 were mostly acquired in the last financial year and all of these associates are in the research and development phase of their products. As such, their current carrying values, in the absence of an impairment trigger, were considered representative of their fair values.

*Key assumptions used in value in use calculations and sensitivity to changes in assumptions:*

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

- Gross margins
- Pre-tax discount rates
- Market share assumptions
- Growth rate estimates
- Timing of cash flows

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. Decreased demand can lead to a decline in gross margin. A decrease in gross margin of 10% would not result in an impairment adjustment. Decreases greater than 10% may result in impairment adjustments. This applies to all CGUs where VIU assessment was required to be performed.

Pre-tax discount rates – Discount rate reflect the current market assessment of the risk specific to the CGUs, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. 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 10-15 year government bond at the beginning of the budgeted year. CGU's specific risk is incorporated in the discount rate by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. A rise in the pre-tax discount rate by 5% or above may result in impairment adjustments for all CGUs.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 10. Intangible assets (cont'd)

### *Impairment tests for goodwill and associates (cont'd)*

Market share assumptions – For businesses that are in the early stages of commercialisation such as Biobot and Curiox, cash flows in the first 5 years included in the budget are determined with reference to industry data which effectively drives the growth profile for these businesses over the initial 5 year period. These assumptions are important as management assesses how the CGU's position relative to its competitors may change over the forecast period. Management is expecting its businesses to be taking market share as the CGUs will be selling new technology. An annual decrease in excess of 25% in forecast revenues based on market information may result in an impairment adjustment.

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. Management acknowledges that the speed of technological change and the possibility of new entrants can have a significant impact on growth rates. Growth rates can also impact on the margins achieved by the CGUs as discussed above. Should the long term growth rate be reduced by 1%, there is still no impairment required.

Timing of cash flows – As indicated above, a number of the CGUs in the PET segment are in different stages of development with some businesses in early stages of product development (research and development) and some of them close to commercialisation with some having started its journey of commercialisation. For the businesses that have started commercialisation, in particular Orion, Biobot and Curiox, a 3 year delay in cash flows will not result in impairment. A delay of greater than 3 years will result in impairment. The rest of the businesses in the PET segment are predominantly in the research and development phase of their respective products. There are currently no indicators that these products will not continue to the commercialisation phase.

### *Summary of sensitivity to changes in assumptions*

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.

For all of the above CGUs and for Curiox, the calculated value in use were in excess of the carrying amounts of the assets and as such there were no impairment adjustment required for the financial years ended 30 June 2018 and 2017 for goodwill as their recoverable values were in excess of their carrying values.

## 11. Investments in subsidiaries

	<b>Parent Entity</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Investments in controlled entities, at cost	54,544	54,544
Less: Impairment loss	(2,322)	(3,573)
	<u>52,222</u>	<u>50,971</u>



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 11. Investments in subsidiaries (cont'd)

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

The carrying amount in each controlled entity has been adjusted to assess 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	
		2018	2017	2018	2017
		S\$'000	S\$'000	%	%
<b>Held by the Company:</b>					
Cesco Australia Limited	Australia	8,047	6,796	100	100
Zicom Holdings Private Limited	Singapore	44,175	44,175	100	100
<b>Controlled entities held through subsidiary companies:</b>					
Cesco Equipment Pty Ltd	Australia	–	–	100	100
Zicom Private Limited	Singapore	–	–	100	100
Zicom Energy Solutions Private Limited (b)	Singapore	–	–	51	–
Zicom Equipment Private Limited	Singapore	–	–	100	100
Link Vue Systems Pte Ltd (a)	Singapore	–	–	72	–
Foundation Associates Engineering Private Limited	Singapore	–	–	100	100
FAE Construction Pte Ltd	Singapore	–	–	100	100
FAEQUIP Corporation	Philippines	–	–	100	100
FAE Thai Co. Ltd (c)	Thailand	–	–	100	–
Sys-Mac Automation Engineering Pte Ltd	Singapore	–	–	100	100
MTA-Sysmac Automation Pte Ltd	Singapore	–	–	61	61
SAEdge Vision Solutions Pte Ltd	Singapore	–	–	96	96
iPtec Pte Ltd	Singapore	–	–	100	100
Orion Systems Integration Pte Ltd	Singapore	–	–	98	98
Biobot Surgical Pte Ltd	Singapore	–	–	95	95
Zicom MedTacc Private Limited	Singapore	–	–	100	100
Zicom Innovations Group Private Limited (d)	Singapore	–	–	100	–
ZIG Medtech Asia Pte Ltd (e)	Singapore	–	–	100	–
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
Deqing Cesco Machinery Co. Ltd	China	–	–	100	100
		52,222	50,971		

(a) Link Vue Systems Pte Ltd ("Link Vue")

On 26 September 2017, the Group acquired 71.87% equity interest in Link Vue Systems Pte Ltd, an automation company specialised in industrial controls and system engineering, for a cash consideration of S\$189,000.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 11. Investments in subsidiaries (cont'd)

### (b) Zicom Energy Solutions Private Limited ("ZES")

On 27 October 2017, the Group acquired 51% equity interest in Zicom Energy Solutions Private Limited, a dual fuel technology company, for a cash consideration of S\$510,000.

The net identifiable assets and liabilities arising from the acquisitions of Link Vue and ZES based on provisional values were:

	Link Vue S\$'000	ZES S\$'000
<b>Assets</b>		
Property, plant and equipment	–	3
Inventories	89	–
Trade and other receivables	157	1
Cash and bank balances	102	452
	<u>348</u>	<u>456</u>
<b>Liabilities</b>		
Trade and other payables	(148)	(9)
Total identifiable net assets	<u>200</u>	<u>447</u>
Non-controlling interests measured at its proportionate share of net identifiable assets	(56)	(219)
Intangible assets arising from acquisition	45	282
	<u>189</u>	<u>510</u>
<b>Effects of acquisition on cash flows</b>		
Total consideration	189	510
Cash and bank balances of subsidiary company acquired	(102)	(452)
<b>Net cash outflow on acquisition</b>	<u>87</u>	<u>58</u>

### (c) FAE Thai Co. Ltd ("FAE Thai")

On 11 October 2017, FAE Thai Co. Ltd was incorporated in Thailand by Foundation Associates Engineering Private Limited, both wholly-owned subsidiaries, with a paid-up capital of THB2,500,000 (S\$104,000). FAE Thai is principally engaged in trading and rental of foundation equipment and the provision of construction services.

