



Zicom Group Limited

ABN 62 009 816 871 • ASX Code : ZGL

ANNUAL REPORT 2019

# RESILIENCE

*“The Bamboo that bends is stronger than the Oak that resists”... Zen*





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# Chairman's Message



## *Battling crosswinds...*

***"The Bamboo that bends is stronger than the Oak that resists"... Zen***

Dear Shareholders,

### **Turning Around**

The Group's results for the year were a turnaround, notwithstanding the unprecedented challenges in the global economic environment. In November 2018, we demerged the medical technology cluster from the Group, so as to strengthen sector focus and efficiency and increase flexibility in operations to facilitate growth. Our initial primary objective for investments in medical technology was to enable the Group to align with the technology age and broaden our manufacturing capability to scale up Group's revenue. As the sector matured, it was found that gestation was longer than expected, business directions diverged as disruptive technologies are very dynamic and different skill sets are required.

The demerger took away the burden of continuing to fund the sector's gestation costs and re-streamlined business directions. The demerged entity now seeks its own funding consistent with their needs. The Group refocuses on its core businesses to pursue growth.

The USA government has initiated a global trade war. In combination with prevailing geopolitical factors serious concerns and uncertainties have been generated affecting

government and industries on investments. Currency volatility has become prevalent. Against these strong crosswinds, the Group's resilience is being tested. We have managed a turnaround.

### **Transformation**

Continuing transformation of the Group's businesses is necessary to stay ahead of the curve. Going forward it will be strongly sector focused, new revenue streams developed within sector. In pursuant of this policy, as the offshore marine segment is likely to be still in a slump in the near future, the Group has forayed into sustainable alternative fuel technology for the marine industry, a future-growth direction. International maritime regulations mandated that reduction of sulphur oxide emission by 10 times will take effect from 2020. Our engineering for such technology has gained a critical milestone in obtaining marine classification approval ready to finalise a commercial order soon. We are confident to position ourselves to tap into the growing potentials in this space.

Deep manufacturing, process digitisation and machine learning are areas being developed to value-add in our offerings to our customers. These would differentiate ourselves from our competitors in both our automation services as well as gas processing turnkey projects.

# Chairman's Message

The Group's strong resilience to navigate challenges has been proven over many global crises in the past. It is confident of navigating the current crosswinds in continuing to transform. Resisting changes will be to our detriment.

## Succession Management

I stepped down as Group MD and continue as Executive Chairman in January this year. I took a 30% pay reduction in January 2019 and will take a further 10% reduction in January 2020. Mr Kok Yew Sim, my second son who has successfully expanded the precision engineering sector has assumed the position of Group CEO and is gradually assuming Group's functions while continuing as the CEO of the precision engineering sector pending a successor. We continue with our board renewal. We aim to bring both the average age of the board members and independent directors to below 65, the average age of the executive directors aimed to be below 60.

## Appreciation

I am very grateful to Board members for their support and guidance during the year. I would like to express my gratitude to the management and all employees for their commitment and diligence to help turn the Group's results around. I appreciate and thank all shareholders for their continuing forbearance and support.



**G L Sim**

*Executive Chairman*

# Board of Directors

## EXECUTIVE DIRECTORS



**GLOK LAK SIM, FCPA**  
Executive Chairman, Age 73

### *Experience and Expertise*

Appointed to the Board on 5 April 1995. Chairman and Managing Director of Zicom Group Limited till 31 December 2018. From 1 January 2019, stepped down as Managing Director and remains as Executive Chairman of Zicom Group Limited and 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 A\*accelerate  
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 (1 April 2014 to 31 March 2018)

### *Special responsibilities*

Member of Nomination and Remuneration Committee  
Executive Chairman of all subsidiaries

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

107,781,137 ordinary shares



**KOK YEW SIM, BSc**  
Group Chief Executive Officer, Age 39

### *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. Promoted to Group Chief Executive Officer on 1 January 2019. 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, building capabilities and market penetration. Now as Group CEO, he will focus on strengthening and transforming the Group's existing core businesses to align with the technological age so as to enhance shareholders value. 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 Executive Chairman, 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  
Deputy Chairman of iPtec 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

## NON-EXECUTIVE DIRECTOR



**KOK HWEI SIM, BSc, MSc**  
Non-Executive Director, Age 41

### *Experience and expertise*

Mr Kok Hwei Sim was appointed to the Board on 21 November 2007. Pursuant to the successful demerger of the medical technology businesses from the Group, he stepped down as an executive director and remains on the board as a Non-Executive Director to focus on ZIG Ventures Limited as its Chief Executive Officer. Mr Kok Hwei Sim is an experienced leader in both corporate and general management. His expertise includes treasury management, mergers and acquisitions, strategic partnerships and fund raising. 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 Executive Chairman, 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*

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*

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



# Board of Directors

## INDEPENDENT DIRECTORS



**YIAN POH LIM, BSc, MSc**  
Independent Director, Age 73

### *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 and is currently the managing director of 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*

1,038,000 ordinary shares



**IAN ROBERT MILLARD, FCA, FAICD**  
Independent Director, Age 80

### *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 Cescio 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 75

### *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



**FRANK LEONG YEE YEW, MBA, FCA (England & Wales), FCA (Singapore)**  
Independent Director, Age 76  
Retired on 15 November 2018

### *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 (resigned on 30 November 2018)

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

624,364 ordinary shares on 15 November 2018

# Company Secretaries



**LIM BEE CHUN, JENNY, FCCA**  
Joint Company Secretary, Age 46



**IGOR SUSHKO (NICK), MBA, FCPA, BBus, BSc**  
Joint Company Secretary, Age 53

## ***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 and has since acquired expertise in corporate secretarial and advisory matters.

## ***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

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

None

## ***Special responsibilities***

Director of Zicom Private Limited  
Company Secretary of Zicom Holdings Private Limited

## ***Special responsibilities***

Company Secretary of Cesco Australia Limited and  
Cesco Equipment Pty Limited

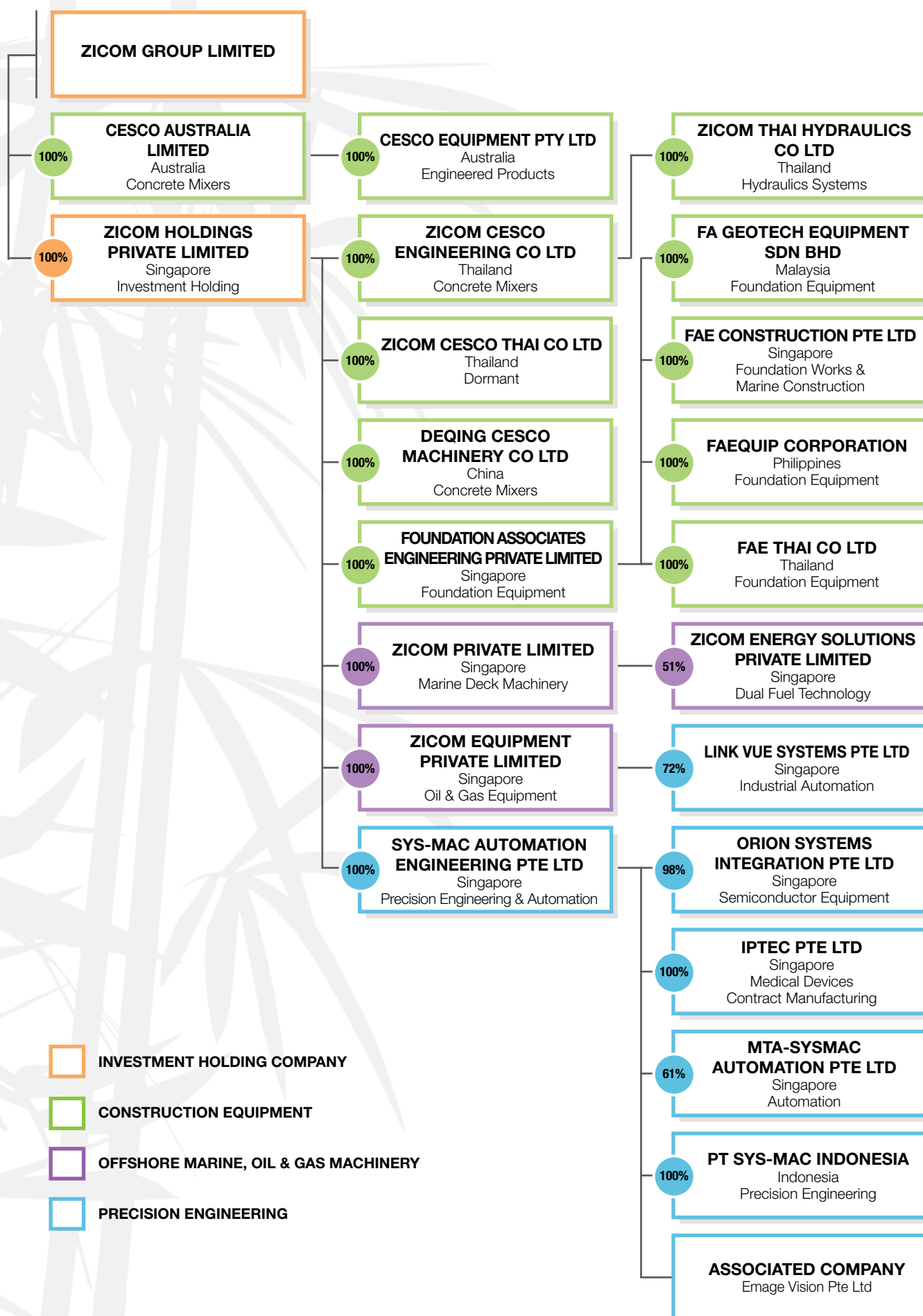
## ***Relevant interests in shares and options as at date of signing the Directors' Report***

944,563 ordinary shares and 200,000 options

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

NIL

# Corporate Chart





# Directors' Report 2019

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 2019.

## Directors

The following persons were directors of Zicom Group Limited during the financial year and up to the date of this report. Except for Mr Frank Leong who retired on 15 November 2018, the other directors were in office for this entire period.

Mr. G L Sim	(Executive Chairman)
Mr. K Y Sim	(Group Chief Executive Officer)
Mr. K H Sim	(Non-Executive Director)
Mr. Y P Lim	(Independent)
Mr. I R Millard	(Independent)
Mr. S P Sze	(Independent)
Mr. F Leong	(Independent) - Retired on 15 November 2018

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 medical devices, rental of foundation equipment, supply of precision and automation equipment and solutions and products and services to the offshore marine, oil and gas, construction, electronics and agriculture industries.

## Consolidated Results

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

Key Financials (Continuing operations)	Change %	Year ended 30 June 19 S\$ million	Year ended 30 June 18 S\$ million
Total consolidated 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.

## Dividends

The Board has considered it not prudent to pay any dividend this year.

# Directors' Report 2019

## Review of Operations

In November 2018, the Group demerged its entire medical technology cluster. The Group's total consolidated revenue from continuing operations for the full year is S\$99.62m as compared with S\$79.96m in the previous year, an increase of 24.6%. The consolidated profit from the continuing operations were S\$1.74m for the financial year just ended as compared with consolidated loss of S\$7.16m in the previous year, an improvement of 124.3%.

The Group's total consolidated revenue including discontinued operations of the medical technology cluster 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 (including discontinued operations) is S\$0.46m as compared with consolidated loss of S\$10.87m in the previous year, an improvement of 104.2%. Loss from discontinued operations of the medical technology cluster amounted to S\$1.28m (2018: S\$3.71m) for the period from 1 July 2018 to 30 November 2018.

Earnings per share for the year (including discontinued operations) 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\$.

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

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.



# Directors' Report 2019

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.

## Segmental Revenue

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

Segmental Revenue	Change %	Year ended 30 June 19 S\$ million	Year ended 30 June 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.

# Directors' Report 2019

## 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 as 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 June 19 S\$ million	As at 30 June 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.



