ZICOM GROUP LIMITED

Appendix 4E

ASX Preliminary Final Report

30 June 2019

Name of entity:	**ZICOM GROUP LIMITED**
ABN:	62 009 816 871
Reporting Period:	**Year Ended 30 June 2019**
Previous corresponding period:	Year Ended 30 June 2018

Results for announcement to the market

				2019 S$'000	**2018** S$'000
Revenues from ordinary activities	Up	23%	To	100,313	81,506
Net profit/(loss) from ordinary activities after tax attributable to members	Up	104%	To	455	(10,873)
Net profit/(loss) for the period attributable to members	Up	104%	To	455	(10,873)

	Amount per security
Interim dividend (unfranked)	–
Final dividend (unfranked)	–

Review of Operations

Results

The Group's consolidated revenue (including discontinued operations) for the full year is S$100.31m as compared with S$81.51m in the previous year, an increase of 23.1%. The Group's full year net consolidated profit after tax attributable to members to 30 June 2019 is S$0.46m as compared with consolidated loss of S$10.87m in the previous year, an improvement of 104.2%

In November 2018, the Group demerged its entire technology cluster. There was a gain on demerger amounting to S$977,000 that was previously recognised in the profit or loss account for the half year ended 31 December 2018. In accordance with accounting standards, this gain on demerger has now been reclassified to retained earnings as it was considered to be a common control transaction.

The Group's consolidated results included loss from discontinued operations of the medical technology cluster amounting to S$1.28m (2018:S$3.71m) for the period from July to November 2018. Disregarding these discontinued operations, the consolidated profit for the continuing activities were S$1.74m for the financial year just ended as compared with consolidated loss of S$7.16m in the previous year.

The continuing activities of the Group consist of the marine offshore, oil and gas, construction equipment and precision engineering and automation sectors.

Earnings per share for the year is Singapore 0.21 cents compared to loss per share of Singapore 5.01 cents in the previous year, an improvement of Singapore 5.22 cents per share.

Net tangible assets per share increased from Singapore 25.31 cents to 26.91 cents per share.

Return on equity, based on average of the opening and closing equity, for the year was 0.7% as compared to -14.5% in 2018.

The average rates for currency translation for transactions and cash flows are A$1 to S$0.9749 (2018: S$1.0375) for the year ended 30 June 2019 and balances A$1 to S$0.9488 (2018: S$1.0076) as at 30 June 2019, reflecting a weakening A$.

For the whole of the financial year just ended, the USA government launched a trade war with China, Europe and even its allies Japan and Korea encompassing elements of protectionism. This was further compounded by geopolitical uncertainties in the Middle East causing tension leading to volatility in the oil market. The total impact of all these worsened in the second half of the financial year just ended. These factors have adversely affected the Group's businesses. By all reckoning, the situation is not expected to improve soon.

The marine sector already in the doldrums for the last few years continues to be in a slump. The sector still shows no tangible signs of improvement or recovery. Due to countries' focus on the environment, demand for gas continues to be strong. This benefits our gas processing engineering activities which we are hopeful to strengthen. On a combined basis, the offshore marine, oil and gas sector are hopeful to balance out and may achieve a positive situation.

The Group has focused to transform the marine sector by investing in alternative fuel technology that leverages on the Group's market network in the marine industry. This includes a foray into developing capabilities in technology involving LNG (liquefied natural gas combustion), hydrogen cells and scrubbers to reduce emission of Sulphur oxide from engine combustion to comply with IMO Rules 2020. We are hopeful that within this financial year to achieve a breakthrough into customer's acceptance of our technology. Customers' profile for this market segment is different from those for our deck machinery who are mainly marine offshore operators. These customers are generally made up of bulk carriers, coastal tugs and cargo vessels representing a broader spread of customers within a familiar industry.

The precision engineering sector performed strongly in the year just ended, mainly driven by strong demand in semiconductor equipment. The situation ahead is extremely challenging caused by the uncertainties created by the trade war between China and USA and that between Korea and Japan where semiconductor technology and products form one of the main focus. Demand for industrial automation will be impacted if the trade war slows down global trade further.

The construction equipment generally had a flat year. The year ahead is expected to be confronted by the impact of the global economic situation. However, it is hopeful that governments may launch stimulus in the form of increased investments in infrastructure to cushion the adverse impact of slowdown in global trade. Otherwise we expect to see continuing flat results for the coming year.

The Group's strategy is to control costs, transform and retrain employees for new and relevant skills and foray into future-growth segments. Environmental protection for both the marine and gas processing industry and industry in general is one key area being focused. Introducing smarts into automation that can potentially be enhanced to embrace 5G and internet of things including deep manufacturing form part of our focus in the future-growth segments.