### (d) Zicom Innovations Group Private Limited

On 27 October 2017, Zicom Innovations Group Private Limited was incorporated by Zicom Holdings Private Limited, both wholly-owned subsidiaries, with a paid-up capital of S\$1.

### (e) ZIG Medtech Asia Pte Ltd ("ZMA")

On 22 February 2018, ZIG Medtech Asia Pte Ltd was incorporated by Zicom Innovations Group Private Limited, both wholly-owned subsidiaries, with a paid-up capital of S\$2. ZMA is principally engaged in the distribution of medical and surgical supplies.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 11. Investments in subsidiaries (cont'd)

*Entity subject to class order relief*

Pursuant to the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, 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 relief, 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.

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

### **Consolidated Income Statement**

	<b>Closed Group</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Profit from continuing activities before taxation	1,065	1,248
Income tax benefit	311	–
Net profit for the year	1,376	1,248
Accumulated losses at the beginning of year	(23,209)	(23,651)
Forfeiture of employee share options	4	3
Dividends paid	–	(809)
Accumulated losses at the end of year	(21,829)	(23,209)

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 11. Investments in subsidiaries (cont'd)

### Consolidated Balance Sheet

	Closed Group	
	2018	2017
	S\$'000	S\$'000
<b>Non-current assets</b>		
Property, plant and equipment	1,286	456
Intangible assets	358	377
Deferred tax assets	302	–
Investments in subsidiaries	44,175	44,175
	46,121	45,008
<b>Current assets</b>		
Cash and bank balances	1,163	1,772
Inventories	4,499	3,229
Trade and other receivables	4,647	3,549
Prepayments	19	15
	10,328	8,565
<b>Current liabilities</b>		
Payables	4,749	3,492
Interest-bearing liabilities	206	39
Provisions	470	467
	5,425	3,998
<b>NET CURRENT ASSETS</b>	4,903	4,567
<b>Non-current liabilities</b>		
Interest-bearing liabilities	421	61
Provisions	112	115
	533	176
<b>NET ASSETS</b>	50,491	49,399
<b>Equity attributable to equity holders of the Parent</b>		
Share capital	72,322	72,322
Reserves	(2)	286
Accumulated losses	(21,829)	(23,209)
<b>TOTAL EQUITY</b>	50,491	49,399

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 12. Investments in associates

### (a) Investment details

		Consolidated	
		2018 S\$'000	2017 S\$'000
Held through subsidiaries	Principal place of business		
Curiox Biosystems Pte Ltd	Singapore	5,107	5,266
HistoIndex Pte Ltd	Singapore	871	1,301
Endofotonics Pte Ltd	Singapore	706	907
BELKIN Laser Ltd	Israel	1,196	1,374
Pellucid Networks Pte Ltd	Singapore	918	600
		<u>8,798</u>	<u>9,448</u>

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

#### Curiox Biosystems Pte Ltd ("Curiox")

Shareholdings held: 72.28% (2017: 73.02%)

	Consolidated	
	2018 S\$'000	2017 S\$'000
At beginning of year	5,266	5,295
Additional investment	276	323
Share of loss after income tax	(393)	(301)
Share of other comprehensive income	2	(19)
Unrealised profits	(44)	(32)
At end of year	<u>5,107</u>	<u>5,266</u>

On 8 September 2017, 138,000 preference shares were allotted to Zicom Holdings Private Limited ("ZHPL") for a cash consideration of S\$276,000 pursuant to the remaining tranche of the non-renounceable rights issue. Due to allotment for excess rights applications to some shareholders, the Group's interest in Curiox decreased to 72.75%.

On 1 February 2018, 22,000 preference shares were issued to directors of Curiox as part payment of directors' fees and 5,500 ordinary shares were issued under the Curiox Employee Share and Option Plan. As a result of this allotment, the Group's interest in Curiox decreased to 72.28%.

Although ZHPL holds the majority of voting rights in Curiox, it does not have the power and practical ability to direct the relevant activities of Curiox unilaterally and hence, Curiox remains an associate of the Group as at 30 June 2018.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 12. Investments in associates (cont'd)

- (b) Movements in carrying amount of the Group's investments in associates (cont'd)

### HistoIndex Pte Ltd ("HistoIndex")

Shareholdings held: 10.88% (2017: 10.88%)

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
At beginning of year	1,301	1,591
Share of loss after income tax	(419)	(288)
Unrealised profits	(11)	(2)
At end of year	<u>871</u>	<u>1,301</u>

HistoIndex entered into a convertible loan agreement on 6 June 2018 with Zicom MedTacc Private Limited ("ZMT") and various investors, collectively the "Lenders", to which the Lenders have granted convertible loans aggregating S\$1,000,000 to HistoIndex. The convertible loans earns interest at 5% per annum and may be converted into ordinary shares at a discounted price upon the occurrence of pre-defined events or repaid upon maturity on 5 June 2021.

Although the Group holds less than 20% of equity interest, the Group has the ability to exercise significant influence through its shareholdings and participation on HistoIndex Board of Directors.

### Endofotonics Pte Ltd ("Endofotonics")

Shareholdings held: 21.89% (2017: 21.89%)

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
At beginning of year	907	–
Investment during the year	–	1,000
Share of loss after income tax	(201)	(93)
At end of year	<u>706</u>	<u>907</u>

Under the terms of the investment, ZMT can acquire additional shares through options and achieving certain milestones. The changes in fair value of the options was assessed as being not significant as at 30 June 2018.