# Directors' Report 2019

## 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 June 19 Singapore Cents	As at 30 June 18 Singapore Cents
Net tangible assets per share	1.60	26.91	25.31

Net tangible assets per share has improved slightly in line with the increase in the Group's net tangible assets.

## 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	<u>97.7</u>

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.

# Directors' Report 2019

## Subsequent Events after the Balance Sheet Date

On 24 September 2019, the board approved the issue of 6,000,000 share options to eligible employees and directors under the Zicom Employee Share and Option Plan. Each option entitles the holder to subscribe for one fully paid ordinary share in the Company at A\$0.081 which approximates the market price on the grant date. These options which will vest over a period of 36 months will expire 5 years from the date of grant. Share options proposed for directors are subject to shareholders' approval.

Except as disclosed above, no matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group subsequent to 30 June 2019.

## 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	3	3	1	1
Kok Yew Sim	4	4	3	3	-	-
Kok Hwee Sim	4	4	3	3	-	-
Yian Poh Lim	4	4	3	3	1	1
Ian R Millard	4	4	3	3	-	-
Shaw Pao Sze	4	4	3	3	-	-

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\$9,130 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.



# Directors' Report 2019

## Retirement, election and continuation in office of directors

In accordance with ASX Listing Rule 14.4 and the Company's Constitution, Messrs Giok Lak Sim, Yian Poh Lim and Ian R Millard retire by rotation.

Mr Ian Millard was appointed to the Board on 23 November 2006 and given his length of service and in line with the Board's renewal policy, will not be seeking re-election. Mr Ian Millard has made significant contributions to the Company in the areas of corporate finance and governance and as Chairman of the Audit Committee.

Messrs Giok Lak Sim and Yian Poh Lim, being eligible, will offer themselves for re-election.

## Directors' relevant interests in Zicom Group Limited

In accordance with S300(11) of the *Corporations Act 2001*, the relevant interests of the directors in the shares and options of Zicom Group Limited as at the date of this report are unchanged to those disclosed within the remuneration report as at 30 June 2019.

## 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	(Executive Chairman)
K Y Sim	(Group Chief Executive Officer)
K H Sim	(Non-Executive Director)
Y P Lim	(Independent Director)
I R Millard	(Independent Director)
S P Sze	(Independent Director)
F Leong	(Independent Director) – Retired on 15 November 2018

### (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

# Directors' Report 2019

## Remuneration report (Audited)

### 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 G L Sim and Mr Frank Leong as members. Mr Frank Leong retired on 15 November 2018. The Nomination and Remuneration Committee had approved the Service Agreements of the Executive Chairman, Mr G L Sim and the Group CEO, Mr Kok Yew Sim.

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

#### *Non-Executive Directors*

Remuneration of non-executive directors is determined by the directors within the maximum amount approved by the shareholders. Each non-executive director receives a base fee of A\$25,000 for being a director of the 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 any directors during the financial year. A total of 700,000 share options are proposed for consideration at the 2019 Annual General Meeting.

The board recommends that total directors' fees for non-executive directors for the financial year ending 30 June 2020 be fixed at a maximum sum of A\$165,000 (S\$157,000).

#### *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.

# Directors' Report 2019

## Remuneration report (Audited)

### *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.

## **B Service Agreements**

### Executive Chairman and Group Chief Executive Officer

The Executive Chairman, 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. ZHPL 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. On 31 December 2018, Mr G L Sim stepped down as the Group Managing Director and remains as Executive Chairman of Zicom Group Limited and all its subsidiaries.

Mr Sim is entitled to an annual review of his monthly salary if the company's results exceed 15% return on shareholders' funds as at the end of that financial year. Mr Sim has frozen his monthly salary since 2007. From 1 January 2019, Mr Sim reduced his monthly salary by 30%. Mr Sim has decided to reduce his monthly salary by another 10% with effect from 1 January 2020. Apart from this, all other benefits, terms and conditions in his service agreement remain unchanged.

Group Chief Executive Officer, Mr K Y Sim, is directly employed by ZHPL and has entered into a 5-year service agreement with ZHPL with effect from 1 January 2019. ZHPL and Mr K Y 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 is also appointed as the Group CEO of ZGL.

Both Mr G L Sim and Mr K Y Sim are paid a monthly salary and a car allowance. Both are entitled to a minimum performance bonus of 5% but the total not exceeding 10% of the pre-tax consolidated profits of ZHPL upon achieving agreed minimum profit targets, being the only criterion for their entitlement. Both are entitled to convert part of their 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 G L Sim was not entitled to any bonus as the pre-tax consolidated profits of ZHPL did not achieve the minimum profit target. Mr K Y Sim, the Group CEO, continues as CEO of Sys-Mac Automation Engineering Pte Ltd ("Sys-Mac") while transiting into his Group's role pending a successor for Sys-Mac, is entitled to a bonus under his contract at the higher of his entitlement based on the profits of Sys-Mac or consolidated profits of ZHPL. Mr K Y Sim did not elect to convert any portion of his performance bonus into ZGL shares during the current financial year.

Pursuant to their service agreements with ZHPL, both are not paid any salary or fees by ZGL, Cesco Australia Limited ("CAL") or any other group companies. In the event CAL achieves the minimum pre-tax profits, both Mr G L Sim and Mr K Y Sim will be paid a total bonus not exceeding 5% of CAL's profits. During the financial year just ended, both were not paid any bonus by CAL as the profit target was not achieved.



# Directors' Report 2019

## Remuneration report (Audited)

### 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.

### *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 shareholders value.

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

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

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

Options are granted at no cost to employees. When exercised, each option is convertible into one ordinary share which shall be credited as fully paid up and rank equally with all other fully paid ordinary shares.

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

# Directors' Report 2019

## Remuneration report (Audited)

There were 2,550,000 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:

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Earnings per share (Australian cents)	0.22	(4.83)	(2.03)	(0.95)	1.04
Dividends per share (Australian cents)	–	–	0.15	0.45	0.70
Closing share price (Australian cents)	11.00	9.60	12.00	17.00	20.50
Net tangible assets per share (Australian cents)	28.36	25.12	28.65	32.37	33.37

### Exchange rates used for currency translation

Average rate for EPS	0.9749	1.0375	1.0498	1.0106	1.0864
Closing rate for NTA per share	0.9488	1.0076	1.0570	1.0026	1.0323

# Directors' Report 2019

## 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 2019 and 2018 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.

2019	Short Term Employee Benefits										Post-Employment		
	Name	Cash Salary and Fees S\$	Non-Monetary Benefits		Other Short-Term Employee Benefits S\$	Benefit S\$	Share-Based Payments		Performance Related %	Consisting Of Share Options %			
			Bonus S\$	Benefits S\$			Superannuation S\$	Performance Bonus Paid in Shares S\$			Share options S\$	Total S\$	
Non-Executive Directors													
	K H Sim <sup>(2)</sup>	17,142	-	-	-	-	-	-	-	-	-	-	-
	Y P Lim	35,096	-	-	-	-	-	-	-	-	-	-	-
	I R Millard	33,147	-	-	-	-	-	-	-	-	-	-	-
	S P Sze	28,272	-	-	-	-	-	-	-	-	-	-	-
	F Leong <sup>(1)</sup>	12,016	-	-	-	-	-	-	-	-	-	-	-
	Sub-total Non-Executive Directors	125,673	-	-	-	-	-	-	-	-	-	125,673	-
Executive Directors													
	G L Sim – Executive Chairman	367,200	-	-	24,000	5,400	-	-	-	-	-	396,600	-
	K Y Sim	151,200	144,209	-	44,400	12,240	-	-	-	41	-	352,049	-
	K H Sim <sup>(2)</sup>	70,500	-	-	5,000	5,100	-	-	-	-	-	80,600	-
	Sub-total Executive Directors	588,900	144,209	-	73,400	22,740	-	-	-	-	-	829,249	-
Other Key Management Personnel													
	J L Sim <sup>(3)</sup>	183,600	-	-	21,600	5,400	-	-	-	-	-	210,600	-
	H S Tang <sup>(4)</sup>	154,020	-	-	14,400	5,400	-	-	-	-	-	173,820	-
	Sub-total Other Key Management Personnel	337,620	-	-	36,000	10,800	-	-	-	-	-	384,420	-
	Grand total	1,052,193	144,209	-	109,400	33,540	-	-	-	-	-	1,339,342	-

<sup>(1)</sup> F Leong retired on 15 November 2018

<sup>(2)</sup> K H Sim was redesignated as Non-Executive Director on 1 December 2018. His remuneration during the period of his executive and non-executive roles are included in the above table under the respective headings

<sup>(3)</sup> J L Sim is the joint managing director of Zicom Private Limited and a director of Zicom Holdings Private Limited

<sup>(4)</sup> H S Tang is the joint managing director of Zicom Private Limited and a director of Zicom Holdings Private Limited

# Directors' Report 2019

## Remuneration report (Audited)

### C Details of remuneration (cont'd)

2018	Name	Short Term Employee Benefits				Post-Employment Benefit		Share-Based Payments			Consisting Of Share Options %	
		Cash Salary and Fees S\$	Bonus S\$	Non-Monetary Benefits S\$	Other Short-Term Employee Benefits S\$	Superannuation S\$	Performance Bonus Paid in Shares S\$	Share options S\$	Total S\$	Performance Related %		
Non-Executive Directors												
	Y P Lim	38,388	-	-	-	-	-	-	-	38,388	-	-
	F Leong	35,275	-	-	-	-	-	-	-	35,275	-	-
	I R Millard	36,313	-	-	-	-	-	-	-	36,313	-	-
	S P Sze	31,125	-	-	-	-	-	-	-	31,125	-	-
	Sub-total Non-Executive Directors	141,101	-	-	-	-	-	-	-	141,101	-	-
Executive Directors												
	G L Sim – Executive 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 2019

## Remuneration report (Audited)

### Details of share options to key management personnel

Options granted to, vested, exercised or expired during the years 2019 and 2018 as well as their outstanding options held as at year end are shown in the tables below.

#### 30 June 2019

	Balance at 1 July 2018	← Granted	Options exercised	→ Expired	Balance at 30 June 2019	Exercisable	Not Exercisable	Expiry date
<i>Directors</i>								
K Y Sim	300,000	–	–	–	300,000	300,000	–	30/11/2020
K H Sim	300,000	–	–	–	300,000	300,000	–	30/11/2020
<i>Executives</i>								
J L Sim	200,000	–	–	–	200,000	200,000	–	31/10/2019
H S Tang	200,000	–	–	–	200,000	200,000	–	31/10/2019
	<u>1,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>–</u>	

#### 30 June 2018

	Balance at 1 July 2017	← Granted	Options exercised	→ Expired	Balance at 30 June 2018	Exercisable	Not Exercisable	Expiry date
<i>Directors</i>								
K Y Sim	300,000	–	–	–	300,000	300,000	–	30/11/2020
K H Sim	300,000	–	–	–	300,000	300,000	–	30/11/2020
<i>Executives</i>								
J L Sim	200,000	–	–	–	200,000	200,000	–	31/10/2019
H S Tang	200,000	–	–	–	200,000	200,000	–	31/10/2019
	<u>1,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>–</u>	

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.

No other key management personnel were granted, exercised or had options which expired during the years 2019 and 2018 or had outstanding options as at 30 June 2019 and 30 June 2018.

# Directors' Report 2019

## Remuneration report (Audited)

Shareholdings of key management personnel as at 30 June 2019 and 30 June 2018 are as follows:

### 30 June 2019

	Balance as at 1 July 2018	Granted as remuneration	Options exercised	Purchases	Balance as at 30 June 2019
<i>Directors</i>					
G L Sim	101,267,137	–	–	6,514,000	107,781,137
K Y Sim	1,350,253	–	–	–	1,350,253
K H Sim	1,538,180	–	–	–	1,538,180
Y P Lim	488,000	–	–	550,000	1,038,000
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
	<u>114,034,926</u>	<u>–</u>	<u>–</u>	<u>7,064,000</u>	<u>121,098,926</u>

Mr F Leong held 624,364 ordinary shares at the date of his retirement.