The challenges currently confronting global trade are unprecedented. Prospects for the coming year will be affected as there are very little indications to show the situation will improve soon. Much of these problems are beyond your Board's control. The Group therefore focuses to strengthen its capabilities, maintain its resilience and continue to restructure to align with future needs so as to maintain its viability and sustainability to deliver shareholders' value.

A comparison of the results from the continuing operations of the current year with the previous year is as follows: -

Key Financials	Change (%)	12 months ended 30 Jun 19 (S$ million)	12 months ended 30 Jun 18 (S$ million)
Total revenue	+24.6	99.62	79.96
Net profit /(loss) after tax attributable to equity holders of the Parent	+124.3	1.74	(7.16)

The Group's cash balances remain healthy. As at 30 June 2019, the Group's total cash and bank balances were S$15.02m as compared with S$9.74m as at 30 June 2018.

Segmental Revenue
The following is an analysis of the segmental revenue from continuing operations: -

Revenue by Business Segments	Change (%)	12 months ended 30 Jun 19 (S$ million)	12 months ended 30 Jun 18 (S$ million)
Offshore Marine, Oil & Gas Machinery	+ 82.7	13.17	7.21
Construction Equipment	+ 1.9	42.21	41.41
Precision Engineering & Technologies	+ 43.5	42.23	29.43
Industrial & Mobile Hydraulics	- 3.2	2.12	2.19

Offshore Marine, Oil & Gas Machinery
Demand for offshore marine, oil and gas machinery increased by 82.7% in the full year as compared with the previous year. The increase is mainly attributable to the completion of a few land-based gas metering stations in the gas processing segment during the year. The marine offshore segment remained subdued. We do not expect to see any improvement in the marine offshore segment although the gas processing segment is expected to remain strong with growth potentials. We expect the combined sector to be positive in the coming year. We are hopeful to achieve some breakthrough in our foray into alternative fuel applications for the marine offshore industry. The main thrust is to reduce pollution to address and comply with environmental standards required by IMO 2020. The demand for products and services in this area has just commenced with strong potentials to tap.

Construction Equipment
The construction sector in Singapore, Malaysia, the Philippines and Thailand is expected to see small growth for our foundation equipment, although it has been positive for the year just ended.

Demand for concrete mixers in Australia is expected to remain flat but positive. Residential construction activities in Australia are expected to shrink in the coming year. The Australian Department of Infrastructure has a strong pipeline of infrastructure projects for implementation in the next 5-10 years. It is hoped that with a new mandate just secured the government will expedite implementation of these projects to cushion the impact of shrinking residential construction and the global trade war. Thailand has also elected a new government. The fluid political situation pre-election dampened investment decisions causing delay in construction and infrastructure projects. The new government is expected to introduce stimulus in the form of increase in infrastructure spending. Likewise, we believe other ASEAN countries including Singapore will employ infrastructure spending as a form of growth stimulus to cushion the worsening global trade situation.

Precision Engineering & Technologies
Revenue from precision engineering and the technologies sector increased by 43.5% in the full year as compared with the previous year. The semiconductor market has enjoyed a strong demand during the year and we secured strong orders for our thermal bonding machines. Demand for industrial automation had remained subdued. As one of the main thrusts of the trade war was focused on technology and semiconductor equipment, with no definite end game being defined by the countries involved, the uncertainties created have made it exceedingly difficult for businesses to introduce and invest in new products. There was very little motivation for businesses to increase inventories. These give rise to a curtailment in investment in new machineries causing great concerns on demand.

To address the situation, the precision engineering sector continues to focus on developing and enhancing its products. Concurrently, capabilities are strengthened to increase its revenue from manufacturing medical devices, develop opportunities in deep manufacturing and smart automation engineering services for customers, as part of future-growth focus.

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. The sector is generally not subject to external impact. However, during the year demand was also impacted by the uncertainties created by the trade war.

Financial Position
The Group's financial position remains satisfactory: -

Classification	Increase/(Decrease) S$ million	As at 30 Jun 19 S$ million	As at 30 Jun 18 S$ million
Net Assets	(3.50)	66.05	69.55
Net Working Capital	(2.89)	19.84	22.73
Cash in Hand and at Bank	5.28	15.02	9.74

The decrease in net assets and net working capital was due to the demerger of the medical technology investments from the Group in November 2018 and is net of surplus arising from the revaluation of the Group's land and buildings.

Gearing Ratio
The Group's gearing ratio is 11.64% (2018: 13.46%). 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	Increase Singapore Cents	2019 Singapore Cents	2018 Singapore Cents
Earnings/(loss) per share from continuing operations	4.10	0.80	(3.30)

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

Classification	Increase Singapore Cents	As at 30 Jun 19 Singapore Cents	As at 30 Jun 18 Singapore Cents
Net tangible assets per share	1.60	26.91	25.31

Capital Expenditure
For the year ending 30 June 2020, the Group does not plan to invest in any major capital equipment.