### BELKIN Laser Ltd ("BELKIN")

Shareholdings held: 16.66% (2017: 16.66%)

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
At beginning of year	1,374	–
Investment during the year	–	1,416
Share of loss after income tax	(178)	(42)
At end of year	<u>1,196</u>	<u>1,374</u>

Although the Group holds less than 20% of equity interest, the Group has the ability to exercise significant influence through its shareholdings and participation on BELKIN Board of Directors.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 12. Investments in associates (cont'd)

- (b) Movements in carrying amount of the Group's investments in associates (cont'd)

Pellucid Networks Pte Ltd ("Pellucid")

Shareholdings held: 11.51% (2017: 8.23%)

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
At beginning of year	600	–
Investment during the year	400	600
Share of loss after income tax	(82)	–
At end of year	<u>918</u>	<u>600</u>

Although the Group holds less than 20% of equity interest, the Group has the ability to exercise significant influence through its shareholdings and participation on Pellucid Board of Directors.

- (c) Summarised financial information

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

	<b>Curiox</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Current assets	1,960	2,198
Non-current assets	<u>1,155</u>	<u>623</u>
	<u>3,115</u>	<u>2,821</u>
Current liabilities	<u>(856)</u>	<u>(556)</u>
Net assets	2,259	2,265
Add: Fair value adjustments arising from acquisition	<u>271</u>	<u>328</u>
	<u>2,530</u>	<u>2,593</u>
Proportion of Group's investment	72.28%	73.02%
Share of net assets	1,829	1,893
Goodwill	3,428	3,478
Less: Unrealised profits	(147)	(103)
Less: Other equity transactions	(3)	(2)
Group's carrying amount of investment in associate	<u>5,107</u>	<u>5,266</u>



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 12. Investments in associates (cont'd)

(c) Summarised financial information (cont'd)

	<b>Curiox</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
<b>Results:</b>		
Revenue	2,213	1,955
Cost of goods sold	(526)	(267)
	<u>1,687</u>	<u>1,688</u>
Other income	123	272
Operating expenses	(2,287)	(2,309)
Loss before tax	(477)	(349)
Income tax expense	(4)	(2)
	<u>(481)</u>	<u>(351)</u>
Add: Fair value adjustments arising from acquisition	(60)	(60)
Net loss for the year	(541)	(411)
Other comprehensive income	2	(26)
Total comprehensive income	<u>(539)</u>	<u>(437)</u>
 Group's share of loss for the year	 <u>(393)</u>	 <u>(301)</u>
Group's share of other comprehensive income	<u>2</u>	<u>(19)</u>

## 13. Inventories

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Raw materials/trading stocks (at cost or net realisable value)	18,902	15,437
Work-in-progress (at cost)	6,191	4,792
Finished goods (at cost)	2,097	2,171
Stocks-in-transit (at cost)	817	745
Total inventories at lower of cost and net realisable value	<u>28,007</u>	<u>23,145</u>

Inventories recognised as cost of sales for the year ended 30 June 2018 totalled S\$50,335,000 (2017: S\$54,780,000) for the Group.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 14. Current assets - receivables

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Trade receivables (a)	19,461	15,502
Allowance for impairment loss (b)	(1,087)	(680)
	<u>18,374</u>	<u>14,822</u>
Advance payments to suppliers	1,363	2,416
Deposits	100	86
Related party receivables (c):		
- Associates		
- trade	361	278
- non-trade	158	233
- Other related parties		
- trade	142	61
- non-trade	—	3
Other receivables	<u>1,304</u>	<u>1,296</u>
	<u><u>21,802</u></u>	<u><u>19,195</u></u>

- (a) Please refer to note 21(d) for the ageing analysis of trade receivables past due but not impaired.
- (b) Trade and other receivables are non-interest bearing and are generally due when invoiced or on 30 to 60 days' terms. An allowance for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

The Group has trade receivables that were impaired at the balance sheet date and the movements in the provision for impairment are as follows:

	<b>Consolidated</b>	
	<b>Individually impaired</b>	
	<b>Trade receivables</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Nominal amounts	1,087	680
Less: allowance for impairment	(1,087)	(680)
	<u>—</u>	<u>—</u>
Movements in allowance accounts:		
As at 1 July	680	309
Acquisition of subsidiary company	7	—
Charge for the year	423	519
Written off	—	(44)
Unused amounts reversed	(20)	(107)
Currency realignment	(3)	3
As at 30 June	<u><u>1,087</u></u>	<u><u>680</u></u>

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Contract costs incurred to date	6,249	4,005
Recognised profits (less recognised losses) to date	1,023	2,369
	<u>7,272</u>	<u>6,374</u>
Progress billings	(4,889)	(3,088)
Amount due from customers for contract work, net	<u>2,383</u>	<u>3,286</u>
Gross amount due from customers for contract work	4,227	3,305
Gross amount due to customers for contract work	(1,844)	(19)
	<u>2,383</u>	<u>3,286</u>
Advances received included in gross amount due to customers for contract work	<u>217</u>	<u>–</u>

Revenue recognised on projects is disclosed in note 5.

## 16. Current liabilities - payables

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Trade payables and accruals (a)	17,879	16,095
Advance received from customers	997	3,528
Related party payables (b)		
- Associates		
- trade	–	21
- Other related parties		
- trade	18	9
- non-trade	17	9
Other payables	211	265
Unrealised loss on derivatives	–	64
	<u>19,122</u>	<u>19,991</u>

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

(b) For related parties' payables, please refer to note 23 for terms and conditions.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 17. Interest-bearing liabilities

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
<i>Current</i>		
Bank overdrafts (a)	783	352
Bills payable (b)	4,469	4,164
Factory loans (c)	–	42
Term loans (d)	11,409	4,941
Loans from a related party (e)	1,352	–
Lease liabilities (note 25)	394	436
	<u>18,407</u>	<u>9,935</u>
<i>Non-current</i>		
Term loans (d)	421	61
Lease liabilities (note 25)	243	591
	<u>664</u>	<u>652</u>

Details of the secured borrowings are as follows:

- (a) Bank overdraft amounting to S\$305,000 (2017: S\$352,000) which bears interest at floating rates ranging from 6.00% to 6.25% (2017: 6.03% to 6.28%) per annum is secured by corporate guarantee from Zicom Holdings Private Limited ("ZHPL").