### 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 Y Sim	1,350,253	–	–	–	1,350,253
K H Sim	1,538,180	–	–	–	1,538,180
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
	<u>108,145,290</u>	<u>–</u>	<u>–</u>	<u>6,514,000</u>	<u>114,659,290</u>

There were no other transactions and balances with key management personnel and their related parties during the years 2019 and 2018.

# Directors' Report 2019

## 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	129,662
Tax compliance services	14,136
	<hr/>
	143,798

## 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.



G L Sim  
Executive Chairman  
30 September 2019

# Auditor's Independence Declaration

to the Directors of Zicom Group Limited



**Building a better  
working world**

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 the financial report of Zicom Group Limited for the financial year ended 30 June 2019, 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.

Ernst & Young

Tom du Preez  
Partner  
30 September 2019



# 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: Lay 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 measurable 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*

The members of the combined Nomination and Remuneration Committee during the reporting period were Mr Y P Lim (Chairman), Mr G L Sim and Mr Frank Leong (retired on 15 November 2018). For most part of the reporting period, the Committee only had two members instead of a minimum three as set out in the recommendation which the Board has considered and decided that this non-compliance did not affect the operations of the committee.

As part of the Board renewal process, the Group is seeking out potential candidates who are aligned with the technology age and can bring fresh ideas and perspectives to the Board to serve the interests of the Company and its members as independent directors. The Board is confident that this recommendation will be satisfied in due time.

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, Executive Chairman and Group CEO.

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*

Whilst half of the Company's Board of Directors are independent, the majority of Directors are non-executive. The Group is seeking out, as part of its Board renewal process, potential candidates who are aligned with the technology age and can bring fresh ideas and perspectives to the Board to serve the interests of the Company and its members as independent directors. The Board is confident that this recommendation will be satisfied in due time.

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.

# Corporate Governance Statement

Mr Frank Leong had no relationships or interests that would affect his independence and hence was an independent director until his retirement on 15 November 2018.

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

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

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

Whilst Mr K H Sim is now a Non-Executive Director, he had been an executive director for the past years and being the eldest son of Mr G L Sim, he is therefore considered by the Board to be not independent.

Mr K Y Sim is Executive Director and on 1 January 2019, he was appointed as the Group Chief Executive Officer, he is therefore 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. On 1 January 2019, Mr G L Sim stepped down as the Group Managing Director and remains as Executive Chairman of Zicom Group. The Board has determined that Mr G L Sim is, and was not independent.

As such, the position of the Chairperson is held by a 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 to 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:

Non-independent		Independent	
Mr G L Sim	24 years	Mr Ian R Millard	13 years
Mr K H Sim	12 years	Mr Y P Lim	13 years
Mr K Y Sim	5 years	Mr S P Sze	9 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 Y P Lim
- Mr Frank Leong (retired on 15 November 2018)

For most part of the reporting period, the Committee only had two members instead of a minimum three as set out in the recommendation. The Board has considered and decided that this non-compliance did not affect the operations of the committee as the full Board undertook the functions of the Audit Committee during this period. Subsequent to the reporting period, Mr K H Sim, a Non-Executive Director, was appointed to the Audit Committee.

# Corporate Governance Statement

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.
- 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 Executive Chairman 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.

# Corporate Governance Statement

## 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.
- 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 Executive Chairman (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.

# Corporate Governance Statement

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, one of whom retired on 15 November 2018.

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.

The Executive Directors receive performance-based remuneration. Both the Executive Chairman and the Group CEO have service agreements with the Group for a term of 5 years. 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 Group CEO 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 Profit or Loss

for the year ended 30 June 2019

(In Singapore dollars)

	Note	2019 S\$'000	2018 S\$'000
<b>Continuing operations</b>			
Revenue from contracts with customers	5	92,973	–
Sale of goods		–	53,664
Rendering of services		–	4,849
Revenue recognised on projects		–	16,649
Rental income		4,487	3,239
<b>Revenue</b>		<u>97,460</u>	<u>78,401</u>
Other income	6	<u>2,157</u>	<u>1,556</u>
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	6	(11,815)	(9,797)
Finance costs		(893)	(424)
Share of results of associate	13	<u>332</u>	<u>–</u>
<b>Profit/(loss) before taxation</b>		<u>1,602</u>	<u>(7,599)</u>
Tax benefit	7	<u>10</u>	<u>267</u>
<b>Profit/(loss) from continuing operations, net of tax</b>		<u>1,612</u>	<u>(7,332)</u>
<b>Discontinued operations</b>			
Loss from discontinued operations, net of tax	8	<u>(1,305)</u>	<u>(3,810)</u>
<b>Profit/(loss) for the year</b>		<u><u>307</u></u>	<u><u>(11,142)</u></u>
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Parent			
Continuing operations		1,737	(7,163)
Discontinued operations	8	<u>(1,282)</u>	<u>(3,710)</u>
		455	(10,873)
Non-controlling interests		<u>(148)</u>	<u>(269)</u>
<b>Profit/(loss) for the year</b>		<u><u>307</u></u>	<u><u>(11,142)</u></u>
<b>Earnings per share (cents)</b>			
Basic earnings/(loss) per share			
Continuing operations	9	0.80	(3.30)
Discontinued operations	9	<u>(0.59)</u>	<u>(1.71)</u>
<b>Total</b>		<u><u>0.21</u></u>	<u><u>(5.01)</u></u>
Diluted earnings/(loss) per share			
Continuing operations	9	0.80	(3.30)
Discontinued operations	9	<u>(0.59)</u>	<u>(1.71)</u>
<b>Total</b>		<u><u>0.21</u></u>	<u><u>(5.01)</u></u>

# Consolidated Statement of Comprehensive Income

for the year ended 30 June 2019

(In Singapore dollars)

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

# Consolidated Balance Sheet

as at 30 June 2019

(In Singapore dollars)

	Note	2019 S\$'000	2018 S\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	36,874	21,301
Intangible assets	11	7,355	14,602
Deferred tax assets	7	2,819	3,054
Convertible loans to an associate		–	1,131
Investments in associates	13	3,731	8,798
		<u>50,779</u>	<u>48,886</u>
<b>Current assets</b>			
Cash and bank balances	22	15,024	9,739
Inventories	14	32,113	28,007
Trade and other receivables	15	20,429	21,802
Contract assets	5	1,352	–
Contract costs	16	1,087	–
Gross amount due from customers for contract work	17	–	4,227
Prepayments		422	398
Tax recoverable		170	–
		<u>70,597</u>	<u>64,173</u>
<b>TOTAL ASSETS</b>		<u>121,376</u>	<u>113,059</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	18	17,656	19,122
Contract liabilities	5	9,508	–
Gross amount due to customers for contract work	17	–	1,844
Interest-bearing liabilities	19	22,125	18,407
Provisions	20	1,178	1,882
Provision for taxation		291	192
		<u>50,758</u>	<u>41,447</u>
<b>NET CURRENT ASSETS</b>		<u>19,839</u>	<u>22,726</u>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	19	556	664
Deferred tax liabilities	7	3,542	983
Provisions	20	467	414
		<u>4,565</u>	<u>2,061</u>
<b>TOTAL LIABILITIES</b>		<u>55,323</u>	<u>43,508</u>
<b>NET ASSETS</b>		<u>66,053</u>	<u>69,551</u>
<b>Equity attributable to equity holders of the Parent</b>			
Share capital	21	21,100	38,314
Reserves		11,407	(1,562)
Retained earnings		<u>33,270</u>	<u>32,581</u>
		65,777	69,333
<b>Non-controlling interests</b>		<u>276</u>	<u>218</u>
<b>TOTAL EQUITY</b>		<u>66,053</u>	<u>69,551</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>121,376</u>	<u>113,059</u>

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

(In Singapore dollars)

	Attributable to equity holders of the Parent							Non-controlling interests	Total equity
	Share capital	Share capital – exercise of share options	Asset revaluation surplus	Foreign currency translation reserve	Share-based payments reserve	Retained earnings	Total		
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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1.7.2017</b>	37,842	472	–	(1,701)	200	43,444	80,257	212	80,469
Loss for the year	–	–	–	–	–	–	–	–	–
Other comprehensive loss	–	–	–	(206)	–	(10,873)	(10,873)	(269)	(11,142)
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
<b>Balance at 30.6.2018 – as previously reported</b>	37,842	472	–	(1,907)	345	32,581	69,333	218	69,551
Effect of adopting AASB 9	–	–	–	–	–	(490)	(490)	–	(490)
Effect of adopting AASB 15	–	–	–	–	–	(468)	(468)	–	(468)
<b>Balance at 1.7.2018 – as restated</b>	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 loss 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	21	(17,214)	–	–	–	–	(17,214)	–	(17,214)
Gain on demerger	8	–	–	–	–	977	977	–	977
Disposal of subsidiary	12(a)	–	–	–	–	–	–	(11)	(11)
Discontinued operations	8	–	–	–	(218)	–	(218)	(196)	(414)
<b>Balance at 30.6.2019</b>	20,628	472	13,055	(1,789)	141	33,270	65,777	276	66,053

(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 2019

(In Singapore dollars)

	Note	2019 S\$'000	2018 S\$'000
<b>Cash flows from operating activities:</b>			
Profit/(loss) before taxation from continuing operations		1,602	(7,599)
Loss before taxation from discontinued operations	8	(1,309)	(3,820)
Operating profit/(loss) before taxation		293	(11,419)
Adjustments for:			
Depreciation of property, plant and equipment	10	4,390	3,984
Amortisation of intangible assets	11	910	1,224
Bad debts written off	6	96	–
Allowance for doubtful debts, net	6	926	403
Allowance for inventory obsolescence, net	6	95	322
Inventories written off	6	23	186
Finance costs		897	424
Interest income		(70)	(94)
Property, plant and equipment written off	6	4	47
Intangible assets written off	6	220	72
Gain on disposal of property, plant and equipment, net		(8)	(57)
Trade and other payables written back		–	(72)
Non-trade receivables written off	6	116	–
Provisions made, net	20	478	167
Share-based payments		21	155
Gain on disposal of subsidiary	6	(1,630)	–
Share of results of associates		223	1,273
Unrealised exchange differences		(150)	(177)
<b>Operating profit/(loss) before reinvestment in working capital</b>		6,834	(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		917	(1,140)
<b>Cash generated from/(used in) operations</b>		6,820	(10,495)
Interest received		47	62
Interest paid		(921)	(428)
Income taxes paid		(326)	(278)
<b>Net cash generated from/(used in) operating activities</b>		5,620	(11,139)



# Consolidated Statement of Cash Flows

for the year ended 30 June 2019

(In Singapore dollars)

	<b>Note</b>	<b>2019</b> S\$'000	<b>2018</b> S\$'000
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	10(b)	(1,027)	(3,278)
Proceeds from disposal of property, plant and equipment	10(c)	14	61
Purchase of computer software	11	(24)	(17)
Increase in development expenditure	11	(426)	(854)
Increase in patented technology	11	(12)	(53)
Investments in associates	13(b)	(222)	(676)
Subscription of convertible loan in an associate		–	(497)
Acquisition of subsidiaries, net of cash acquired		–	(145)
Net cash outflow on demerger	8	(2,109)	–
Net cash outflow on disposal of a subsidiary	12(a)	(7)	–
<b>Net cash used in investing activities</b>		<b>(3,813)</b>	<b>(5,459)</b>
<b>Cash flows from financing activities:</b>			
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)
<b>Net cash generated from financing activities</b>		<b>2,964</b>	<b>7,354</b>
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	22	8,956	18,239
<b>Cash and cash equivalents at end of year</b>	22	<b>13,741</b>	<b>8,956</b>

# 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 2019 was authorised for issue on 30 September 2019 in accordance with a resolution of the Directors.

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 land and buildings and 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.

#### *Compliance with International Financial Reporting Standards (IFRS)*

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

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2019. 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. 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.2 Basis of consolidation (cont'd)

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.

### 2.3 Changes in accounting policies

#### (a) Adoption of AASB 15 *Revenue from Contracts with Customers*

The Group has adopted AASB 15 *Revenue from Contracts with Customers* which became effective on 1 January 2018.