Confirmed Orders

We have a total of S$97.7m (30 June 2018: S$37.8m) outstanding confirmed orders in hand as at 30 June 2019. A breakdown of these outstanding confirmed orders is as follows: -

	S$ m
Offshore Marine, Oil & Gas Machinery	85.0
Construction Equipment	3.4
Precision Engineering & Technologies	9.0
Industrial & Mobile Hydraulics	0.3
Total	97.7

Of the above, S$65.1m are scheduled for delivery in the financial year 2020 and $32.6m are scheduled to be delivered in the financial year 2021. Further orders are expected during the year.

Prospects

The global trade war unleashed by the USA government has created great uncertainties compounded by geopolitical tension worldwide. The situation is not expected to ameliorate any time soon. The effect has been pervasive. The global demand and supply situation is generally affected so as the currencies of several developed and developing countries. Many of these factors are beyond our control. To ensure sustainability, the Group focuses to strengthen its total capabilities and in future-growth prospects.

Dividends

The Group has decided that it is not prudent to consider paying any dividend this year. It is hopeful that barring no worsening of the global economic and geopolitical situation, your Board may have the opportunity to consider a dividend next year.

Signed in accordance with a resolution of the Board of Directors.

GL Sim
Chairman

Preliminary Consolidated Statement of Profit or Loss

for the year ended 30 June 2019

	Note	2019 S$'000	2018 S$'000
Continuing operations			
Revenue from contracts with customers	3	92,973	–
Sale of goods		–	53,664
Rendering of services		–	4,849
Revenue recognised on projects		–	16,649
Rental income		4,487	3,239
Revenue		97,460	78,401
Other income	4	2,157	1,556
Total consolidated revenue		99,617	79,957
Cost of materials		(48,169)	(39,864)
Employee, contract labour and related costs		(29,867)	(30,238)
Depreciation and amortisation		(5,075)	(4,748)
Property related expenses		(2,528)	(2,485)
Other operating expenses		(11,815)	(9,797)
Finance costs		(893)	(424)
Share of results of associates		332	-
Profit/(loss) before taxation		1,602	(7,599)
Tax benefit	5	10	267
Profit/(loss) from continuing operations, net of tax		1,612	(7,332)
Discontinued operations			
Loss from discontinued operations, net of tax	6	(1,305)	(3,810)
Profit/(loss) for the year, net of tax		307	(11,142)
Attributable to:			
Equity holders of the parent			
Continuing operations		1,737	(7,163)
Discontinued operations		(1,282)	(3,710)
		455	(10,873)
Non-controlling interests		(148)	(269)
		307	(11,142)
Earnings per share (cents)			
Basic earnings/(loss) per share			
Continuing operations	7	0.80	(3.30)
Discontinued operations	7	(0.59)	(1.71)
Total		0.21	(5.01)
Diluted earnings/(loss) per share			
Continuing operations	7	0.80	(3.30)
Discontinued operations	7	(0.59)	(1.71)
Total		0.21	(5.01)

Preliminary Consolidated Statement of Comprehensive Income

for the year ended 30 June 2019

	Note	2019 S$'000	2018 S$'000
Profit/(loss) for the year, net of tax		307	(11,142)
Other comprehensive income:			
Items that will not be reclassified to profit and loss:			
Revaluation of land and buildings		13,547	–
		13,547	–
Items that may be subsequently reclassified to profit and loss			
Share of other comprehensive income of associates		38	2
Foreign currency translation on consolidation		80	(208)
		118	(206)
Other comprehensive income/(loss) for the year, net of tax		13,665	(206)
Total comprehensive income/(loss)		13,972	(11,348)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Parent		14,120	(11,079)
Non-controlling interests		(148)	(269)
Total comprehensive income/(loss)		13,972	(11,348)

Preliminary Consolidated Balance Sheet
as at 30 June 2019

	Note	2019 S$'000	2018 S$'000
Non-current assets			
Property, plant and equipment		36,874	21,301
Intangible assets		7,355	14,602
Deferred tax assets		2,819	3,054
Convertible loans to an associate		–	1,131
Investments in associates	11	3,731	8,798
		50,779	48,886
Current assets			
Cash and bank balances	9	15,024	9,739
Inventories		32,113	28,007
Trade and other receivables		21,516	21,802
Contract assets		1,352	–
Gross amount due from customers for contract work		–	4,227
Prepayments		422	398
Tax recoverable		170	–
		70,597	64,173
TOTAL ASSETS		121,376	113,059
Current liabilities			
Trade and other payables		17,656	19,122
Contract liabilities		9,508	–
Gross amount due to customers for contract work		–	1,844
Interest-bearing liabilities	12	22,125	18,407
Provisions		1,178	1,882
Provision for taxation		291	192
		50,758	41,447
NET CURRENT ASSETS		19,839	22,726
Non-current liabilities			
Interest-bearing liabilities	12	556	664
Deferred tax liabilities		3,542	983
Provisions		467	414
		4,565	2,061
TOTAL LIABILITIES		55,323	43,508
NET ASSETS		66,053	69,551
Equity attributable to equity holders of the Parent			
Share capital	13	21,100	38,314
Reserves		11,407	(1,562)
Retained earnings		33,270	32,581
		65,777	69,333
Non-controlling interests		276	218
TOTAL EQUITY		66,053	69,551
TOTAL LIABILITIES AND EQUITY		121,376	113,059