Bank overdraft of S\$306,000 (2017: S\$nil) which bears interest at floating rate of approximately 7.70% per annum is secured by a corporate guarantee from Zicom Cesco Engineering Co Ltd.

Bank overdraft of S\$125,000 (2017: S\$nil) which bears interest at floating rate of approximately 7.70% per annum is secured by a legal mortgage on the subsidiary company's freehold land and buildings at 700/895 Moo 2, Amata Nakorn Industrial Estate, Chonburi, Thailand and a corporate guarantee from ZHPL.

The remaining bank overdraft of S\$47,000 (2017: S\$nil) which bears interest at fixed rate of 7.87% per annum is secured by a corporate guarantee from the Company.

- (b) Bills payable amounting to S\$1,419,000 (2017: S\$3,976,000) with an average maturity of 2 - 5 months (2017: 1 - 4 months) bear fixed interest rates until expiry, ranging from 1.78% to 4.70% (2017: 2.40% to 3.55%) per annum, at which point interest rate resets and are secured by a corporate guarantee given by ZHPL.

Bills payable amounting to S\$3,050,000 (2017: S\$nil) with a maturity of 4 months bear fixed interest rates until expiry, ranging from 3.39% to 3.40% per annum, at which point interest rate resets and are secured by a second legal mortgage on ZHPL's leasehold building at No. 29 Tuas Avenue 3 Singapore 639420 and a corporate guarantee from ZHPL.

The remaining bills payable outstanding as at 30 June 2017 of S\$188,000 with a maturity of 2 months bore fixed interest rate of 3.69% per annum until expiry and was secured by a corporate guarantee from Zicom Cesco Engineering Co. Ltd.

- (c) Factory loan outstanding as at 30 June 2017 amounting to S\$42,000 which bore interest at floating rates ranging from 2.90% to 3.05% per annum was fully repaid during the year. It was secured by a legal mortgage on ZHPL's leasehold building at No. 9 Tuas Avenue 9 Singapore 639198 and a corporate guarantee from the Company.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 17. Interest-bearing liabilities (cont'd)

- (d) Term loans amounting to S\$145,000 (2017: S\$100,000) comprising of current and long-term portions of S\$54,000 (2017: S\$39,000) and S\$91,000 (2017: S\$61,000) respectively which are secured by a fixed charge over the purchased motor vehicles and equipment are payable over 3 to 5 years (2017: 3 to 4 years) and bear interest at fixed rates of 4.12% to 5.40% (2017: 4.12% to 4.39%) per annum.

Term loan amounting to S\$435,000 (2017: S\$nil) comprising of current and long-term portions of S\$105,000 and S\$330,000 respectively is repayable over 4 years and bear interest at fixed rate of 5.51% per annum. It is secured by a fixed charge over the purchased equipment and a corporate guarantee from Cescio Australia Limited.

Term loan outstanding as at 30 June 2017 amounting to S\$833,000 which bore interest at floating rates ranging from 2.85% to 3.10% per annum and secured by a corporate guarantee given by ZHPL was fully repaid during the year.

Term loan outstanding as at 30 June 2017 amounting to S\$1,069,000 which bore interest at floating rate of approximately 3.65% 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 during the year.

The remaining term loan outstanding as at 30 June 2017 amounting to S\$200,000 which bore interest at floating rates ranging from 2.90% to 3.05% per annum and secured by a legal mortgage on ZHPL's leasehold building at No. 9 Tuas Avenue 9 Singapore 639198 and a corporate guarantee from the Company was fully repaid during the year.

Short term loans with tenures of 1 – 3 months (2017: 3 – 6 months) amounting to S\$2,300,000 (2017: S\$2,800,000) bear interest at fixed rates ranging from 3.39% to 3.57% (2017: 2.77% to 3.24%) per annum and is secured by a corporate guarantee given by ZHPL.

A revolving credit line of S\$5,000,000 (2017: S\$nil) for a term of 10 years was offered to ZHPL where drawdown can be made in tranches for a tenure of 1, 2 or 3 months and thereafter, rollover as required. This facility which is secured by a legal mortgage on ZHPL's leasehold building at No. 9 Tuas Avenue 9 Singapore 639198 and corporate guarantees from the Company and Zicom Private Limited shall be reduced by an annual reduction of S\$500,000 commencing on 28 August 2018. As at 30 June 2018, S\$5,000,000 has been drawn down with tenures of 1 month bearing interest at fixed rates until expiry, ranging from 2.75% to 3.00% per annum, at which point, interest rate resets.

Short term loan of S\$3,000,000 (2017: S\$nil) with a term of 5 years was granted to Zicom Private Limited where drawdown can be made in tranches for a tenure of 1, 3 or 6 months and thereafter, rollover as required. This facility which is subject to a monthly reduction of S\$50,000 commencing on 16 June 2018 is secured by a legal mortgage on ZHPL's leasehold building at No. 5 Tuas Avenue 1 Singapore 639490 and a corporate guarantee from ZHPL. As at 30 June 2018, S\$2,950,000 is outstanding with tenures of 1 and 3 months bearing interest at fixed rates until expiry, ranging from 2.66% to 2.73% per annum, at which point, interest rate resets.