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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.3 Changes in accounting policies (cont'd)

#### (a) Adoption of AASB 15 *Revenue from Contracts with Customers* (cont'd)

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

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

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 consolidated statement of profit or loss or the Group's operating, investing and financing cash flows.

#### (b) Adoption of 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.3 Changes in accounting policies (cont'd)

#### (b) Adoption of AASB 9 *Financial Instruments* (cont'd)

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



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.3 Changes in accounting policies (cont'd)

#### (c) Revaluation of land and buildings

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 from the cost model to the revaluation model has resulted in more relevant and reliable information to the users of the financial statements as the consolidated balance sheet reflects more accurately the value of the most material assets of the business.

- (d) Several other amendments and interpretations apply for the first time in 2019 but do not have an impact on the consolidated financial statements. The Group has not early adopted any Standards, Interpretations or amendments that have been issued but are not yet effective.

### 2.4 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 AASB 16 *Leases (Effective for annual periods on or after 1 July 2019)* for which the directors have yet to finalise their assessment of the impact. AASB 16 requires recognition of a right-of-use asset, representing its rights to use the underlying leased asset and a lease liability representing its obligations to make lease payments, however the assessment is ongoing.

### 2.5 Significant accounting policies

#### (a) 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (a) Business combinations and goodwill (cont'd)

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.

#### (b) Operating segments

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

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

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

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (b) Operating segments (cont'd)

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.

#### (c) Foreign currency

##### (i) *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.

##### (ii) *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 was determined.

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

##### (iii) *Consolidated financial statements*

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

- Assets and liabilities are translated at the closing rate prevailing at 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.

The exchange differences arising on 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (d) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has generally concluded that it is the principal in its revenue arrangements.

##### *Sale of goods*

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.

##### *Rendering of services*

Services are sold separately. Customer receives and consumes the benefits as the entity performs the services and 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.

##### *Revenue recognised on projects*

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 over time using the input method, based on costs incurred, as a measure of entity's performance in transferring control of goods and services.

For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when the completed customised asset is delivered to the customer and the customer has accepted it in accordance with the contract.

##### *Contract balances*

##### *Contract assets*

A contract asset is the right to consideration in exchange of goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

##### *Trade receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (d) Revenue from contracts with customers (cont'd)

##### *Contract balances (cont'd)*

##### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or when it is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

##### *Contract costs*

Incremental costs of obtaining a contract are capitalised as acquisition costs if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations and are expected to be recovered.

Capitalised contract costs are amortised on a systematic basis that is consistent with the Group's transfer of the related goods and services to the customer.

Such contract costs are subject to impairment testing. An impairment exists if the carrying amount of an asset exceeds the amount of consideration the entity expects to receive in exchange for providing the associated goods or services, less the remaining costs that relate directly to providing those goods and services. Impairment losses are recognised in profit or loss.

##### *Significant financing component*

Generally, the Group receives short-term advances from its customers which is presented as contract liability. As the period between the transfer of the promised goods and payment by customer is one year or less, the Group elects the practical expedient in AASB 15 not to adjust for significant financing component.

##### *Warranty obligations*

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. These assurance-type warranties are accounted for under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (e) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets and depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, 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 other than land and buildings are measured at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of the revalued asset does not differ materially from its fair value at the reporting date.

A revaluation surplus is recorded in other comprehensive income and credited to asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

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	5 - 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (e) Property, plant and equipment (cont'd)

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

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

An item of property, plant and equipment is derecognised upon disposal (i.e at the date the recipient obtains control) or when no future economic benefits are expected from its use. Any gain or loss on derecognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the year the asset is derecognised.

#### (f) 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	5 years
Patented technology	10 – 20 years
Unpatented technology	10 – 14 years

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (f) Intangible assets (cont'd)

##### 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.

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gains or loss arising from derecognition is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### (g) 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 costs 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, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation surplus.

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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (g) Impairment of non-financial assets (cont'd)

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 unless the asset is measured at revalued amount, in which case, the reversal is treated as a revaluation increase. Impairment losses relating to goodwill cannot be reversed in future periods.

#### (h) 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 Group's share of results of associate in the period in which the investment is acquired.

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. Distributions received from associate reduces the carrying amount of the investment. 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 within the Group's share of results of associates in profit or loss.

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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (h) Associates (cont'd)

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.

#### (i) Financial Instrument

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*

At initial recognition, the Group measures financial assets at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

###### *Subsequent measurement*

###### Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The category most relevant to the Group is debt instruments measured at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

###### Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in FVOCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established.

For investments in equity instruments which the Group has not elected to present subsequent changes in FVOCI, changes in fair value are recognised in profit or loss.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (i) Financial Instrument (cont'd)

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

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

###### *Derivatives*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or 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 recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs by recognising a loss allowance based on lifetime ECLs at the reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

The Group considers a financial asset in default when contractual payments are significantly delayed from historical payment patterns or when there is internal or external information indicating that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### (iii) *Financial liabilities*

###### *Initial recognition and measurement*

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



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (i) Financial Instrument (cont'd)

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

##### *Subsequent measurement*

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using effective interest method. Gain and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

##### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amount and the considerations paid 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.

#### (j) 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.

#### (k) 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (l) 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.

#### (m) Fair value measurement

The Group measures some financial instruments such as derivatives, and non-financial assets such as land and buildings, 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.

The fair value of an asset or a liability is measured using the assumptions that 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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

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

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.

#### (n) 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 a reliable estimate can be made of the amount of the obligation.

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

##### *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.

#### (o) 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (p) 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.

##### *As 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 cost.

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.

##### *As lessor*

Leases where the Group does not transfer 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 2.5 (q).

#### (q) Other income recognition

##### *Interest income*

Interest income is recognised on an accrual basis using the effective interest method.

##### *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.

##### *Dividend income*

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (r) Employee benefits

##### (i) *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.

##### (ii) *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.

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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (r) Employee benefits (cont'd)

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

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.

##### (iii) *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.

#### (s) Taxation

##### (i) *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.

##### (ii) *Deferred tax*

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

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)

### 2.5 Significant accounting policies (cont'd)

#### (s) Taxation (cont'd)

##### (ii) *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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction of goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in the profit or loss.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.5 Significant accounting policies (cont'd)

#### (s) Taxation (cont'd)

##### (iii) *Goods and services tax*

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

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

#### (t) 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.

#### (u) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- clearly represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if operation had been discontinued from the start of the comparative year.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 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 disclosure of contingent liabilities at the end of the reporting period. 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 investee

As at 30 June 2019, the Group holds 16.29% (2018: nil) equity interest in Eimage Vision Pte Ltd ("EV"). The Group considers EV as an associate as the Group has the ability to exercise significant influence through both its shareholdings and active participation on the Board of Directors.

#### (ii) Discontinued operations – demerger of medical technology cluster

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. Accordingly, the share capital of the consolidated entity was reduced by S\$17,214,000, an amount equal to the net book values of ZIG and its subsidiaries as at 30 November 2018.

As part of the demerger exercise, equity interests in Biobot Surgical Pte Ltd ("BBS") and Curiox Biosystems Pte Ltd ("Curiox"), both engaged in medical technology, held directly by Zicom Holdings Private Limited were disposed to ZIG. The gain on demerger of S\$977,000 arising from the disposal of BBS and Curiox and the derecognition of non-controlling interest in BBS has been recognised in the statement of changes in equity as the demerger was considered to be a transaction between owners.

### (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) Revaluation of land and buildings

The Group carries its land and buildings at fair value. Changes in fair values of land and buildings are recognised in other comprehensive income. The fair value of land and buildings are determined by accredited independent valuers using recognised valuation techniques. These techniques comprise market comparison approach, replacement cost approach and income approach.

# 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) Revaluation of land and buildings (cont'd)

The determination of the fair value of the land and buildings requires the use of estimates such as:

- sales of similar properties that have been transacted in the open market with adjustments made for differences in factors that affect value;
- an estimate of the current value of the land plus the current gross replacement of improvements, less allowances for physical deterioration, obsolescence and optimisation; and
- capitalisation of net rental income taking into consideration factors such as vacancy rates and rental growth rates.

#### (ii) Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on number of days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates and will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At each reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future. The information on ECLs on the Group's trade receivables is disclosed in note 15 to the financial statements.

#### (iii) Revenue recognised on projects

For contracts where the Group has an enforceable right to payment, revenue is recognised over time using the input method, based on the proportion of costs incurred to date bear to estimated total contract costs, as a measure of entity's performance in transferring control of goods and services. Significant judgement is used to estimate the total contract costs which will determine the amount of revenue recognised on projects. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of contract assets and liabilities at the balance sheet date are disclosed in note 5 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) Impairment of non-financial assets and investment in associate

The Group assesses whether there are any indicators of impairment for all non-financial assets and investment in associate 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 investment in associate are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

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 cash generating unit 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. Management also considers the stage of development and/or commercialisation of certain CGU's products and services. Whilst these decisions are based on information available 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.

The key assumptions used to determine the recoverable amounts for the different cash generating units are disclosed in note 11 to the financial statements.

#### (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 2019 were S\$291,000 (2018: S\$192,000) and S\$3,542,000 (2018: S\$983,000) respectively. The Group also had deferred tax assets of S\$2,819,000 (2018: S\$3,054,000) as at 30 June 2019.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 4. Segment information (cont'd)

### Business segments (cont'd)

The following tables present information regarding operating segments for continuing operations for the years ended 30 June 2019 and 2018.

	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 2019</b>					
<b>Revenue</b>					
Sales to external customers	13,165	37,630	40,323	1,855	92,973
Rental income	–	4,475	12	–	4,487
Other revenue	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
<b>Total consolidated revenue</b>					<b>99,617</b>
<b>Results</b>					
Segment results	(3,559)	1,805	5,081	546	3,873
Unallocated revenue					134
Unallocated expenses					(1,891)
Share of results of associate				332	332
Profit before tax and finance costs					2,448
Finance costs					(893)
Interest income					47
<b>Profit before taxation</b>					<b>1,602</b>
Income tax benefit					10
<b>Profit from continuing operations, net of tax</b>					<b>1,612</b>
<b>Other segment information</b>					
Capital expenditure					
- property, plant and equipment	227	2,992	195	–	3,414
- intangible assets	187	6	19	–	212
					<b>3,626</b>
Depreciation and amortisation	531	3,122	971	1	4,625
Other non-cash expenses	814	687	(1,014)	5	492

# 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 2018</b>					
<b>Revenue</b>					
Sales to external customers	6,472	38,110	28,695	1,885	75,162
Rental income	–	3,239	–	–	3,239
Other revenue	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
<b>Total consolidated revenue</b>					<b>79,957</b>
<b>Results</b>					
Segment results	(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
<b>Loss before taxation</b>					<b>(7,599)</b>
Income tax benefit					267
<b>Loss from continuing operations, net of tax</b>					<b>(7,332)</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	1,095	11	4,493
Other non-cash expenses	447	574	287	22	1,330

# 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 2019 and 2018.

### 30 June 2019

	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	24,202	2,334	19,140	1,879	2,380	10,954	1,273	1,143	3,937	19,574	6,157	92,973
Rental income	502	1,230	2,264	-	-	-	466	-	25	-	-	4,487
Other revenue from external customers	170	8	1,894	60	-	-	11	6	-	-	8	2,157
												<u>99,617</u>
<b>Other segment information</b>												
Segment non-current assets	2,903	891	31,689	392	-	-	7,908	260	186	-	-	44,229
Investments in associates	-	-	3,731	-	-	-	-	-	-	-	-	3,731
Unallocated assets												<u>2,819</u>
												<u>50,779</u>
Capital expenditure												
- property, plant and equipment	258	3	2,719	90	-	-	504	31	2	-	-	3,607
- intangible assets	-	-	635	-	-	-	1	9	-	-	-	645
												<u>4,252</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 4. Segment information (cont'd)

### Geographical segments (cont'd)

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	23,287	3,720	21,978	546	1,758	2,829	2,412	1,852	5,932	5,521	5,327	75,162
Rental income	701	1,607	897	-	-	-	34	-	-	-	-	3,239
Other revenue from external customers	22	24	815	2	-	615	20	58	-	-	-	1,556
												<u>79,957</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)

## 5. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

2019	Offshore marine, oil & gas machinery	Construction equipment	Precision engineering & technologies	Industrial & mobile hydraulics	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Primary geographical markets</b>					
Australia	–	23,617	384	201	24,202
Singapore	500	5,490	12,694	456	19,140
Taiwan	–	–	19,574	–	19,574
Bangladesh	10,954	–	–	–	10,954
Others	1,711	8,523	7,671	1,198	19,103
Total	13,165	37,630	40,323	1,855	92,973
<b>Main revenue streams</b>					
Sales of goods	2,029	34,033	33,616	1,258	70,936
Rendering of services	619	3,597	234	597	5,047
Revenue recognised on projects	10,517	–	6,473	–	16,990
Total	13,165	37,630	40,323	1,855	92,973
<b>Timing of transfer of goods and services</b>					
At a point in time	2,029	34,033	33,616	1,258	70,936
Over time	11,136	3,597	6,707	597	22,037
Total	13,165	37,630	40,323	1,855	92,973

(b) Contract balances

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$'000	S\$'000
Trade receivables	16,281	16,818
Contract assets	1,352	–
Contract liabilities	(9,508)	–

Trade receivables are non-interest bearing and are generally due when invoiced or on 30 to 60 days' term.

