



ZICOM GROUP LIMITED

Appendix 4D

For the Half Year ended

31 December 2019

Name of entity: **ZICOM GROUP LIMITED**

ABN: **62 009 816 871**

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

1. Financial reporting period

The reporting period is the half year ended 31 December 2019.

The previous corresponding period is the half year ended 31 December 2018.

2. Results for announcement to the market

Six months ended	31 Dec 2019	31 Dec 2018	% Change
	\$'000	\$'000	
Revenues from ordinary activities	31,511	53,061	(40.6%)
Net (loss)/profit from ordinary activities after tax attributable to members	(4,256)	3,415	(224.6%)
Net (loss)/profit for the period attributable to members	(4,256)	3,415	(224.6%)

3. Dividends

	31 Dec 2019	31 Dec 2018	% Change
Interim dividend per security	—	—	—

4. Net tangible assets per security

	31 Dec 2019	30 Jun 2019	% Change
Net tangible assets per security (Singapore cents)	21.40	26.91	(20.5%)

With the adoption of AASB 16 *Leases* on 1 July 2019, the calculation of net tangible assets per security as at 31 December 2019 includes lease liabilities but excludes the associated right-of-use intangible asset. Had AASB 16 not being adopted for the half year ended 31 December 2019, net tangible assets per security as at 31 December 2019 would have been Singapore 25.13 cents and % change would have been 6.6%.

5. Entities over which control has been gained/lost

There were no changes to controlled entities during the half year ended 31 December 2019.

6. Dividend reinvestment plan

Not applicable.

7. Details of associates or joint ventures

Please refer to Note 9.

8. Audit Review

The financial statements have been subject to review by the auditors and the auditor's report is attached as part of the half-year report.

Signed



GL Sim

Chairman

Date: 27 February 2020



ZICOM GROUP LIMITED

Half-Year Financial Report

For the period ended

31 December 2019

ZICOM GROUP LIMITED
ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2019

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Corporate Information

This half-year report covers the consolidated entity comprising Zicom Group Limited and its subsidiaries (the Group). The Group's presentation currency is Singapore Dollars (S\$).

A description of the Group's operations and of its principal activities is included in the review of operations in the Report of the Directors on page 2.

Directors

Giok Lak Sim	(Executive Chairman)
Kok Yew Sim	(Executive Director, Group CEO)
Kok Hwee Sim	(Non-Executive Director)
Jenny Lim Bee Chun	(Executive Director, Appointed 13 November 2019)
Yian Poh Lim	(Independent)
Shaw Pao Sze	(Independent)
Stewart Douglas	(Independent, Appointed 13 November 2019)
Renny Yeo Ah Kiang	(Independent, Appointed 13 November 2019)
Ian Robert Millard	(Independent, Retired on 13 November 2019, Appointed as Alternate Director to Mr Giok Lak Sim on 13 November 2019)

Joint Company Secretaries

Jenny Lim Bee Chun
Igor Sushko

Registered Office

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Murarrie QLD 4172, Australia
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Facsimile: +61 7 3390 6898
Website: www.zicomgroup.com

Auditors

Ernst & Young
111 Eagle Street
Brisbane, QLD 4000
Australia

Solicitors

Thomson Geer
Level 28, Waterfront Place
1 Eagle Street
Brisbane, QLD 4000
Australia

Share Registry

Link Market Services Limited
Level 21, 10 Eagle Street
Brisbane, QLD 4000
Australia
Facsimile: +61 2 9287 0303

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.

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Report of the Directors

Your directors present the consolidated financial report for the half year ended 31 December 2019.

Directors

The following persons held office as directors of Zicom Group Limited at the date of this report and for the whole of the period since 1 July 2019 unless otherwise stated:

Giok Lak Sim	(Executive Chairman)
Kok Yew Sim	(Executive Director, Group CEO)
Kok Hwee Sim	(Non-Executive Director)
Jenny Lim Bee Chun	(Executive Director, Appointed 13 November 2019)
Yian Poh Lim	(Independent)
Shaw Pao Sze	(Independent)
Stewart Douglas	(Independent, Appointed 13 November 2019)
Renny Yeo Ah Kiang	(Independent, Appointed 13 November 2019)
Ian Robert Millard	(Independent, Retired on 13 November 2019, Appointed as Alternate Director to Mr Giok Lak Sim on 13 November 2019)

Review of Operations

The Group's consolidated revenue from continuing operations for the half year is S\$31.51m as compared with S\$53.06m in the previous year corresponding period, decrease by 40.61%. The Group's half year consolidated loss after tax attributable to members to 31 December 2019 is S\$4.26m as compared with a net consolidated profit of S\$3.42m in the previous year corresponding period, a decrease of 224.56%.