Preliminary Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

		Attributable to equity holders of the Parent								
	Note	**Share capital**	**Share capital – exercise of share options**	**Asset revaluation surplus**	**Foreign currency translation reserve**	**Share-based payments reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1.7.2018 - as previously reported		37,842	472	–	(1,907)	345	32,581	69,333	218	69,551
Effect of adoption of AASB 9	2	–	–	–	–	–	(490)	(490)	–	(490)
Effect of adoption of AASB 15	2	–	–	–	–	–	(468)	(468)	–	(468)
Balance at 1.7.2018 – as restated		37,842	472	–	(1,907)	345	31,623	68,375	218	68,593
Profit for the year		–	–	–	–	–	455	455	(148)	307
Other comprehensive income										
Revaluation of land and buildings		–	–	13,547	–	–	–	13,547	–	13,547
Foreign currency translation		–	–	–	118	–	–	118	–	118
Total comprehensive income for the year		–	–	13,547	118	–	455	14,120	(148)	13,972
Share-based payments		–	–	–	–	21	–	21	–	21
Forfeiture of employee share options		–	–	–	–	(7)	7	–	–	–
Transfer of depreciation for buildings		–	–	(492)	–	–	492	–	–	–
Acquisition of non-controlling interests		–	–	–	–	–	(284)	(284)	413	129
Share capital reduction	13	(17,214)	–	–	–	–	–	(17,214)	–	(17,214)
Gain on demerger	6	–	–	–	–	–	977	977	–	977
Disposal of a subsidiary	10(a)	–	–	–	–	–	–	–	(11)	(11)
Discontinued operations		–	–	–	–	(218)	–	(218)	(196)	(414)
Balance at 30.06.2019		20,628	472	13,055	(1,789)	141	33,270	65,777	276	66,053

Preliminary Consolidated Statement of Changes in Equity (cont'd)

for the year ended 30 June 2019

		Attributable to equity holders of the Parent							
	Note	**Share capital**	**Share capital – exercise of share options**	**Foreign currency translation reserve**	**Share-based payments reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1.7.2017		37,842	472	(1,701)	200	43,444	80,257	212	80,469
Loss for the year		–	–	–	–	(10,873)	(10,873)	(269)	(11,142)
Other comprehensive loss		–	–	(206)	–	–	(206)	–	(206)
Total comprehensive loss for the year		–	–	(206)	–	(10,873)	(11,079)	(269)	(11,348)
Share-based payments		–	–	–	155	–	155	–	155
Forfeiture of employee share options		–	–	–	(10)	10	–	–	–
Acquisition of subsidiary companies		–	–	–	–	–	–	275	275
Balance at 30.6.2018		37,842	472	(1,907)	345	32,581	69,333	218	69,551

Preliminary Consolidated Statement of Cash Flows
for the year ended 30 June 2019

(In Singapore dollars)

	Note	2019 S$'000	2018 S$'000
Cash flows from operating activities:			
Profit/(loss) before taxation from continuing operations		1,602	(7,599)
Loss before taxation from discontinued operations	6	(1,309)	(3,820)
Operating profit/(loss) before taxation		293	(11,419)
Adjustments for:			
Depreciation of property, plant and equipment		4,390	3,984
Amortisation of intangible assets		910	1,224
Bad debts written off		96	–
Allowance for doubtful debts, net		925	403
Allowance for inventory obsolescence, net		95	322
Inventories written off		23	186
Finance costs		897	424
Interest income		(70)	(94)
Property, plant and equipment written off		4	47
Intangible assets written off		219	72
Gain on disposal of property, plant and equipment, net		(8)	(57)
Trade and other payables written back		–	(72)
Non-trade receivables written off		116	–
Provisions made, net		471	167
Share-based payments		21	155
Gain on disposal of a subsidiary	4	(1,630)	–
Share of results of associates		223	1,273
Unrealised exchange differences		(148)	(177)
Operating profit/(loss) before reinvestment in working capital		6,827	(3,562)
Increase in stocks and work-in-progress		(8,772)	(3,837)
Decrease in projects-in-progress		1,915	903
Increase in contract assets		(1,352)	–
Increase in contract liabilities		9,508	–
Increase in debtors		(2,230)	(2,859)
Increase/(decrease) in creditors		924	(1,140)
Cash generated from/(used in) operations		6,820	(10,495)
Interest received		47	62
Interest paid		(921)	(428)
Income taxes paid		(326)	(278)
Net cash generated from/(used in) operating activities		5,620	(11,139)