Contract assets mainly relate to the Group's rights to consideration for work completed but not yet billed at reporting date on automation projects. The contract assets are transferred to trade receivables when the rights become unconditional. There was no impairment loss incurred on contract assets during the year.

Contract liabilities are primarily advance consideration received from customers amounting to S\$8,093,000 for which revenue is recognised over time and S\$1,415,000 for which revenue is recognised at a point in time.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 5. Revenue from contracts with customers (cont'd)

- (c) Transaction price allocated to remaining performance obligations

The Group applies the practical expedient in paragraph 121 of AASB 15 and does not disclose information about remaining performance obligations as at 30 June 2019 that have an original expected duration of one year or less.

## 6. Revenue, income and expenses

- (i) Other income

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
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 subsidiary (note 12a)	1,630	–
Government grants	155	583
Other revenue	16	17
	<u>2,157</u>	<u>1,556</u>

- (ii) Other operating expenses

Included in other operating expenses are the following:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Allowance for inventory obsolescence, net	95	322
Allowance for doubtful debts, net	926	403
Non-trade receivables written off	116	–
Bad debts written off	96	–
Foreign exchange loss	190	349
Provision for product warranties made, net	379	92
Property, plant and equipment written off	4	47
Warranty expense charged directly to profit or loss	3	3
Inventories written off	23	186
Intangible assets written off	220	72
Sales commission	1,761	805
Sea Freight	1,376	982
Travelling expenses	797	802
Utility charges	821	752



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 7. Taxation

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	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
Tax benefit from continuing operations	10	267
Tax benefit from discontinued operations (note 8)		
- deferred income tax	4	10
<b>Tax benefit in profit &amp; loss</b>	<b>14</b>	<b>277</b>
Revaluation of land and buildings	(2,856)	–
<b>Deferred tax charged to other comprehensive income</b>	<b>(2,856)</b>	<b>–</b>

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

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$'000	S\$'000
Profit/(loss) before taxation from continuing operations	1,602	(7,599)
Loss before taxation from discontinued operations (note 8)	(1,309)	(3,820)
Profit/(loss) before taxation	293	(11,419)
Tax credit at the domestic rates in the countries where the Group operates	291	1,423
Release of deferred tax liability on intangible assets	50	47
Release of deferred tax liability on revalued properties	101	–
Non-deductible expenses	(310)	(154)
Non-taxable income	22	127
Partial tax exemption	21	36
Deferred tax assets not recognised	(1,153)	(2,559)
Utilisation of previously unrecognised tax losses	769	433
Adjustments in respect of previous years	159	596
Enhanced tax credits	63	331
Others	1	(3)
<b>Tax benefit</b>	<b>14</b>	<b>277</b>

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 7. Taxation (cont'd)

Deferred taxation as at 30 June relates to the following:

	At 1 July 2017	Recognised in profit or loss (charge)/credit	Translation/ adjustments	At 30 June 2018	Recognised in profit or loss (charge)/credit	Recognised in other comprehensive income	Discontinued operations (Note 8)	Disposal of subsidiary (Note 12)	Translation/ adjustments	At 30 June 2019
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Deferred tax assets</b>										
Property, plant and equipment	(95)	67	-	(28)	28	-	19	-	-	19
Intangible assets	(1,022)	(5)	-	(1,027)	87	-	638	236	-	(66)
Provisions	710	(246)	-	464	15	-	(12)	(6)	-	461
Unutilised tax losses	2,662	467	(25)	3,104	(13)	-	(586)	(360)	(36)	2,109
Unutilised capital allowances	512	29	-	541	(164)	-	(59)	(22)	-	296
	2,767	312		3,054	(47)	-	-	(152)		2,819
<b>Deferred tax liabilities</b>										
Property, plant and equipment										
- at cost	(1,138)	157	(7)	(988)	22	-	-	-	4	(962)
- at revaluation	-	-	-	-	102	(2,856)	-	-	(20)	(2,774)
Intangible assets	(339)	47	-	(292)	50	-	51	-	(54)	(245)
Provisions	-	-	-	-	44	-	-	-	-	44
Unutilised capital allowances	184	91	-	275	100	-	-	-	-	375
Unutilised tax losses	56	(51)	-	5	(5)	-	-	-	-	-
Unutilised donations	13	4	-	17	3	-	-	-	-	20
	(1,224)	248		(983)	316	(2,856)	51	-		(3,542)
Tax benefit		560			269					

The Group has tax losses of S\$24,958,000 (2018: S\$42,290,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and there are no evidence of recoverability in the near future. If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by S\$4,994,000 (2018: S\$7,991,000).

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 8. 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.

As part of the demerger exercise, equity interests in Biobot Surgical Pte Ltd ("BBS") and Curiox Biosystems Pte Ltd ("Curiox") held directly by Zicom Holdings Private Limited were disposed to ZIG (notes 12(b) and 13(b)). The gain on demerger of S\$977,000 arising from the disposal of BBS and Curiox and the derecognition of non-controlling interest in BBS 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 S\$'000	2018 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)
Non-controlling interests	23	100
Loss from discontinued operations attributable to equity holders of Parent	(1,282)	(3,710)

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 including goodwill	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)

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 9. 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.

For purposes of calculating diluted earnings per share, profit/(loss) attributable to equity holders of the Parent and the weighted average number of ordinary shares outstanding are adjusted for effects of all dilutive potential shares.

	Continuing operations		Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Net profit/(loss) attributable to equity holders of the Parent	1,737	(7,163)	(1,282)	(3,710)	455	(10,873)
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	217,141	217,141	217,141	217,141	217,141	217,141
	Singapore cents		Singapore cents		Singapore cents	
Basic and diluted earnings/(loss) per share	0.80	(3.30)	(0.59)	(1.71)	0.21	(5.01)

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 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 10. Property, plant and equipment

Consolidated	Freehold land	Leasehold buildings	Buildings	Machinery under installation or construction	Plant and equipment	Leasehold improvements	Motor vehicles	Total
Cost/Valuation	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 1.7.2017</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
Currency realignment	216	6	362	—	(110)	(19)	(9)	446
Additions	—	—	—	—	3,213	195	199	3,607
Revaluation surplus	1,968	26,967	560	—	—	—	—	29,495
Disposals	—	—	—	—	(28)	—	(234)	(262)
Disposal of subsidiaries	—	—	—	—	(640)	(246)	—	(886)
Reclassification to inventories	—	—	—	—	(205)	—	—	(205)
Reclassification	—	—	—	—	(59)	—	(25)	(84)
Write off	—	—	—	—	—	—	—	—
<b>At 30.6.2019</b>	4,004	37,410	5,548	—	37,886	3,158	1,988	89,994
<b>Accumulated depreciation</b>								
<b>At 1.7.2017</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
Currency realignment	—	6	170	—	(45)	(15)	(4)	112
Charge for 2019	—	839	259	—	2,791	260	241	4,390
Revaluation adjustment	—	12,835	257	—	—	—	—	13,092
Disposals	—	—	—	—	(27)	—	(229)	(256)
Disposal of subsidiaries	—	—	—	—	(424)	(149)	—	(573)
Reclassification to inventories	—	—	—	—	(147)	—	—	(147)
Reclassification	—	—	—	—	(57)	—	(23)	(80)
Write off	—	—	—	—	—	—	—	—
<b>At 30.6.2019</b>	—	18,402	2,720	—	27,818	2,778	1,402	53,120
<b>Net carrying value</b>								
<b>At 30.6.2019</b>	4,004	19,008	2,828	—	10,068	380	586	36,874
<b>At 30.6.2018</b>	1,820	5,715	2,592	—	9,988	546	640	21,301

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 10. 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>2019</b> S\$'000	<b>2018</b> S\$'000
Motor vehicles	282	301
Plant and equipment	1,125	796
	<u>1,407</u>	<u>1,097</u>

Leased assets are pledged as security for the related finance lease liabilities (note 19).

- (b) During the year, the Group acquired property, plant and equipment with an aggregate cost of S\$3,607,000 (2018: S\$3,854,000) of which S\$268,000 (2018: S\$40,000) were acquired by means of hire purchase financing and S\$71,000 (2018: S\$354,000) was acquired by means of loan financing. Cash payments of S\$1,027,000 (2018: S\$3,278,000) were made to purchase property, plant and equipment. Included in additions is an amount of S\$2,241,000 (2018: S\$182,000) 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\$6,000 (2018: S\$4,000). Sales proceeds amounting to S\$14,000 (2018: S\$61,000) were received in cash.
- (d) During the financial year, the Group wrote off property, plant and equipment with an aggregate net book value of approximately S\$4,000 (2018: S\$47,000).
- (e) The net book value of property, plant and equipment pledged as security are as follows:

	<b>Consolidated</b>	
	<b>2019</b> S\$'000	<b>2018</b> S\$'000
Leasehold buildings	19,008	5,715
Freehold land and buildings	6,832	4,412
Plant and equipment	261	354
Motor vehicles	134	93
	<u>26,235</u>	<u>10,574</u>

Please refer to note 19 for details.

- (f) Revaluation of land and buildings
- i) The Group engaged accredited independent valuers to determine the fair values of land and buildings using a combination of recognised valuation techniques. Except for leasehold property at 29 Tuas Avenue 3 whose revaluation was done as at 30 June 2018, the rest of the land and buildings were revalued as at 30 September 2018.

In arriving at the fair values, valuers have relied on proprietary databases of active market prices of transactions for properties of similar nature, location and condition.

Considering the nature and complexity of the significant inputs, the Group has classified the fair value of the Group's land and buildings within Level 3 of the fair value hierarchy. There were no transfers between the different levels during the year.



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### (f) Revaluation of land and buildings (cont'd)

The following table shows the information about fair value measurements using significant unobservable inputs:

Description	Valuation techniques	Key unobservable inputs	Interrelationship between unobservable inputs and fair value measurement
Leasehold buildings, Singapore	Market Comparison Approach <sup>(1)</sup>	Comparable prices: S\$797 to S\$1,661 per square meter	The estimated fair value increases with higher comparable price
Land and buildings, Thailand	Market Comparison Approach and Replacement Cost Approach <sup>(2)</sup>	Comparable prices: 21,250-30,000 Baht per Sq. wah	The estimated fair value increases with higher comparable price

<sup>(1)</sup> Market comparison approach considers the sales of similar properties that have been transacted in the open market with adjustment made for differences in factors that affect value.