The Group's cash and bank balances are at S\$10.23m (30 June 2019: S\$15.02m). The Group's gearing ratio which has been arrived at by dividing interest-bearing liabilities less cash and cash equivalents over capital is at 41.93% (30 June 2019: 11.64%). The Group's gearing has increased partly to strengthen its working capital and partly to recognise outstanding future lease rentals as lease liabilities as required by accounting standard AASB16 *Leases*, starting from this year's accounts. Had AASB 16 not been adopted, as in the past, the Group's gearing ratio would have been 28.78%.

The Group adopted AASB 16 *Leases* which became effective on 1 January 2019. With the adoption of AASB 16, from 1 July 2019, most leases are now accounted for on the balance sheet by recording a right-of-use asset representing its rights to use the underlying leased assets and a lease liability representing its obligations to make future lease payments. Accordingly, the recognition of lease liabilities has resulted in an increase in the Group's interest-bearing liabilities and its gearing.

The trade war between the USA and China during the year has created great global uncertainties. These were compounded by geopolitical factors. The uncertainties have recently worsened with the outbreak of the COVID-19 virus. As the Group's activities are mainly in capital goods, most of the customers decided to hold back buying decisions during the year thus adversely impacting on the Group's revenue.

The slump in the offshore marine sector for our deck machinery continues with no near-term certainty of any resurgence. As reported earlier, the Group has been undertaking a transformation in the marine offshore business, by going into alternative fuel application technology in compliance with IMO 2020. We have achieved a significant breakthrough in securing a LNG powered system for a tug boat for a pilot project during the year. Although the order value is less than S\$1m, it represents an acceptance of our newly developed capability. Demand for gas processing remains strong. Although the orders in hand are significant, accounting for such projects' revenue is dependent on timing in completion and new accounting standards being applied.

Based on current progress, a significant part of this is expected to be recognised in the second half year's results.

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The precision engineering & technologies sector has not been spared by the impact of the trade war. In fact, one of its segment's revenue in semiconductor machines which had been mainly supplied to package the chips of a Chinese global leader in 5G systems, has been directly impacted. Signs of recovery appeared after USA and China signed a Phase I trade agreement but this was very quickly dampened by the COVID-19 virus outbreak. There has been no authoritative body capable of predicting or forecasting when COVID-19 will peak. The damage to global trade is expected to be considerable and recovery will take time. Meanwhile our precision engineering sector focuses on transforming and strengthening its business in developing smart automation solutions to add value to its offerings.

The construction equipment market has been equally impacted by the global trade war. Most customers held back their capital expenditure and have chosen to rent or lease on short term. Of concern is that supply chain may be weakened by COVID-19 that continues to spread globally within and beyond China.

Much of the prevailing circumstances are beyond the Group's control. However, the Group believes that while the trade war is expected to continue for many more years to come, COVID-19 will peak and like previous epidemics disappear sometime in 2020. The Group has embarked and will continue to transform its various business units to align with the new age economy and to invest on measures necessary to achieve these objectives.

A comparison of the current half year results with those of the previous year corresponding period is as follows:-

Key Financials	Change (%)	6 months ended 31 Dec 19 (\$ million)	6 months ended 31 Dec 18 (\$ million)
Revenue from continuing operations	- 40.61	31.51	53.06
Net (loss)/profit after tax attributable to equity holders of the Parent	- 224.56	(4.26)	3.42

During the half year, the average exchange rate for the A\$ against the S\$ was A\$1.00 to S\$0.9369 (2018: 0.9894). As at 31 December 2019, the exchange rate was A\$1.00 to S\$0.9439 (30 June 2019: A\$1 to S\$0.9488).

Segmental Revenue

The following is an analysis of the segmental revenue:-

Segmental Revenue from Continuing Operations	Change (%)	6 months ended 31 Dec 19 (\$ million)	6 months ended 31 Dec 18 (\$ million)
Offshore Marine, Oil & Gas Machinery	- 12.42	4.30	4.91
Construction Equipment	- 33.96	14.41	21.82
Precision Engineering & Technologies	- 52.82	11.94	25.31
Industrial & Mobile Hydraulics	- 15.69	0.86	1.02

Offshore Marine, Oil & Gas Machinery

Revenue for offshore marine, oil and gas machinery decreased by 12.42% in the half year as compared with the previous year corresponding period.