Preliminary Consolidated Statement of Cash Flows (Cont'd)

	Note	2019	2018
		S$'000	S$'000
Cash flows from investing activities:			
Purchase of property, plant and equipment		(1,027)	(3,278)
Proceeds from disposal of property, plant and equipment		14	61
Purchase of computer software		(24)	(17)
Increase in development expenditure		(426)	(854)
Increase in patented technology		(12)	(53)
Investments in associates	11(b)	(222)	(676)
Subscription of convertible loan in an associate		–	(497)
Acquisition of subsidiaries, net of cash acquired		–	(145)
Net cash outflow on demerger	6	(2,109)	–
Net cash outflow on disposal of a subsidiary	10(a)	(7)	–
Net cash used in investing activities		(3,813)	(5,459)
Cash flows from financing activities:			
Proceeds from bank borrowings		4,000	11,495
Repayments of bank borrowings		(1,756)	(5,063)
Loans from a related party		1,112	1,352
Repayment of hire purchase creditors		(392)	(430)
Net cash generated from/(used in) from financing activities		2,964	7,354
Net Increase/(decrease) in cash and cash equivalents		4,771	(9,244)
Net foreign exchange differences		14	(39)
Cash and cash equivalents at beginning of year		8,956	18,239
Cash and cash equivalents at end of year	9	13,741	8,956

Note 1 Summary of significant accounting policies

This preliminary final report has been prepared in order to comply with ASX *listing rules*.

This report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this report be read in conjunction with the annual report for the year ended 30 June 2018, the interim financial report for the half-year ended 31 December 2018 and considered together with any public announcements made by Zicom Group Limited during the year ended 30 June 2019 in accordance with the continuous disclosure obligations of the ASX *listing rules*.

The accounting policies applied by the consolidated entity are consistent with those applied by the consolidated entity in the annual financial report for the year ended 30 June 2018, except for the revaluation of land and buildings and the adoption of new and revised standards effective for the current reporting period. Land and buildings are now carried at fair value less accumulated depreciation on buildings and impairment losses after the date of revaluation. The fair values of land and buildings are determined by accredited valuation experts using recognised valuation techniques. The increase in carrying amount of land and buildings as a result of revaluation has been recognised in other comprehensive income and accumulated in equity under asset revaluation surplus. The directors believe the change in accounting policy to the revaluation model has resulted in more relevant and reliable information to the users of the financial statements as the balance sheet reflects more accurately the value of the most material assets of the business.

The Group has adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* which became effective on 1 January 2018. Accordingly, these standards apply for the first time. The nature and effect of changes arising from the adoption of these standards are summarised below.

AASB 15 *Revenue from Contracts with Customers* supersedes AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. The new standard establishes a five-step model to revenue recognition and the principle that revenue is recognised when (or as) performance obligation is satisfied, i.e when control of a good or service underlying the performance obligation is transferred to the customer. The concept of transfer of control of a good or service replaces the concept of transfer of risks and rewards. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted AASB 15 using the modified retrospective method of adoption with the date of initial application date of 1 July 2018. The Group elected to apply the standard only to contracts that are not completed as at 1 July 2018. The cumulative effect of initially applying with AASB 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, comparative information was not restated and continues to be reported under AASB 118 and AASB 111 and other interpretations.

The impact of adopting AASB 15 as at 1 July 2018 was, as follows:

	Increase/(decrease) S$'000
Assets	
Inventories	832
Amount due from customers for contract work	(1,042)
Total assets	(210)
Liabilities	
Trade and other payables	258
Total adjustment on equity	
Retained earnings	(468)
Non-controlling interests	-
	(468)

The above adjustments relate to a single contract which was partially completed in the financial year 2017 but was put on hold. As enforceable right to receive payment for performance completed to date was not evidenced in the contract with customer, revenue cannot be recorded as the recognition criteria within the standard are not deemed to be met. As the project is still placed on hold, there is no material impact to the financial statement line items on the statement of comprehensive income or the Group's operating, investing and financing cash flows.