<sup>(2)</sup> Replacement cost approach is based on an estimate of the current market value of land, plus the current gross replacement of improvements, less allowance for physical deterioration, obsolescence and optimisation.

ii) The carrying amounts of land and buildings if measured using the cost model, would be as follows:

	2019 S\$'000	2018 S\$'000
Freehold land	1,953	1,820
Leasehold buildings	5,449	5,715
Buildings	2,533	2,592
	<u>9,935</u>	<u>10,127</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 11. Intangible assets

Consolidated	Customer list	Developed technology	Goodwill	Development expenditure	Club membership	Computer software	Unpatented technology	Patented technology	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cost</b>									
<b>At 1.7.2017</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
Currency realignment	-	-	(115)	-	1	(8)	-	-	(122)
Additions	-	-	-	426	-	24	183	12	645
Disposal of subsidiaries	-	-	(1,316)	(5,740)	-	(88)	(672)	(117)	(7,933)
Reclassification	-	-	(134)	-	-	-	134	-	-
Write off	-	-	(148)	(119)	-	-	-	(36)	(303)
<b>At 30.6.2019</b>	918	1,141	5,497	2,015	11	2,283	3,366	161	15,392
<b>Accumulated amortisation</b>									
<b>At 1.7.2017</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
Currency realignment	-	-	-	-	-	(7)	-	-	(7)
Amortisation	-	-	-	522	-	86	294	8	910
Disposal of subsidiaries	-	-	-	(859)	-	(53)	(373)	(1)	(1,286)
Write off	-	-	-	(83)	-	-	-	-	(83)
<b>At 30.6.2019</b>	918	1,141	-	1,819	-	2,211	1,924	24	8,037
<b>Net carrying value</b>									
<b>At 30 June 2019</b>	-	-	5,497	196	11	72	1,442	137	7,355
<b>At 30 June 2018</b>	-	-	7,210	5,209	10	170	1,718	285	14,602

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 11. Intangible assets (cont'd)

	Development expenditure	Unpatented technology
Average remaining amortisation period (years) – 2019	0.5	6.0
Average remaining amortisation period (years) – 2018	4.9	6.4

*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
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Property plant and equipment	7,708	20,474	694	1	7,997	36,874
Intangible assets other than goodwill	300	13	1,521	11	13	1,858
Goodwill	–	1,858	3,639	–	–	5,497
Investment in associate	–	–	3,731	–	–	3,731
	8,008	22,345	9,585	12	8,010	47,960

### *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\$7.2m, carried at fair value less accumulated depreciation, which has been supported by independent valuation performed recently as at 30 September 2018. 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 from the acquisition of Cesco Australia Limited, an impairment analysis is performed annually (refer below for discussion on Zicom Group Limited).

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 11. Intangible assets (cont'd)

### *Precision Engineering and Technologies*

Companies included in this segment are Sys-Mac Automation Engineering Pte Ltd and Orion Systems Integration Pte Ltd. Entities such as Biobot Surgical Pte Ltd and investments in associates (refer to note 13) which used to be included in this segment were demerged from the Group during the current financial year. Due to the goodwill that arose from 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.

### *Unallocated*

The most significant asset in this segment represents leasehold building which is carried at fair value less accumulated depreciation based on valuation report by accredited independent valuer.

### *Impairment tests for goodwill*

The Group did not have any intangible assets with indefinite useful life as at 30 June 2019. 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.

Consolidated	As at	As at	Basis on which recoverable values are determined	Pre-tax discount rate per annum	
	30.6.2019	30.6.2018		2019	2018
	S\$'000	S\$'000			
<i>Carrying value of capitalised goodwill based on cash-generating units</i>					
Sys-Mac Automation Engineering Pte Ltd	2,975	2,975	Value in use	15%	14%
Zicom Group Limited	1,858	1,973	Value in use	17%	14%
Orion Systems Integration Pte Ltd ("Orion")	664	664	Value in use	18%	19%
Biobot Surgical Pte Ltd ("BBS")	–	1,316	Value in use	–	18%
Zicom Energy Solutions Private Limited	–	282	–	–	–
	5,497	7,210			

In accordance with AASB 136, the carrying value of the Group's goodwill on acquisition as at 30 June 2019 was assessed for impairment.

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 five 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 cash generating units with the exception of Orion for which 0% was used.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 11. Intangible assets (cont'd)

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

#### *Zicom Group Limited*

Goodwill in this CGU relates mainly to Cescio 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 0% and 100%.

#### *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 50%.

#### *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, in its third year of commercial production, recorded a healthy growth in revenue. 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 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%.

### *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% in Cescio Australia Limited and Orion would not result in an impairment adjustment. Decreases greater than 10% may result in impairment adjustments. For Sys-Mac, a decrease in gross margin of more than 5% may result in impairment adjustments.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 11. Intangible assets (cont'd)

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

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.

Market share assumptions –These assumptions are important because management assesses how the CGU's position relative to its competitors may change over the forecast period.

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.

### *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, 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 2019 and 2018 for goodwill as their recoverable values were in excess of their carrying values.

## 12. Investments in subsidiaries

	Parent Entity	
	2019	2018
	S\$'000	S\$'000
Investments in controlled entities, at cost	54,544	54,544
Less: Impairment loss	(1,540)	(2,322)
	<u>53,004</u>	<u>52,222</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 12. 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	
		2019	2018	2019	2018
		S\$'000	S\$'000	%	%
<b>Held by the Company:</b>					
Cesco Australia Limited	Australia	8,829	8,047	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	Singapore	—	—	51	51
Zicom Equipment Private Limited	Singapore	—	—	100	100
Link Vue Systems Pte Ltd	Singapore	—	—	72	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	Thailand	—	—	100	100
Sys-Mac Automation Engineering Pte Ltd	Singapore	—	—	100	100
MTA-Sysmac Automation Pte Ltd	Singapore	—	—	61	61
iPtec Pte Ltd	Singapore	—	—	100	100
Orion Systems Integration Pte Ltd	Singapore	—	—	98	98
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
SAEdge Vision Solutions Pte Ltd	Singapore	—	—	—	96
Biobot Surgical Pte Ltd	Singapore	—	—	—	95
ZIG Ventures Limited	Singapore	—	—	—	100
(previously known as Zicom MedTacc Private Limited)					
Zicom Innovations Group Private Limited	Singapore	—	—	—	100
ZIG Medtech Asia Pte Ltd	Singapore	—	—	—	100
		53,004	52,222		



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### (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 paid 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
	<hr/> 2,054
Trade and other payables	(200)
Carrying value of net assets	1,854
Non-controlling interest	(11)
	<hr/> 1,843 <hr/>
Total consideration	–
Cash and cash equivalents of the subsidiary	(7)
Net cash outflow on disposal of a subsidiary	<hr/> (7) <hr/>

SAEdge's contribution to the Group for the period prior to disposal was a loss of S\$64,000 (2018: \$419,000) 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### (c) ZIG Ventures Limited

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. Following the completion of the distribution in specie, ZIG Ventures Private Limited was converted to an unlisted public company named ZIG Ventures Limited.

Biobot Surgical Pte Ltd, Zicom Innovations Group Private Limited and ZIG Medtech Asia Pte Ltd were subsidiaries held through ZIG and were included in the group of entities which were demerged on 30 November 2018.

Please refer to note 8 for more details.

### *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>2019</b>	<b>2018</b>
	S\$'000	S\$'000
Profit from continuing activities before taxation	606	1,065
Income tax benefit	–	311
Net profit for the year	606	1,376
Accumulated losses at the beginning of year	(21,829)	(23,209)
Forfeiture of employee share options	4	4
Dividends paid	–	–
Accumulated losses at the end of year	(21,219)	(21,829)

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### Consolidated Balance Sheet

	Closed Group	
	2019	2018
	S\$'000	S\$'000
<b>Non-current assets</b>		
Property, plant and equipment	1,191	1,286
Intangible assets	337	358
Deferred tax assets	284	302
Investments in subsidiaries	44,175	44,175
	45,987	46,121
<b>Current assets</b>		
Cash and bank balances	1,197	1,163
Inventories	4,996	4,499
Trade and other receivables	4,041	4,647
Prepayments	21	19
	10,255	10,328
<b>Current liabilities</b>		
Payables	3,808	4,749
Contract liabilities	70	–
Interest-bearing liabilities	671	206
Provisions	545	470
	5,094	5,425
<b>NET CURRENT ASSETS</b>	5,161	4,903
<b>Non-current liabilities</b>		
Interest-bearing liabilities	283	421
Provisions	152	112
	435	533
<b>NET ASSETS</b>	50,713	50,491
<b>Equity attributable to equity holders of the Parent</b>		
Share capital	72,322	72,322
Reserves	(390)	(2)
Accumulated losses	(21,219)	(21,829)
<b>TOTAL EQUITY</b>	50,713	50,491

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 13. Investments in associates

### (a) Investment details

		2019 S\$'000	2018 S\$'000
Held through subsidiaries	Principal place of business		
Curiox Biosystems Pte Ltd	Singapore	–	5,107
HistolIndex 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	–
		<u>3,731</u>	<u>8,798</u>

### (b) Movement in 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 result 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	<u>–</u>	<u>8,798</u>

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) Movement in the carrying amount of the Group's investment in associate acquired during the year

Emage Vision Pte Ltd ("EV")	2019 S\$'000	2018 S\$'000
Shareholdings held: 16.29% (30 Jun 18: nil%)		
At beginning of year	–	–
Investment during the year (note 12a)	3,473	–
Share of results after income tax	332	–
Dividend received	(74)	–
At end of year	<u>3,731</u>	<u>–</u>

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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 14. Inventories

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$'000	S\$'000
Raw materials/trading stocks (at cost or net realisable value)	19,694	18,902
Work-in-progress (at cost)	9,499	6,191
Finished goods (at cost)	2,342	2,097
Stocks-in-transit (at cost)	578	817
Total inventories at lower of cost and net realisable value	<u>32,113</u>	<u>28,007</u>

Inventories recognised as cost of sales for the year ended 30 June 2019 totalled S\$58,406,000 (2018: S\$50,335,000) for the Group.

## 15. Current assets - receivables

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$'000	S\$'000
Trade receivables	20,300	19,461
Allowance for impairment and expected credit losses	(2,485)	(1,087)
	<u>17,815</u>	<u>18,374</u>
Advance payments to suppliers	491	1,363
Deposits	110	100
Related party receivables:		
- Associates		
- trade	–	361
- non-trade	–	158
- Other related parties		
- trade	1,219	142
- non-trade	739	–
Other receivables	<u>55</u>	<u>1,304</u>
Total financial assets at amortised cost	<u>20,429</u>	<u>21,802</u>

Trade and other receivables are non-interest bearing and are generally due when invoiced or on 30 to 60 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

As at 30 June 2019, trade receivables amounting to S\$2,630,000 (2018: S\$1,766,000) were arranged to be settled via letters of credit issued by reputable banks in countries where the customers were based.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 15. Current assets – receivables (cont'd)

Receivables that are past due but 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 2019, the ageing analysis of trade receivables that are past due but not impaired is as follows:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$'000	S\$'000
Less than 30 days	4,822	5,748
30 to 60 days	1,373	602
61 to 90 days	562	780
91 to 120 days	1,961	374
More than 120 days	3,623	2,331
	<u>12,341</u>	<u>9,835</u>

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$'000	S\$'000
Trade receivables - nominal amounts	2,146	1,087
Less: allowance for impairment	<u>(2,146)</u>	<u>(1,087)</u>
	<u>-</u>	<u>-</u>
Movement in allowance accounts:		
As at 1 July	1,087	680
Acquisition of subsidiary company	-	7
Charge for the year	1,197	423
Written off	(11)	-
Unused amounts reversed	(120)	(20)
Currency realignment	(7)	(3)
As at 30 June	<u>2,146</u>	<u>1,087</u>

Trade receivables are individually determined to be impaired at the end of the reporting period based on the management's historical experience in the collection of debts from customers. These receivables are not secured by any collateral or credit enhancements.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 15. Current assets – receivables (cont'd)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$'000	S\$'000
As at 1 July 2018	–	–
Effect of adopting AASB 9	490	–
Reversal during the year	(151)	–
As at 30 June 2019	<u>339</u>	<u>–</u>

For related parties' receivables, please refer to note 25 for terms and conditions.