The orders in hand for the gas processing segment are strong. However due to timing in completion, revenue could not be accounted for during this half year. We expect a significant amount of such revenue can be accounted for in the second half year. Orders for marine offshore deck machinery remain weak and we do not expect the situation to improve soon. However, demand for gas processing equipment and projects remains strong. We continue to pursue several significant projects in the pipeline.

Construction Equipment

All our customers are unfortunately impacted by the trade war and COVID-19. Customers had held back buying decisions. The clouds hanging over this situation are not expected to blow over until after the end of the second half year and at best partially. We may continue to see sluggish demand.

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Precision Engineering & Technologies

Revenue for precision engineering and technologies decreased significantly by 52.82% in the half year as compared with the previous year corresponding period. A significant direct impact on the rising demand of our semiconductor machines occurred when one of the ultimate end users who is a Chinese global leader in 5G was unfortunately caught in a geopolitical chessboard causing them to slow down on their product development plans.

Industrial & Mobile Hydraulics

Revenue from this segment generally comprises supply of hydraulic system drives and hydraulic services in support of our general core business activities in hydraulic engineering. We do not anticipate significant variation in this sector.

Financial Position

The Group's financial position remains strong: -

Classification	Increase/(Decrease) S\$ million	As at 31 Dec 19 S\$ million	As at 30 Jun 19 S\$ million
Net assets	(4.15)	61.90	66.05
Net working capital	(4.05)	15.79	19.84
Cash in hand and at bank	(4.79)	10.23	15.02

Cash Policy & Gearing Ratio

As at 31 December 2019, the Group's gearing ratio is 41.93% (30 June 2019: 11.64%). Gearing ratio has been arrived at by dividing our interest-bearing liabilities less cash and cash equivalents over capital. The Group has increased its gearing to strengthen its working capital and due to the adoption of AASB 16 *Leases*, gearing ratio has also increased. Had the Group not adopted AASB 16, as in the past, the gearing ratio is 28.78%. AASB 16 *Leases* requires the recognition of outstanding future lease rentals as lease liabilities which were not recognised previously. This has resulted in an increase in the Group's interest-bearing liabilities.

Return Per Share

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

Classification	Decrease Singapore Cents	6 months ended 31 Dec 19 Singapore Cents	6 months ended 31 Dec 18 Singapore Cents
(Loss)/earnings per share from continuing operations	4.12	(1.96)	2.16

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

Classification	Decrease Singapore Cents	As at 31 Dec 19 Singapore Cents	As at 30 Jun 19 Singapore Cents
Net tangible assets per share	5.51	21.40	26.91

With the adoption of AASB 16 *Leases* on 1 July 2019, the calculation of net tangible assets per share as at 31 December 2019 includes lease liabilities but excludes the associated right-of-use intangible asset. Had AASB 16 not been adopted for the half year ended 31 December 2019, net tangible assets per share as at 31 December 2019 would have been Singapore 25.13 cents, a decrease of Singapore 1.78 cents per share.

Confirmed Orders

We have a total of S\$92.6m (31 Dec 2018: S\$112.0m) outstanding confirmed orders in hand as at 31 December 2019. A breakdown of these outstanding orders secured is as follows:-

	S\$ m
Offshore Marine, Oil & Gas Machinery	82.2
Construction Equipment	3.7
Precision Engineering & Technologies	6.1
Industrial & Mobile Hydraulics	0.6
Total	<u>92.6</u>

Of the above, S\$55.3m are scheduled for delivery in the second half of this financial year and S\$37.3m are scheduled to be delivered in the financial year 2021.

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Prospects

Global uncertainties are expected to prevail over the second half year. This will continue to impact on the majority of the Group's revenue sectors. However, on a consolidated basis, the Group is hopeful that it could arrest its losses and to maintain a positive cash flow position in the next 12 months. The Group is confident that as the global trade war improves and COVID-19 is controlled and overcome, hopefully within the next 12 months, its performance will correspondingly improve and strengthen.

Dividends

The Board has decided not to pay a dividend this half year.

Auditor Independence

A copy of the auditor's signed independence declaration is attached to this report.

Rounding of Amounts

The Company is an entity to which the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and accordingly, amounts contained in the financial statements and directors' report have been rounded to the nearest S\$1,000 unless otherwise stated.