The remaining short term loan with a tenure of 3 months amounting to S\$1,000,000 (2017: S\$nil) which is secured by a first legal mortgage on ZHPL's leasehold building at No. 29 Tuas Avenue 3 Singapore 639420 bears interest at fixed rate at 2.89% per annum until expiry, at which point, interest rate resets.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 17. Interest-bearing liabilities (cont'd)

- (e) Loans from a related party amounting to S\$1,352,000 (2017: S\$nil) which bear interest at fixed rate of 5% per annum have a maturity of 3 months which may be extended if required.
- (f) Financing facilities available

As at 30 June 2018, the Group had available S\$103,000,000 (2017: S\$99,000,000) of undrawn committed borrowing facilities and all bank covenants were complied with.

## 18. Provisions

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
<i>Current</i>		
Product warranties	1,494	1,918
Employee benefits	388	363
	<u>1,882</u>	<u>2,281</u>
<i>Non-current</i>		
Employee benefits	260	242
Reinstatement costs	154	156
	<u>414</u>	<u>398</u>
Movements in provision for warranties:		
At beginning of year	1,918	720
Additional provision	612	1,536
Unused amounts reversed	(509)	(171)
Utilised	(513)	(166)
Currency realignment	(14)	(1)
At end of year	<u>1,494</u>	<u>1,918</u>
Warranty expense charged directly to profit or loss (note 5)	<u>3</u>	<u>4</u>
Movements in provision for employee benefits:		
At beginning of year	605	534
Additional provision	77	91
Unused amounts reversed	(13)	(33)
Utilised	(2)	(16)
Currency realignment	(19)	29
At end of year	<u>648</u>	<u>605</u>
Movements in provision for reinstatement costs:		
At beginning of year	156	154
Currency realignment	(2)	2
At end of year	<u>154</u>	<u>156</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 18. Provisions (cont'd)

Provision for expected warranty claims is recognised on hydraulic deck machineries, gas processing plants, flip chip bonders and robotic systems supplied. Assumptions used to calculate these provisions were based on a certain percentage of sale values and past experience of the level of repairs and returns based on the two-year warranty period.

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

Because of the long-term nature of liability, the greatest uncertainty in estimating the provision is the costs that will ultimately be incurred.

## 19. Share capital

	Parent Entity		Consolidated	
	2018	2017	2018	2017
	No. of shares (Thousands)		S\$'000	
Ordinary fully paid shares	217,141	217,141	38,314	38,314

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.

There were no movements in share capital for both financial years.

## 20. Cash and cash equivalents

	Consolidated	
	2018	2017
	S\$'000	
Cash at bank and in hand	9,465	18,591
Short-term fixed deposits	274	–
	9,739	18,591

For the purpose of statement of the consolidated cash flows, cash and cash equivalents comprise the following as at 30 June:

Cash and short-term deposits	9,739	18,591
Bank overdrafts	(783)	(352)
	8,956	18,239

Cash at bank balance amounting to S\$522,000 as at 30 June 2018 (2017: S\$234,000) earned interest at floating rate based on daily bank deposit rates ranging from 0.30% to 3.08% (2017: 0.30% to 2.16%) per annum.

Short-term deposits are made for varying periods of 1 day to 3 months depending on the immediate cash requirements of the Group and earn interest at the respective short-term rates.

Included in short-term fixed deposits are amounts of S\$84,000 (2017: S\$nil) pledged for facilities.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 21. Financial instruments

### (a) Financial risk management objectives and policies

The Group and the Company are 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, purpose is to manage currency risk arising from the Group's operations and sources of finance. The Group does not apply hedge accounting for such derivatives.

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

### (b) Interest rate risk

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

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
<i>Financial assets</i>		
Cash and bank balances	522	234
<i>Financial liabilities</i>		
Bank overdrafts	736	352
Factory loan	–	42
Term loans	–	2,102
	736	2,496

### *Sensitivity analysis of interest rate risk*

As at 30 June 2018, if interest rates had increased/decreased by 25 basis point with all other variables held constant, post-tax loss for the consolidated entity for the financial year would be S\$1,000 (2017: S\$5,000) higher/lower, 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 (2017: (S\$5,000)/S\$5,000) lower/higher.



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 21. Financial instruments (cont'd)

### (c) Foreign currency risk

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

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 to hedge a portion of its future foreign exchange exposure 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 results and equity would have been affected as follows:

	2018	2017
<b>Consolidated</b>	S\$'000	S\$'000
USD		
- strengthened 1% (2017: 1%)	40	42
- weakened 2% (2017: 2%)	(79)	(83)
EURO		
- strengthened 2% (2017: 4%)	3	24
- weakened 1% (2017: 2%)	(1)	(12)
AUD		
- strengthened 2% (2017: 3%)	8	30
- weakened 2% (2017: 3%)	(8)	(30)
BDT		
- strengthened 2% (2017: 2%)	–	(3)
- weakened 2% (2017: 2%)	–	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 to bad debts has not been significant.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 21. Financial instruments (cont'd)

### (d) Credit risk (cont'd)

#### *Credit risk concentration profile*

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

	Consolidated			
	2018		2017	
	S\$'000	% of total	S\$'000	% of total
Austria	137	0.7	137	0.9
Australia	3,758	20.5	3,038	20.5
Bangladesh	1,979	10.8	473	3.2
France	56	0.3	126	0.8
Hong Kong	178	1.0	24	0.2
Indonesia	120	0.7	395	2.7
Italy	120	0.7	88	0.6
Malaysia	966	5.3	1,575	10.6
New Zealand	100	0.5	10	0.1
People's Republic of China	229	1.2	609	4.1
Philippines	88	0.5	130	0.9
Singapore	4,848	26.4	4,289	28.9
Taiwan	4,207	22.9	3,522	23.8
Thailand	1,085	5.9	250	1.7
United States of America	99	0.5	106	0.7
Vietnam	300	1.6	-	-
Others	104	0.5	50	0.3
	<u>18,374</u>	<u>100</u>	<u>14,822</u>	<u>100</u>

At the balance sheet date, approximately 56.9% (2017: 48.7%) of the Group's trade receivables were due from 9 (2017: 5) major customers.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 21. Financial instruments (cont'd)

### (d) Credit risk (cont'd)

#### *Financial assets that are not impaired*

Trade and other receivables that are not impaired are with creditworthy debtors with good payment records. Cash and short term deposits are placed with reputable banks.