## 16. Contract costs

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$'000	S\$'000
Acquisition costs	443	–
Fulfilment costs	644	–
	<u>1,087</u>	<u>–</u>

Incremental costs of obtaining a contract are capitalised as acquisition costs if these costs are recoverable.

Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered.

Capitalised contract costs are amortised on a systematic basis that is consistent with the entity's transfer of the related goods and services to the customer.

For the financial year ended 30 June 2019, S\$207,000 was amortised and no impairment loss had been recognised.



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$'000	S\$'000
Contract costs incurred to date	–	6,249
Recognised profits (less recognised losses) to date	–	1,023
	–	7,272
Progress billings	–	(4,889)
Amount due from customers for contract work, net	–	2,383
Gross amount due from customers for contract work	–	4,227
Gross amount due to customers for contract work	–	(1,844)
	–	2,383
Advances received included in gross amount due to customers for contract work	–	217

## 18. Current liabilities - payables

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$'000	S\$'000
Trade payables and accruals (a)	16,710	17,879
Advance received from customers	–	997
Related party payables (b)		
- trade	527	18
- non-trade	240	17
Other payables	179	211
	17,656	19,122

(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 25 for terms and conditions.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 19. Interest-bearing liabilities

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<i>Current</i>		
Bank overdrafts (a)	1,283	783
Bills payable (b)	4,275	4,469
Revolving term loans (c)	13,700	11,250
Term loans (d)	163	159
Loans from a related party (e)	2,464	1,352
Lease liabilities (note 27c)	240	394
	<u>22,125</u>	<u>18,407</u>
<i>Non-current</i>		
Term loans (d)	283	421
Lease liabilities (note 27c)	273	243
	<u>556</u>	<u>664</u>

Details of the secured borrowings are as follows:

- (a) Bank overdraft amounting to S\$544,000 (2018: S\$305,000) which bears interest at floating rates ranging from 5.75% to 6.00% (2018: 6.00% to 6.25%) per annum is secured by corporate guarantee from Zicom Holdings Private Limited ("ZHPL").

Bank overdraft of S\$422,000 (2018: S\$306,000) which bears interest at floating rate of approximately 7.70% (2018: 7.70%) per annum is secured by a corporate guarantee from Zicom Cesco Engineering Co. Ltd.

Bank overdraft of S\$317,000 (2018: S\$125,000) which bears interest at floating rate of approximately 7.70% (2018: 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 as at 30 June 2018 of S\$47,000 which bore interest at fixed rate of 7.87% per annum is secured by a corporate guarantee from the Company.

- (b) Bills payable amounting to S\$3,766,000 (2018: S\$1,419,000) with an average maturity of 1 - 4 months (2018: 2 - 5 months) bear fixed interest rates until expiry, ranging from 1.80% to 4.39% (2018: 1.78% to 4.70%) per annum, at which point interest rate resets and are secured by a corporate guarantee given by ZHPL.

Bills payable amounting to S\$509,000 (2018: S\$nil) with a maturity of 1 month bears interest at fixed rate until expiry of 4.81% per annum is secured by a corporate guarantee from the Company.

Bills payable amounting to S\$3,050,000 as at 30 June 2018 with a maturity of 4 months bore 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

- (c) A revolving credit line of S\$5,000,000 (2018: S\$5,000,000) 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 first 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 2019, S\$4,500,000 (2018: S\$5,000,000) is outstanding bearing interest at fixed rates until expiry, ranging from 3.25% to 3.35% (2018: 2.75% to 3.00%) per annum, at which point, interest rate resets.

Short term loan of S\$3,000,000 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 2019, S\$2,350,000 (2018: S\$2,950,000) is outstanding with tenure of 1 month (2018: 1 and 3 months) bearing interest at fixed rate until expiry at 3.22% (2018: 2.66% to 2.73%) per annum, at which point, interest rate resets.

Short term loans with tenures of 6 months (2018: 1 – 3 months) amounting to S\$1,850,000 (2018: S\$2,300,000) bear interest at fixed rates until expiry ranging from 3.97% to 3.99% (2018: 3.39% to 3.57%) per annum at which time interest rate resets and is secured by a corporate guarantee given by ZHPL.

The remaining short-term loans with tenure of 1 month (2018: 3 months) amounting to S\$5,000,000 (2018: \$1,000,000) 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 rates until expiry, ranging from 3.14% to 3.26% (2018: 2.89%) per annum at which point interest rate resets.

- (d) Term loans amounting to S\$106,000 (2018: S\$145,000) comprising of current and long-term portions of S\$44,000 (2018: S\$54,000) and S\$62,000 (2018: S\$91,000) respectively which are secured by a fixed charge over the purchased motor vehicles and equipment are payable over 3 to 5 years (2018: 3 to 5 years) and bear interest at fixed rates of 4.12% to 5.40% (2018: 4.12% to 5.40%) per annum.

Term loans amounting to S\$340,000 (2018: S\$435,000) comprising of current and long-term portions of S\$119,000 (2018: S\$105,000) and S\$221,000 (2018: S\$330,000) respectively is repayable over 3 – 4 years (2018: 4) years and bear interest at fixed rates of 5.11% and 5.51% (2018: 5.51%) per annum. It is secured by a fixed charge over the purchased motor vehicle and equipment and a corporate guarantee from Cesco Australia Limited.

- (e) Loans from a related party amounting to S\$2,464,000 (2018: S\$1,352,000) which bear interest at fixed rate of 5% (2018: 5%) per annum have a maturity of 3 months which may be extended if required.

- (f) Financing facilities available

As at 30 June 2019, the Group had available S\$120,800,000 (2018: S\$103,000,000) of undrawn committed borrowing facilities and all significant bank covenants were complied with.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 20. Provisions

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$'000	S\$'000
<i>Current</i>		
Assurance-type warranties	747	1,494
Employee benefits	431	388
	<u>1,178</u>	<u>1,882</u>
<i>Non-current</i>		
Employee benefits	316	260
Reinstatement costs	151	154
	<u>467</u>	<u>414</u>
 Movement in provision for assurance-type warranties:		
At beginning of year	1,494	1,918
Additional provision	735	612
Disposal of subsidiaries	(79)	–
Unused amounts reversed	(378)	(509)
Utilised	(1,019)	(513)
Currency realignment	(6)	(14)
At end of year	<u>747</u>	<u>1,494</u>
 Warranty expense charged directly to profit or loss (note 6)	<u>3</u>	<u>3</u>
 Movement in provision for employee benefits:		
At beginning of year	648	605
Additional provision	121	77
Unused amounts reversed	–	(13)
Utilised	(7)	(2)
Currency realignment	(15)	(19)
At end of year	<u>747</u>	<u>648</u>
 Movement in provision for reinstatement costs:		
At beginning of year	154	156
Currency realignment	(3)	(2)
At end of year	<u>151</u>	<u>154</u>

Provision for assurance-type warranty claims is recognised on hydraulic deck machineries, gas processing plants and flip chip bonders 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 21. Share capital

### (a) Share capital

	Parent Entity		Consolidated	
	2019	2018	2019	2018
	No. of shares (Thousands)		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) Movement 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 consolidated entity was reduced, without cancelling any of the Company's shares, by S\$17,214,000, an amount equal to the net book values of ZIG and its subsidiaries as at 30 November 2018.

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 22. Cash and cash equivalents

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$'000	S\$'000
Cash at bank and in hand	15,009	9,465
Short-term fixed deposits	15	274
	<u>15,024</u>	<u>9,739</u>

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

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$'000	S\$'000
Cash and short-term deposits	15,024	9,739
Bank overdrafts	(1,283)	(783)
	<u>13,741</u>	<u>8,956</u>

Cash at bank balance amounting to S\$11,010,000 as at 30 June 2019 (2018: S\$522,000) earned interest at floating rate based on daily bank deposit rates ranging from 0.01% to 2.15% (2018: 0.30% to 3.08%) 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\$15,000 (2018: S\$84,000) pledged for facilities.

## 23. 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 23. Financial instruments (cont'd)

### (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>2019</b>	<b>2018</b>
	S\$'000	S\$'000
<i>Financial assets</i>		
Cash and bank balances	11,010	522
<i>Financial liabilities</i>		
Bank overdrafts	1,283	736

### *Sensitivity analysis of interest rate risk*

As at 30 June 2019, if interest rates had increased/decreased by 25 basis point with all other variables held constant, post-tax profit for the consolidated entity for the current financial year would be S\$20,000 higher/lower, as a result of the higher/lower interest rates. For the previous financial year ended 30 June 2018, post-tax loss was S\$1,000 higher/lower as a result of the higher/lower interest rates. Accordingly, the Group's equity as at year-end will be S\$20,000/(S\$20,000) (2018: (S\$1,000)/S\$1,000) higher/(lower).

### (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.



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 23. Financial instruments (cont'd)

### (c) Foreign currency risk (cont'd)

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:

	2019	2018
<b>Consolidated</b>	S\$'000	S\$'000
USD		
- strengthened 3% (2018: 1%)	103	40
- weakened 1% (2018: 2%)	(34)	(79)
EURO		
- strengthened 1% (2018: 2%)	(3)	3
- weakened 2% (2018: 1%)	5	(1)
AUD		
- strengthened 1% (2018: 2%)	5	8
- weakened 1% (2018: 2%)	(5)	(8)
BDT		
- strengthened 2% (2018: 2%)	15	-
- weakened 2% (2018: 2%)	(15)	-

### (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.

The Group determines that its financial assets are credit impaired 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.

The Group provides for expected credit losses for all trade receivables using a provision matrix 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 23. 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		Consolidated	
	2019		2018	
	S\$'000	% of total	S\$'000	% of total
Austria	207	1.2	137	0.7
Australia	2,901	16.3	3,758	20.5
Bangladesh	3,414	19.2	1,979	10.8
Hong Kong	–	–	178	1.0
India	237	1.3	–	–
Indonesia	204	1.1	120	0.7
Italy	–	–	120	0.6
Malaysia	1,426	8.0	966	5.3
People's Republic of China	1,072	6.0	229	1.2
Myanmar	460	2.6	–	–
Singapore	4,107	23.1	4,848	26.4
Taiwan	2,709	15.2	4,207	22.9
Thailand	751	4.2	1,085	5.9
United States of America	211	1.2	99	0.5
Vietnam	–	–	300	1.6
Others	116	0.6	348	1.9
	<u>17,815</u>	<u>100</u>	<u>18,374</u>	<u>100</u>

At the balance sheet date, approximately 55.6% (2018: 56.9%) of the Group's trade receivables were due from 6 (2018: 9) major customers.

### (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)

## 23. 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>2019</b>				
<b>Financial assets:</b>				
Trade receivables	18,493	–	–	18,493
Other receivables	873	–	–	873
Cash and bank balances	15,024	–	–	15,024
Total undiscounted financial assets	34,390	–	–	34,390
<b>Financial liabilities:</b>				
Trade payables	10,495	–	–	10,495
Other payables	5,731	–	–	5,731
Loans and borrowings	22,501	600	13	23,114
Total undiscounted financial liabilities	38,727	600	13	39,340
Total net undiscounted financial liabilities	(4,337)	(600)	(13)	(4,950)
<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 (liabilities)/ assets	(5,541)	555	–	(4,986)

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 23. Financial instruments (cont'd)

### (f) Fair values

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

The Group had no financial instruments measured at fair value.

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

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

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

The fair values of non-current finance lease 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 2019 was assessed to be insignificant.