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



GL Sim
Chairman

27 February 2020



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Auditor's Independence Declaration to the Directors of Zicom Group Limited

As lead auditor for the review of Zicom Group Limited for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Tom du Preez
Partner
27 February 2020

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Consolidated Statement of Profit or Loss

for the half year ended 31 December 2019

	Note	31-Dec-19 S\$'000	31-Dec-18 S\$'000
Continuing operations			
Revenue from contracts with customers	4	30,293	50,433
Rental income		1,218	2,628
Revenue		31,511	53,061
Other income	4	259	2,780
Total consolidated revenue and income		31,770	55,841
Cost of materials		(15,724)	(24,182)
Employee, contract labour and related costs		(12,458)	(15,368)
Depreciation and amortisation		(3,485)	(2,508)
Property related expenses		(128)	(1,248)
Other operating expenses		(4,169)	(7,744)
Finance costs		(521)	(402)
Share of results of associate		78	102
(Loss)/profit before taxation		(4,637)	4,491
Tax benefit	5	305	189
(Loss)/profit from continuing operations, net of tax		(4,332)	4,680
Discontinued operations			
Loss from discontinued operations, net of tax		–	(1,305)
(Loss)/profit for the period		(4,332)	3,375
(Loss)/profit attributable to:			
Equity holders of the Parent			
Continuing operations		(4,256)	4,697
Discontinued operations		–	(1,282)
		(4,256)	3,415
Non-controlling interest		(76)	(40)
(Loss)/profit for the period		(4,332)	3,375
Earnings per share (cents)			
Basic (loss)/earnings per share			
Continuing operations	6	(1.96)	2.16
Discontinued operations	6	–	(0.59)
Total		(1.96)	1.57
Diluted (loss)/earnings per share			
Continuing operations	6	(1.96)	2.16
Discontinued operations	6	–	(0.59)
Total		(1.96)	1.57

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

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Consolidated Statement of Comprehensive Income

for the half year ended 31 December 2019

	Note	31-Dec-19 S\$'000	31-Dec-18 S\$'000
(Loss)/profit for the period		(4,332)	3,375
Other comprehensive income			
Items that will not be reclassified to profit or loss (net of tax):			
Revaluation of land and buildings		—	13,547
		—	13,547
Items that may be subsequently reclassified to profit or loss (net of tax):			
Share of other comprehensive income of associate		—	38
Foreign currency translation on consolidation		156	(287)
		156	(249)
Other comprehensive income for the period, net of tax		156	13,298
Total comprehensive (loss)/income for the period		(4,176)	16,673
Total comprehensive (loss)/income attributable to:			
Equity holders of the Parent		(4,100)	16,713
Non-controlling interests		(76)	(40)
Total comprehensive (loss)/income		(4,176)	16,673

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

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Consolidated Balance Sheet

as at 31 December 2019

	Note	31-Dec-19 S\$'000	30-Jun-19 S\$'000
Non-current assets			
Property, plant and equipment		33,711	36,874
Right-of-use assets		9,220	–
Intangible assets		7,174	7,355
Deferred tax assets		3,001	2,819
Investment in associate	9	3,809	3,731
		56,915	50,779
Current assets			
Cash and bank balances	7	10,231	15,024
Inventories		28,624	32,113
Trade and other receivables		14,538	20,429
Contract assets		4,966	1,352
Contract costs		1,663	1,087
Prepayments		489	422
Tax recoverable		188	170
		60,699	70,597
TOTAL ASSETS		117,614	121,376
Current liabilities			
Trade and other payables		11,496	17,656
Contract liabilities		2,803	9,508
Lease liabilities		2,290	240
Other interest-bearing liabilities	10	26,985	21,885
Provisions		1,205	1,178
Provision for taxation		135	291
		44,914	50,758
NET CURRENT ASSETS		15,785	19,839
Non-current liabilities			
Lease liabilities		6,599	273
Other interest-bearing liabilities	10	208	283
Deferred tax liabilities		3,425	3,542
Provisions		568	467
		10,800	4,565
TOTAL LIABILITIES		55,714	55,323
NET ASSETS		61,900	66,053
Equity attributable to equity holders of the Parent			
Share capital	11	21,100	21,100
Reserves		11,179	11,407
Retained earnings		29,370	33,270
		61,649	65,777
Non-controlling interests		251	276
TOTAL EQUITY		61,900	66,053
TOTAL LIABILITIES AND EQUITY		117,614	121,376