Note 1 Summary of significant accounting policies (cont'd)

In summary, the most material sources of revenue from contracts with customers and analysis of impact was as follows:

Revenue from Contract with Customer	**Recognition under AASB 118 and AASB 111 (old policy)**	**Policy and impact of recognition under AASB 15**
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.	The Group's contracts with customers for the sale of equipment generally include one performance obligation. Revenue from sale of goods is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods at an amount that reflects the consideration to which the Group expects to be entitled. In considering the current orders and contracts there was no impact under AASB 15 as the satisfaction of the performance obligation remained unchanged (recognition takes place at a point in time when the goods are delivered). Warranties, if required, is given to ensure that the Group's products conform with specifications. Warranties are not given in excess of what is typically available and customers do not have an option to purchase a warranty separately. Therefore warranties are not a separate performance obligation. These warranties are provided for in accordance with AASB 137.
Rendering of services	Revenue from services rendered are recognised upon performance of services.	Services are sold separately. In analysing the services provided it was clear that the customer receives and consumes the benefits as the entity performs the services and Zicom generally has an enforceable right to payment for performance completed to date. The Group therefore recognises revenue from services over time, using an input method based on materials consumed and the actual time spent in the supply of services to measure progress towards complete satisfaction of the service. As such there was no significant impact.
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.	Review of the most material contracts indicated that the performance obligations are satisfied over time. The Group does not have an alternative use to the asset created and generally has an enforceable right to payment for performance completed. Therefore revenue is recognised using the input method, based on costs incurred, as a measure of entity's performance in transferring control of goods and services. Aside from the item above, this is not inconsistent with the approach adopted in the previous financial year.

Note 1 Summary of significant accounting policies (cont'd)

AASB 9 *Financial Instruments*
AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual period beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting.

The Group applied AASB 9 prospectively, with an initial application date of 1 July 2018. The Group has not restated the comparative information, which continues to be reported under AASB 139. The adoption of AASB 9 has had no material impact on the classification and measurement of the Group's financial assets and liabilities as shown in the table below:

Financial instruments	**Classification under AASB 132 and measurement under AASB 139**	**Classification under AASB 9**
Cash and bank balances	Loans and receivables at amortised cost	Financial assets at amortised cost
Trade and Other receivables	Loans and receivables at amortised cost	Financial assets at amortised cost
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Interest bearing liabilities	Financial liabilities at amortised cost	Financial liabilities at amortised cost

Impairment
The adoption of AASB 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

For contract assets and trade and other receivables, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience adjusted for factors that are specific to the debtors and general economic conditions at the reporting date. The Group considers a financial asset in default when contractual payments are significantly delayed from historical payment patterns or when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Subsequent to half year reporting, the provision matrix was refined and the Group recognised additional impairment on the Group's trade receivables of S$490,000 as at 1 July 2018. Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined in accordance with AASB 9.

	Allowance for impairment under AASB 139 as at 30 June 2018	**Remeasurement**	**ECL under AASB 9 as at 1 July 2018**
	S$'000	S$'000	S$'000
Loans and receivables under AASB 139/ Financial assets at amortised cost under AASB 9 and contract assets	1,087	490	1,577

The Group has not early adopted any other Standard, Interpretation or amendments that has been issued but is not yet effective.

Note 2 Segment information

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 including flip chip bonders, supply of medtech equipment, medical consumables 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.

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

Note 2 Segment information (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
For year ended 30 June 2019					
Revenue					
Sales to external customers	13,165	37,630	40,323	1,855	92,973
Rental income	–	4,475	12	–	4,487
Other income	1	88	1,887	–	1,976
Intersegment sales	–	14	8	271	293
Total segment revenue	13,166	42,207	42,230	2,126	99,729
Intersegment elimination					(293)
Unallocated revenue					134
Interest income					47
Total consolidated revenue					99,617
Results					
Segment profit/(loss)	(3,559)	1,805	5,081	546	3,873
Unallocated revenue					134
Unallocated expenses					(1,891)
Share of results of associates				332	332
Profit before tax and finance costs					2,448
Finance costs					(893)
Interest income					47
Profit before taxation					1,602
Income tax benefit					10
Profit after taxation					1,612

	Offshore Marine, Oil & Gas Machinery S$'000	Construction Equipment S$'000	Precision Engineering & Technologies S$'000	Industrial & Mobile Hydraulics S$'000	Consolidated S$'000
For year ended 30 June 2018					
Revenue					
Sales to external customers	6,472	38,110	28,695	1,885	75,162
Rental income	–	3,239	–	–	3,239
Other income	629	60	735	–	1,424
Intersegment sales	108	4	–	301	413
Total segment revenue	7,209	41,413	29,430	2,186	80,238
Intersegment elimination					(413)
Unallocated revenue					70
Interest income					62
Total consolidated revenue					79,957
Results					
Segment profit/(loss)	(5,431)	2,223	(2,850)	516	(5,542)
Unallocated revenue					70
Unallocated expenses					(1,765)
Loss before tax and finance costs					(7,237)
Finance costs					(424)
Interest income					62
Loss before taxation					(7,599)
Income tax benefit					267
Loss after taxation					(7,332)