As at 30 June 2018, the ageing analysis of trade receivables that are past due but not impaired is as follows:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Less than 30 days	5,748	2,393
30 to 60 days	602	868
61 to 90 days	780	254
91 to 120 days	374	131
More than 120 days	2,331	1,206
	<u>9,835</u>	<u>4,852</u>

As at 30 June 2018, trade receivables amounting to S\$1,766,000 (2017: S\$645,000) were arranged to be settled via letters of credit issued by reputable banks in countries where the customers were based.

#### *Financial assets that are impaired*

Please refer to note 14 for details.

### (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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 21. Financial instruments (cont'd)

### (e) Liquidity risk (cont'd)

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.

	1 year or less S\$'000	After 1 year but not more than 5 years S\$'000	5 to 10 years S\$'000	Total S\$'000
<b>Consolidated</b>				
<b>2018</b>				
<b>Financial assets:</b>				
Trade receivables	18,055	–	–	18,055
Other receivables	1,478	–	–	1,478
Loan receivable	–	1,270	–	1,270
Cash and bank balances	9,739	–	–	9,739
Total undiscounted financial assets	29,272	1,270	–	30,542
<b>Financial liabilities:</b>				
Trade payables	10,986	–	–	10,986
Other payables	5,267	–	–	5,267
Loans and borrowings	18,560	715	–	19,275
Total undiscounted financial liabilities	34,813	715	–	35,528
Total net undiscounted financial assets/ (liabilities)	(5,541)	555	–	(4,986)
<b>2017</b>				
<b>Financial assets:</b>				
Trade receivables	14,677	–	–	14,677
Other receivables	1,521	–	–	1,521
Loan receivable	–	690	–	690
Cash and bank balances	18,591	–	–	18,591
Total undiscounted financial assets	34,789	690	–	35,479
<b>Financial liabilities:</b>				
Trade payables	7,291	–	–	7,291
Other payables	6,629	–	–	6,629
Unrealised loss on derivatives	64	–	–	64
Loans and borrowings	10,057	688	–	10,745
Total undiscounted financial liabilities	24,041	688	–	24,729
Total net undiscounted financial assets	10,748	2	–	10,750

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 21. Financial instruments (cont'd)

### (f) Fair values

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

As at 30 June 2018, the Group had no financial instruments measured at fair value.

As at 30 June 2017, the Group had the following financial liabilities measured 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
<b>Consolidated</b>				
<b>Financial liabilities:</b>				
Derivatives – foreign currency forward contracts	–	64	–	64

The fair value of foreign currency forward contracts are derived from mark-to-market valuations using theoretical 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.

There were no transfers between level 1 and level 2 fair value measurements during the financial years 2018 and 2017.

#### (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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 21. Financial instruments (cont'd)

(f) Fair values (cont'd)

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

The fair values of non-current finance lease liabilities and bank loans bearing interest at fixed rates, which are not carried at fair value in the balance sheet, are 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 2018 was assessed to be insignificant.

	Consolidated			
	Carrying Amount		Fair Value	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Financial liabilities:</b>				
Bank loans	421	61	359	56
Obligations under finance leases	243	591	230	567

## 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.

The Group regularly reviews the Company's capital structure and make adjustments to reflect economic conditions, business strategies and future commitments. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets or increase borrowings. No changes were made in the objectives, policies and processes during the years ended 30 June 2018 and 30 June 2017.

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%.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 22. Capital Management (cont'd)

The gearing ratios as at 30 June 2018 and 30 June 2017 were as follows:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Interest-bearing liabilities (note 17)	19,071	10,587
Less: bank overdrafts (note 17)	(783)	(352)
	18,288	10,235
Less: cash and cash equivalents (note 20)	(8,956)	(18,239)
Net debt	9,332	(8,004)
Equity attributable to holders of the Parent	69,333	80,257
Gearing ratio	13.46%	–

## 23. Related party disclosures

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Minority shareholder of a subsidiary company		
- Sales	1,200	276
- Purchases	28	33
Associates		
- Sales	638	933
- Purchases	–	62
- Interest income	33	21
- Rental & utilities income	173	115
- Services rendered	683	365
Other related parties		
- Sales	28	–
- Services rendered	–	6

# Notes to the Consolidated Financial Statements

(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.

Outstanding non-trade balances as at year-end with related parties are unsecured, interest-free and have no fixed terms of repayment. For information regarding outstanding balances on related party receivables and payables at year-end, please refer to notes 14 and 16.

- (c) Compensation of key management personnel

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$	S\$
Short-term employee benefits	1,407,101	1,442,745
Post-employment benefits	45,060	44,010
Share-based payments	–	17,892
Total compensation	<u>1,452,161</u>	<u>1,504,647</u>

## 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\$155,000 (2017: S\$43,000).

There have been no cancellations or modifications to the plan during the years 2018 and 2017.

- (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, physical or mental incapacity.

The contractual life of each option granted is 3 to 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) Movements during the year

	<b>2018</b>	<b>2017</b>
	No. of options (Thousands)	
Outstanding at beginning of year	2,680	2,750
Forfeited during the year	(70)	(70)
Outstanding at end of year	<u>2,610</u>	<u>2,680</u>
Exercisable at end of year	<u>2,610</u>	<u>2,680</u>

The outstanding balance of share options as at 30 June 2018 and 30 June 2017 is represented by:

<b>No. of options (Thousands)</b>		<b>Exercise price</b>	<b>Exercisable</b>	<b>Expiry Date</b>
<b>2018</b>	<b>2017</b>	<b>(Australian Cents)</b>	<b>on or after</b>	
2,010	2,080	20.5	1/11/2016	31/10/2019
600	600	18.0	1/12/2016	30/11/2020
<u>2,610</u>	<u>2,680</u>			

## 25. Commitments

(a) Commitments

As at year-end, the Group has issued letters of guarantee amounting to S\$10,724,000 (2017: S\$11,606,000).