	Consolidated			
	Carrying Amount		Fair Value	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
<b>Financial liabilities:</b>				
Term loans	283	421	248	359
Obligations under finance leases	273	243	247	230

## 24. 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 2019 and 30 June 2018.

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)

## 24. Capital Management (cont'd)

The gearing ratios as at 30 June 2019 and 30 June 2018 were as follows:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$'000	S\$'000
Interest-bearing liabilities (note 19)	22,681	19,071
Less: bank overdrafts (note 19)	(1,283)	(783)
	21,398	18,288
Less: cash and cash equivalents (note 22)	(13,741)	(8,956)
Net debt	7,657	9,332
Equity attributable to holders of the Parent	65,777	69,333
Gearing ratio	11.64%	13.46%

## 25. 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>2019</b>	<b>2018</b>
	S\$'000	S\$'000
Minority shareholder of a subsidiary company		
- Sales	1,480	1,200
- Purchases	33	28
Associates		
- Sales	358	638
- Interest income	24	33
- Rental & utilities income	82	173
- Services rendered	319	683
Other related parties		
- Sales	790	28
- Purchases	367	-
- Interest income	7	-
- Rental & utilities income	77	-
- Services rendered	142	-
- Interest expenses	92	9
- Services received	56	-

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 25. 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.

Except for non-trade balances due from related parties amounting to S\$251,000 (2018: S\$nil) which are on 30 to 60 days' terms, the remaining non-trade balances as at year-end 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 15 and 18.

- (c) Compensation of key management personnel

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$	S\$
Short-term employee benefits	1,305,802	1,407,101
Post-employment benefits	33,540	45,060
Share-based payments	—	—
Total compensation	<u>1,339,342</u>	<u>1,452,161</u>

## 26. 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\$21,000 (2018: S\$155,000).

There have been no cancellations or modifications to the plan during the years 2019 and 2018.

- (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)

## 26. Share-based payment plans (cont'd)

(c) Movement during the year

	2019	2018
	No. of options (Thousands)	
Outstanding at beginning of year	2,610	2,680
Forfeited during the year	(60)	(70)
Outstanding at end of year	<u>2,550</u>	<u>2,610</u>
Exercisable at end of year	<u>2,550</u>	<u>2,610</u>

The outstanding share options as at 30 June 2019 and 30 June 2018 is represented by:

No. of options (Thousands)		Exercise price (Australian Cents)	Exercisable on or after	Expiry Date
2019	2018			
1,950	2,010	20.5	1/11/2016	31/10/2019
600	600	18.0	1/12/2016	30/11/2020
<u>2,550</u>	<u>2,610</u>			

## 27. Commitments

(a) Commitments

As at year-end, the Group has issued letters of guarantee amounting to S\$23,589,000 (2018: S\$10,724,000).

(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:

	Consolidated	
	2019	2018
	S\$'000	S\$'000
Within 1 year	2,347	2,136
Within 2 - 5 years	3,968	4,744
More than 5 years	4,217	4,344
	<u>10,532</u>	<u>11,224</u>

The amount of operating lease payments recognised as an expense in the year ended 30 June 2019 is S\$2,413,000 (2018: S\$2,509,000).



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 27. Commitments

### (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 2019 S\$'000	Present value of payments 2019 S\$'000	Minimum payments 2018 S\$'000	Present value of payments 2018 S\$'000
<b>Consolidated</b>				
Due within one year	256	240	408	394
After one year but not more than five years	301	262	260	243
More than five years	13	11	–	–
Total minimum lease payments	570	513	668	637
Less: amounts representing finance charges	(57)	–	(31)	–
	513	513	637	637

### (d) Capital commitment

The Group has no capital commitment as at 30 June 2019.

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

## 28. Auditors' remuneration

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

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	S\$	S\$
<i>Amounts received or due and receivable by Ernst &amp; Young (Australia) for:</i>		
- Audit and review of financial statements	129,662	148,363
- Taxation services	14,136	19,764
<i>Amounts received or due and receivable by Ernst &amp; Young (Singapore) for:</i>		
- Audit and review of financial statements	250,000	255,000
<i>Amounts received or due and receivable by other audit firms for:</i>		
- Audit and review of financial statements	27,857	25,741
- Taxation services	4,691	4,464
	426,346	453,332

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 29. Parent Entity disclosures

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

	2019 S\$'000	2018 S\$'000
<b>Balance sheet</b>		
Non-current assets	53,004	52,222
Current assets	1,748	2,089
Total assets	54,752	54,311
Current liabilities	233	198
Net assets	54,519	54,113
Equity		
Share capital (i)	71,850	71,850
Share capital - exercise of share options	472	472
Capital reserve	688	688
Foreign currency translation reserve	(518)	(423)
Share-based payments reserve	141	153
Accumulated losses	(18,114)	(18,627)
	54,519	54,113
<b>Results</b>		
Profit for the year	509	1,224
Other comprehensive income	—	—
Total comprehensive income	509	1,224

- (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\$5,009,000 (2018: S\$5,047,000) 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 12.

- (c) Contingent liabilities

The Parent Entity has no contingent liabilities as at 30 June 2019 and 30 June 2018.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 30. Subsequent events

On 24 September 2019, the Board approved the issue of 6,000,000 share options to eligible employees and directors under the Zicom Employee Share and Option Plan. Each option entitles the holder to subscribe for one fully paid ordinary share in the Company at A\$0.081 which approximates the market price on the grant date. These options which will vest over a period of 36 months will expire 5 years from the date of grant. Share options proposed for directors are subject to shareholders' approval.

Except as disclosed above, no matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group subsequent to 30 June 2019.

# 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 2019 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 2019 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 2.1.
- (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 2019.
- (e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 12 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



G L Sim  
Executive Chairman  
30 September 2019

# Independent Auditor's Report

to the Members of Zicom Group Limited



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## 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 2019, 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 2019 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, 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



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

Refer to Notes 10 and 11 of the financial report

### Why significant

The Directors' assessment of the recoverability of the Group's intangible assets of S\$7.4 million, inclusive of goodwill of S\$5.5 million, and property, plant and equipment of S\$36.9 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 assets and property, plant and equipment are assessed for indicators of impairment. In respect of goodwill, impairment testing was performed by the Group as disclosed in Note 11.

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 and intangible assets (64% of total assets), this was a Key Audit Matter.

As disclosed in Note 11 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 Group's determination of CGUs based on our understanding of the nature of the Group and their operations, and assessed whether this was consistent with the internal reporting of the business.
- 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 or the CGU included goodwill, we assessed the Group's value-in-use models for the CGU. 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 cash flow forecasts approved by the Board taking into account our knowledge of the business and relevant external information.
- In conjunction with our Valuation Specialists, we assessed the discount rate applied to the cash flows of each CGU to assess whether the rate reflects the risks associated with the respective cash flow forecasts and were comparable with externally available industry, economic and financial data.
- We considered the sensitivity of the Group's estimated value-in-use for its CGUs for changes in significant assumptions including discount rates, terminal growth rates, and revenue growth assumptions.
- We assessed the adequacy of the related disclosures in note 11 to the financial report.

# Independent Auditor's Report

to the Members of Zicom Group Limited



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## 2. Accounting for investment in Eimage

Refer to Note 13 of the financial report

### Why significant

The Group, through its subsidiary Zicom Holding Pte Limited, acquired 16.29% in Eimage Vision Pte Ltd ("EV") during the year ended 30 June 2019.

The Group determined EV was an associate entity and applied the equity method of accounting for its interest in accordance with Australian Accounting Standards.

The Group's assessment of EV as an associate entity requires significant judgment and analysis of rights of the various shareholders under EV's and the Articles of Association of EV ("the Articles"). Accordingly, we consider this a key audit matter.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- We evaluated the Group's assessment its investment in EV as an associate entity. This included reading the EV's Articles to assess whether the Group's rights under the Articles provide it with significant influence over EV.
- We assessed the adequacy of the Group's related disclosure in the financial report.

## 3. Change in accounting policies

Refer to Note 2 of the financial report

### Why significant

The Group elected to change its accounting policy for land and buildings as at 1 July 2019. The change in accounting policy means land and buildings are now carried at fair value.

Adoption revaluation model resulted in an increase in the carrying amount of land and buildings of S\$16.5 million with a corresponding adjustment recognised as a gain in Other Comprehensive Income for the year ended 30 June 2019.

The matter was considered a key audit matter because the voluntary change in accounting policy is required to provide reliable and more relevant information to the users of the financial statements and the measurement of fair value of land and buildings is complex and judgmental.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed the appropriateness of the change in accounting policy. This included an evaluation of whether the change in accounting policy resulted in reliable and more relevant information being available to the users of the financial statements.
- We evaluated the qualifications, competence and objectivity of external experts used by the Group to determine the fair value of its land and building at the revaluation date.
- With the assistance of our Valuation Specialists, assessed the valuation methodologies used by the Group's external experts for consistency with industry practice and compliance with the requirements of Australian Accounting Standards.
- We assessed the adequacy of the related disclosures in the financial report in Note 2 and 10.

# Independent Auditor's Report

to the Members of Zicom Group Limited



## 4. Demerger of ZIG Ventures Private Limited ("ZIG")

Refer to Note 3 of the financial report

### Why significant

On 30 November 2018, the Group demerged the investments in medical technology held under ZIG, by distributing the shares in ZIG to all the Group's shareholders as an in-specie in proportion to their shareholdings in the Group at no additional consideration.

Accounting for the demerger is complex and resulted in a reduction in share capital of S\$17.2 million. As a consequence, this was considered to be a key audit matter.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- We evaluated the Group's accounting for the demerger. This included an assessment of whether there has been a change in control of the Group before and after the divestment of ZIG or whether it was a common control transaction. We tested the amount of the in-specie distribution recognised as a reduction in capital in the financial report. We assessed whether the Group accurately determined the carrying amount of the assets and liabilities derecognised as at the transaction completion date and whether the operating result for the period until demerger was correctly recorded.
- In conjunction with our Tax specialists, we considered the Group's accounting for the tax implications of the demerger.
- We assessed the adequacy of the related disclosures in the financial report in Note 3.

## 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 2019 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



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## 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 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



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## 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



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## Report on Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 21 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Zicom Group Limited for the year ended 30 June 2019, 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.

Ernst & Young

Tom du Preez  
Partner  
Brisbane  
30 September 2019

# Information on Shareholdings

As at 27 September 2019

## Distribution of Equity Securities

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

		Ordinary Shares	Number of Holders
1	– 1,000	7,014	61
1,001	– 5,000	589,939	164
5,001	– 10,000	1,833,943	204
10,001	– 100,000	11,677,184	331
100,001	and over	203,032,700	111
		<u>217,140,780</u>	<u>871</u>

b) There were 252 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	94,028,360	43.30%
GIOK LAK SIM	13,752,777	6.34%
JUAT KOON SIM	11,778,172	5.42%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	11,069,978	5.10%
JUAT LIM SIM	6,487,767	2.99%
MR MAKRAM HANNA & MRS RITA HANNA	5,224,421	2.41%
BNP PARIBAS NOMS (NZ) LTD	3,548,347	1.63%
CITICORP NOMINEES PTY LIMITED	3,510,031	1.62%
EE GEK GOH	2,791,017	1.29%
SIONG TECK NG	2,410,665	1.11%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,297,552	1.06%
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%
MR AIDAN HANNA	1,563,000	0.72%
KOK HWEE SIM	1,488,180	0.69%
MR CHUAN GAO	1,383,791	0.64%
DEBUSCEY PTY LTD	1,355,615	0.62%
KOK YEW SIM	1,350,253	0.62%
BNP PARIBAS NOMINEES PTY LTD	1,251,749	0.58%

## 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	107,781,137	49.64%
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 (Executive Chairman)  
Kok Yew Sim (Group Chief Executive Officer)  
Kok Hwee Sim (Non-Executive Director)  
Yian Poh Lim  
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 0303

## AUDITORS

Ernst & Young  
111 Eagle Street  
Brisbane, QLD 4000  
Australia

## SOLICITORS

Thomson Geer  
Level 28, 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

### Bangladesh

Dhaka Bank Limited

### Philippines

BDO Unibank, Inc

## Notice of Annual General Meeting

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

Boardroom of Link Market Services  
Level 21, 10 Eagle Street  
Brisbane, Queensland 4000  
Australia

Time: 10.00am (Brisbane time)  
Date: Wednesday, 13 November 2019

A formal Notice of Meeting is enclosed.



**Zicom Group Limited**

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