Note 3 Revenue from contracts with customers

	2019	2018
	S$'000	S$'000
Transferred at a point in time		
Sale of goods	70,935	–
Transferred over time		
Rendering of services	5,047	–
Revenue recognised on projects	16,991	–
	92,973	–

Note 4 Other operating income

	2019	2018
	S$'000	S$'000
Interest income	47	62
Gain on disposal of property, plant and equipment	5	57
Trade and other payables written back	–	20
Sale of machinery previously written off	–	24
Recovery of liquidated damages paid	–	615
Services rendered	304	178
Gain on disposal of a subsidiary	1,630	–
Government grants	155	583
Other revenue	16	17
	2,157	1,556

Note 5 Taxation

The major components of income tax benefit for the years ended 30 June are:

	2019	2018
	S$'000	S$'000
Current income tax		
Current income tax charge	257	329
Adjustments in respect of previous years	(2)	(46)
Deferred income tax		
Relating to the origination and reversal of temporary differences	(108)	–
Adjustments in respect of previous years	(157)	(550)
Income tax benefit	(10)	(267)

Note 6 Discontinued operations

On 30 November 2018, the Group completed the capital reduction exercise by distributing and transferring all the issued ordinary shares in its wholly-owned subsidiary, ZIG Ventures Private Limited ("ZIG"), on a pro-rata basis to the shareholders of the Company, resulting in the demerger of ZIG and its subsidiaries from the Group at book values. The gain on demerger of $977,000 which arose from the disposals of Biobot Surgical Pte Ltd and Curiox Biosystems Pte Ltd and the derecognition of non-controlling interest has been recognised in the statement of changes in equity as the demerger was considered to be a common control transaction. The consolidated results of ZIG for the period up to the demerger are presented below:

	2019	**2018**
	S$'000	S$'000
Revenue	696	1,549
Expenses	(1,446)	(4,096)
Loss from operations	(750)	(2,547)
Finance costs	(4)	-
Share of results of associates	(555)	(1,273)
Loss before taxation from discontinued operations	(1,309)	(3,820)
Tax benefit	4	10
Loss from discontinued operations, net of tax	(1,305)	(3,810)

The consolidated assets and liabilities of ZIG as at 30 November 2018 and the cash flow effect of the demerger were:

	S$'000
Plant and equipment	373
Intangible assets	6,152
Investments in associates	8,902
Trade and other receivables	2,073
Inventories	1,291
Cash and cash equivalents	2,109
	20,900
Trade and other payables	(3,439)
Deferred tax liabilities	(51)
Carrying value of net assets	17,410
Non-controlling interests	(196)
	(17,214)
Total consideration	–
Cash and cash equivalents	(2,109)
Net cash outflow on demerger	(2,109)

Note 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 period.

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.

The following table reflects the income and share data used in the basic and diluted earnings per share calculations:

	2019	**2018**
	S$'000	S$'000
(a) Profit/(loss) attributable to equity holders of the Parent		
Continuing operations	1,737	(7,163)
Discontinued operations	(1,282)	(3,710)
	455	(10,873)
	No. of shares (Thousands)	
(b) Weighted average number of ordinary shares for basic and diluted earnings per share	217,141	217,141

There were 2,550,000 (2018: 2,610,000) 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 anti-dilutive for the current period presented.

Note 8 Net tangible assets per security

	2019	**2018**
Net tangible assets per ordinary share (Singapore cents)	26.91	25.31

Note 9 Cash and cash equivalents

	2019	**2018**
	S$'000	S$'000
Cash at bank and in hand	15,009	9,465
Short-term fixed deposits	15	274
	15,024	9,739

For the purpose of the cash flow statement, cash and cash equivalents comprised the following:

	2019	**2018**
Cash and short-term deposits	15,024	9,739
Bank overdrafts	(1,283)	(783)
Cash and cash equivalents	13,741	8,956

Short-term fixed deposits are $15,000 (2018: $84,000) pledged for facilities.

Note 10 Investments in subsidiaries

(a) SAEdge Vision Solutions Pte Ltd ("SAEdge")
On 20 August 2018, Sys-Mac Automation Engineering Pte Ltd ("Sys-Mac") increased its investment in SAEdge by way of capitalisation of an amount of S$3,443,000 owed by SAEdge to Sys-Mac, increasing the Group's interest in SAEdge from 96% to 99%. The difference of S$94,000 between the consideration and the carrying value of additional interest acquired has been recognised within equity.

On 31 August 2018, Sys-Mac completed the disposal of its 99% equity interest in 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 16.29% in EV. The gain on disposal of SAEdge amounted to $1,630,000.