(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 2 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:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$'000	S\$'000
Within 1 year	2,136	2,147
Within 2 - 5 years	4,744	5,078
More than 5 years	4,344	4,577
	<u>11,224</u>	<u>11,802</u>

The amount of operating lease payments recognised as an expense in the year ended 30 June 2018 is S\$2,509,000 (2017: S\$2,382,000).

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 25. Commitments (cont'd)

### (c) Finance lease commitments

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

	Minimum payments 2018 S\$'000	Present value of payments 2018 S\$'000	Minimum payments 2017 S\$'000	Present value of payments 2017 S\$'000
<b>Consolidated</b>				
Due within one year	408	394	455	436
After one year but not more than five years	260	243	625	591
Total minimum lease payments	668	637	1,080	1,027
Less: amounts representing finance charges	(31)	—	(53)	—
	<u>637</u>	<u>637</u>	<u>1,027</u>	<u>1,027</u>

### (d) Capital commitments

As at 30 June 2018, the Group has committed to subscribe to the non-renounceable rights issue by Endofotonics Pte Ltd for a cash consideration of S\$222,000 (note 28).

## 26. Auditors' remuneration

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	S\$	S\$
<i>Amounts received or due and receivable by Ernst &amp; Young (Australia) for:</i>		
- Audit and review of financial statements	148,363	136,474
- Taxation services	19,764	12,388
<i>Amounts received or due and receivable by Ernst &amp; Young (Singapore) for:</i>		
- Audit and review of financial statements	255,000	243,000
<i>Amounts received or due and receivable by other audit firms for:</i>		
- Audit and review of financial statements	25,741	24,307
- Taxation services	4,464	4,450
- Other non-audit services	—	2,000
	<u>453,332</u>	<u>422,619</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 27. Parent Entity disclosures

- (a) The individual financial statements of the Parent Entity shows the following aggregate amounts:

	2018 S\$'000	2017 S\$'000
<b>Balance sheet</b>		
Non-current assets	52,222	50,971
Current assets	2,089	2,066
Total assets	54,311	53,037
Current liabilities	198	55
Total liabilities	198	55
Net assets	54,113	52,982
Equity		
Share capital (i)	71,850	71,850
Share capital - exercise of share options	472	472
Capital reserve	688	688
Foreign currency translation reserve	(423)	(338)
Share-based payments reserve	153	165
Accumulated losses	(18,627)	(19,855)
	54,113	52,982
<b>Results</b>		
Profit for the year	1,224	1,081
Other comprehensive income	–	–
Total comprehensive income	1,224	1,081

- (i) The share capital of the Parent Entity differs from that of the consolidated entity due to the reverse takeover which took place in 2006. Accordingly, the Parent Entity which is the legal parent is accounted for as the acquiree for accounting purposes.
- (b) Guarantees
- (i) The Parent Entity has issued letters of guarantee amounting to S\$5,047,000 (2017: S\$242,000) to secure trade facilities and bank loans for 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 as at 30 June 2018 and 30 June 2017.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 28. Subsequent events

(a) Investment in Endofotonics Pte Ltd

On 28 August 2018, 1,058,201 ordinary shares were allotted to Zicom MedTacc Private Limited for a cash consideration of S\$222,000 pursuant to the subscription of a non-renounceable rights issue by Endofotonics Pte Ltd ("Endofotonics"). As a result of this allotment, the Group's interest in Endofotonics increased to 24.39%.

(b) Demerger of technology businesses

On 29 August 2018, the Board resolved to approve, subject to final approval by shareholders, for the purposes of Section 256B of the *Corporations Act 2001*, that the Company shall demerge Zicom MedTacc Private Limited from the Group, in a form of capital reduction by distributing all the issued ordinary shares in Zicom MedTacc Private Limited to the Company's shareholders on a pro rata basis.

(c) Disposal of SAEdge Vision Solutions Pte Ltd

On 31 August 2018, Sys-Mac Automation Engineering Pte Ltd ("Sys-Mac") completed the disposal of its 96% equity interest in SAEdge Vision Solutions Pte Ltd ("SAEdge") to Emage Vision Pte Ltd ("EV") for a consideration of S\$3,473,000, satisfied by the allotment of 43,336 EV voting shares to Sys-Mac, representing an equity interest of 14.88% in EV.

(d) On 7 September 2018, Zicom MedTacc Private Limited changed its name to ZIG Ventures Private Limited.

# 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 for the financial year ended 30 June 2018 are 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 2018 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards 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 2018.
- (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/Group Managing Director  
28 September 2018

# Independent Auditor's Report

to the Members of Zicom Group Limited



Ernst & Young  
111 Eagle Street  
Brisbane QLD 4000 Australia  
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333  
Fax: +61 7 3011 3100  
ey.com/au

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Zicom Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2018, 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 to the financial statements, including a summary of significant accounting policies and the Directors' Declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

# Independent Auditor's Report

to the Members of Zicom Group Limited



## 1. Assessment of the carrying value of the intangible assets, property, plant and equipment and investments in associates

Refer to Notes 9, 10 and 12 of the financial report

### Why significant

The Directors' assessment of the recoverability of the Group's intangible assets of S\$14.6 million, inclusive of goodwill of S\$7.2 million, property, plant and equipment of S\$21.3 million and investments in associates of S\$8.8 million, involves significant judgments and assumptions about the progress and future results of the Cash Generating Units ("CGUs") of the Group.

An impairment assessment of goodwill is carried out annually, while finite life intangible, property, plant and equipment and investments in associates are assessed for indicators of impairment. In respect of goodwill, impairment testing was performed by the Group as disclosed in Note 10.

The Group addressed the recoverability of investments in associates by way of an impairment model which valued the individual investments where an indicator of impairment was identified.