The value of assets and liabilities of SAEdge as at 31 August 2018 and the cash flow effect of the disposal were:

	S$'000
Intangible assets	1,357
Deferred tax asset	152
Trade and other receivables	28
Inventories	510
Cash and cash equivalents	7
	2,054
Trade and other payables	(200)
Carrying value of net assets	1,854
Non-controlling interests	(11)
	1,843
Total consideration	–
Cash and cash equivalents of the subsidiary	(7)
Net cash outflow on disposal of a subsidiary	(7)

SAEdge's contribution to the Group for the period prior to disposal was a loss of $64,000 (2017: $157,000) and hence, not considered to be significant.

(b) Biobot Surgical Pte Ltd ("Biobot")
On 31 August 2018, Zicom Holdings Private Limited ("ZHPL") increased its investment in Biobot by way of capitalisation of an amount of S$5,213,000 owed by Biobot to ZHPL, increasing the Group's interest in Biobot from 95% to 96%. The difference of S$190,000 between the consideration paid and the carrying value of additional interest acquired has been recognised within equity.

On 20 November 2018, the entire equity interest held in Biobot was disposed to ZIG Ventures Private Limited ("ZIG") for a consideration of S$7,073,000 satisfied by the issue and allotment of 7,073,000 ordinary shares in ZIG, fully paid, to ZHPL. Biobot was included in the group of entities that was demerged on 30 November 2018 as disclosed in note 6.

Note 11 Investments in associates

(a) Investment details

Held through subsidiaries	Principal place of business	2019 S$'000	2018 S$'000
Curiox Biosystems Pte Ltd	Singapore	–	5,107
HistoIndex Pte Ltd	Singapore	–	871
Endofotonics Pte Ltd	Singapore	–	706
BELKIN Laser Ltd	Israel	–	1,196
Pellucid Networks Pte Ltd	Singapore	–	918
Emage Vision Pte Ltd	Singapore	3,731	–
		3,731	8,798

(b) Movements in the carrying amount of the Group's investments in associates disposed during the year

	2019 S$'000	2018 S$'000
At beginning of year	8,798	9,448
Additional investment	222	676
Share of results after income tax	(555)	(1,273)
Share of other comprehensive income	(2)	2
Unrealised profits	167	(55)
Disposal of investments upon demerger	(8,630)	–
At end of year	–	8,798

On 20 November 2018, the entire equity interest held in Curiox Biosystems Pte Ltd ("Curiox") was disposed to ZIG Ventures Private Limited ("ZIG") for a consideration of S$5,255,000 satisfied by the issue and allotment of 5,255,000 fully paid ordinary shares in ZIG to Zicom Holdings Private Limited.

On 30 November 2018, as a result of the demerger of ZIG from the Group, the Group's interests in associates held through ZIG have also been disposed.

(c) Movements in the carrying amount of the Group's investment in associate acquired during the year

Emage Vision Pte Ltd ("EV") Shareholdings held: 16.29% (30 Jun 18: nil%)	2019 S$'000	2018 S$'000
At beginning of year	–	–
Investment during the year (Note 10a)	3,473	–
Share of results after income tax	332	–
Dividend received	(74)	–
At end of year	3,731	–

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

Note 12 Interest-bearing liabilities

	Consolidated 2019	Consolidated 2018
	S$'000	S$'000
Current		
Bank overdrafts (Note 9)	1,283	783
Bills payable	4,275	4,469
Revolving term loans	13,700	11,250
Term loans	163	159
Loans from a related party	2,464	1,352
Lease liabilities	240	394
	22,125	18,407
Non-Current		
Term loans	283	421
Lease liabilities	273	243
	556	664

Note 13 Share capital

(a) Share capital

	2019 No. of shares (Thousands)	2018 No. of shares (Thousands)	2019 S$'000	2018 S$'000
Ordinary fully paid shares	217,141	217,141	21,100	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.

(b) Movements in ordinary share capital

	Company Number of ordinary shares (Thousands)	Group S$'000
At 1 July 2018	217,141	38,314
Share capital reduction	–	(17,214)
At 30 June 2019	217,141	21,100

On 15 November 2018, the shareholders of the Company approved a capital reduction exercise satisfied by distributing and transferring all the issued ordinary shares in its wholly-owned subsidiary, ZIG Ventures Private Limited ("ZIG"), on a pro-rata basis to the shareholders of the Company. The capital reduction effectively resulted in the demerger of ZIG from the Group. This exercise was completed on 30 November 2018 and accordingly, the share capital of the Company was reduced, without cancelling any of the Company's shares, by S$17,214,000, an amount equal to the net book value of ZIG and its subsidiaries as at 30 November 2018.

There were no movements in share capital during the previous financial year.

This Report is based on accounts to which one of the following applies.

☐	The accounts have been audited	☐	The accounts have been subject to review
✔	The accounts are in the process of being audited or subject to review.	☐	The accounts have not yet been audited or reviewed**.**

Signed …………………………………… **Date:** 29 August 2019
(Director/ Company Secretary)