Due to the range of judgments and assumptions used in the impairment models (such as cash flow forecasts, growth rates, discount rates, timing of cash flows, market share assumptions and margins) and assessments, as well as the significant carrying amount of the property, plant and equipment, intangible assets and investments in associates (39% of total assets), this was considered to be a Key Audit Matter.

As disclosed in Note 10 of the financial report, the impairment models are sensitive to growth rate, margin, timing of cash flows and discount rate which, if not achieved, could reasonably be expected to give rise to impairment charges in the future.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed the CGU to which the goodwill was allocated and, the assumptions and methodologies used by the Group in the value-in-use impairment models.
- We evaluated the Group's assessment for indicators of impairment. In doing so, we considered the CGUs business performance and associated results for the year, market conditions and expected future results. Where indicators of impairment were identified, we assessed the Group's value-in-use models for the CGU, as outlined below. We also assessed the useful life of each finite life asset in the context of the expected future period of economic consumption.
- We assessed the Directors' cash flow forecast assumptions supporting their recoverability assessments, being forecast orders, market performance and expected growth, the level of new business wins, timing of cash flows and the planned margin growth capabilities. Where applicable, we considered the historical reliability of the Group's cash flow forecasting process.
- We evaluated the key assumptions including the discount rates and terminal growth rates used in the impairment assessments. We involved our valuation specialists to assess the discount rates and long term growth rates applied in the models. For some businesses in the precision engineering and technology segment we also assessed multiples of comparable companies.
- We performed sensitivity analysis around the key assumptions above to ascertain the extent of change in those assumptions that either individually or collectively would be significantly different to the Directors' conclusion.
- We assessed the adequacy of the related disclosures in the notes to the financial report.

# Independent Auditor's Report

to the Members of Zicom Group Limited



## 2. Accounting for investment in Curiox

Refer to Note 12 of the financial report

### Why significant

The Group, through its subsidiary Zicom Holding Private Limited, holds 72.28% (PY 73.02%) in Curiox Biosystems Pte Ltd ("Curiox").

The Group continued to consider Curiox as an associate entity and applied the equity method of accounting for its interest in Curiox in accordance with Australian Accounting Standards. This requires significant judgment and reassessment for any changes in the shareholdings and the Articles of Association of Curiox ("the Articles").

### How our audit addressed the key audit matter

We evaluated the Group's assessment of the treatment for the investment in Curiox. This included understanding the Articles of Curiox to assess whether the Group's rights under the Articles do not provide control over Curiox.

We assessed the adequacy of the Group's disclosure of the nature and risks associated with Curiox and the summarised financial information included in the financial report.

## Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



# Independent Auditor's Report

to the Members of Zicom Group Limited



## Responsibilities of the Directors 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 control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

# Independent Auditor's Report

to the Members of Zicom Group Limited



## Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Independent Auditor's Report

to the Members of Zicom Group Limited



## Report on Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 20 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Zicom Group Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive, flowing script.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Tom du Preez', written in a stylized, cursive manner.

Tom du Preez  
Partner  
Brisbane  
28 September 2018

# Information on Shareholdings

As at 27 September 2018

## Distribution of Equity Securities

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

		Ordinary Shares	Number of Holders
1	– 1,000	6,993	59
1,001	– 5,000	625,075	172
5,001	– 10,000	1,969,823	219
10,001	– 100,000	12,611,929	359
100,001	and over	201,926,960	106
		<b>217,140,780</b>	<b>915</b>

b) There were 258 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	87,514,360	40.30%
JUAT KOON SIM	11,778,172	5.42%
GIOK LAK SIM	13,752,777	6.34%
VENTRADE (ASIA) PTE LTD	8,478,344	3.90%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,527,184	3.47%
JUAT LIM SIM	6,487,767	2.99%
CITICORP NOMINEES PTY LIMITED	5,631,230	2.59%
BNP PARIBAS NOMS (NZ) LTD	4,703,153	2.17%
MR MAKRAM HANNA & MRS RITA HANNA	4,428,975	2.04%
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,815,634	1.30%
EE GEK GOH	2,791,017	1.29%
SIONG TECK NG	2,410,665	1.11%
HUNG SEAH TANG	2,100,839	0.97%
JUAT KHIANG SIM	2,069,525	0.95%
FIRST CHARNOCK SUPERANNUATION PTY LTD	1,890,000	0.87%
KOK HWEE SIM	1,488,180	0.69%
DEBUSCEY PTY LTD	1,355,615	0.62%
KOK YEW SIM	1,350,253	0.62%
MR CHUAN GAO	1,338,820	0.62%
BNP PARIBAS NOMINEES PTY LTD	1,227,018	0.57%

## 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	101,267,137	46.64%
JUAT KOON SIM & HIS ASSOCIATES	14,569,189	6.71%

## Voting Rights

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

# Corporate Directory

## Board of Directors

Giok Lak Sim (Chairman and Managing Director)  
Kok Hwee Sim (Executive Director)  
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  
Igor Sushko

## Registered Office

38 Goodman Place  
Murarrie QLD 4172  
Australia  
Telephone : +61 7 3908 6088  
Facsimile : +61 7 3390 6898  
Website : [www.zicomgroup.com](http://www.zicomgroup.com)

## Share Registry

Link Market Services Limited  
Level 21  
10 Eagle 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 Ltd  
Westpac Banking Corporation

## Thailand

United Overseas Bank (Thai) Public Company Limited  
The Siam Commercial Bank Public Company Limited

## China

Industrial and Commercial Bank of China Limited  
China Construction Bank Corporation

## Philippines

BDO Unibank, Inc.

# Notice of Annual General Meeting

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

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

Time: 10.00am (Brisbane time)  
Date: Thursday, 15 November 2018

A formal Notice of Meeting is enclosed.



**Zicom Group Limited**

38 Goodman Place, Murarrie QLD 4172 Australia  
Telephone: +61 7 3908 6088  
Facsimile: +61 7 3390 6898  
[www.zicomgroup.com](http://www.zicomgroup.com)