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

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Consolidated Statement of Changes in Equity

for the half year ended 31 December 2019

	Note	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		
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1.7.2019		20,628	472	13,055	(1,789)	141	33,270	276	66,053
Loss for the period		–	–	–	–	–	(4,256)	(76)	(4,332)
Other comprehensive income									
Foreign currency translation		–	–	–	156	–	–	–	156
Total comprehensive income for the period		–	–	–	156	–	(4,256)	(76)	(4,176)
Share-based payments		–	–	–	–	23	–	–	23
Forfeiture of employee share options		–	–	–	–	(115)	115	–	–
Transfer of depreciation for buildings		–	–	(292)	–	–	292	–	–
Acquisition of non-controlling interests	8	–	–	–	–	–	(51)	51	–
Balance at 31.12.2019		20,628	472	12,763	(1,633)	49	29,370	251	61,900

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Consolidated Statement of Changes in Equity (cont'd)

for the half year ended 31 December 2018

	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		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1.7.2018 - as previously reported	37,842	472	–	(1,907)	345	32,581	218	69,551
Effect of adopting AASB 15	–	–	–	–	–	(468)	–	(468)
Balance at 1.7.2018 – as restated	37,842	472	–	(1,907)	345	32,113	218	69,083
Profit for the period	–	–	–	–	–	3,415	(40)	3,375
Other comprehensive income								
Net surplus on revaluation of land and buildings	–	–	13,547	–	–	–	–	13,547
Foreign currency translation	–	–	–	(249)	–	–	–	(249)
Total comprehensive income for the period	–	–	13,547	(249)	–	3,415	(40)	16,673
Share-based payments	–	–	–	–	23	–	–	23
Forfeiture of employee share options	–	–	–	–	(4)	4	–	–
Transfer of depreciation for buildings	–	–	(201)	–	–	201	–	–
Acquisition of non-controlling interests	–	–	–	–	–	(284)	284	–
Share capital reduction	(17,214)	–	–	–	–	–	–	(17,214)
Disposal of a subsidiary	–	–	–	–	–	–	(11)	(11)
Discontinued operations	–	–	–	–	(218)	–	(196)	(414)
Balance at 31.12.2018	20,628	472	13,346	(2,156)	146	35,449	255	68,140

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Consolidated Statement of Cash Flows

for the half year ended 31 December 2019

	Note	31 Dec 2019 S\$'000	31 Dec 2018 S\$'000
Cash flows from operating activities :			
(Loss)/profit before taxation from continuing operations		(4,637)	4,491
Loss before taxation from discontinued operations		–	(1,309)
Operating (loss)/profit before taxation		(4,637)	3,182
Adjustments for:			
Depreciation of property, plant and equipment		1,949	2,219
Depreciation of right-of-use asset		1,189	–
Amortisation of intangible assets		347	513
Property, plant and equipment written off	4	3	1
(Reversal of)/allowance for doubtful debts, net	4	(113)	1,065
Bad debts written off	4	1	96
Provision for inventory obsolescence	4	109	22
Inventories written off	4	28	23
Finance costs		521	406
Interest income		(29)	(48)
Gain on disposal of property, plant and equipment, net		–	(7)
Intangible assets written off	4	–	71
Trade and other payables written back	4	(2)	–
Share-based payments		23	23
Provisions made, net		296	406
Gain on disposal of a subsidiary	4	–	(1,629)
Gain on demerger of subsidiaries and associates	4	–	(977)
Share of results of associates		(78)	453
Unrealised foreign exchange differences		28	(103)
Operating (loss)/profit before reinvestment in working capital		(365)	5,716
Decrease/(increase) in stocks and work-in-progress		3,543	(3,977)
Increase in projects-in-progress		–	(1,294)
Increase in contract assets		(3,614)	–
Decrease in contract liabilities		(6,705)	–
Decrease/(increase) in debtors		5,363	(3,665)
(Decrease)/increase in creditors		(6,513)	3,793
Cash generated (used in)/ from operations		(8,291)	573
Interest received		29	24
Interest paid		(331)	(410)
Income taxes paid		(186)	(182)
Net cash (used in)/provided by operating activities		(8,779)	5
Cash flows from investing activities			
Purchase of property, plant and equipment		(156)	(2,274)
Proceeds from disposal of property, plant and equipment		–	13
Increase in computer software		(9)	(6)
Increase in patented technology		–	(10)
Increase in development expenditure		(166)	(426)
Investments in associates		–	(222)
Net cash outflow on demerger		–	(2,109)
Net cash outflow on disposal of a subsidiary		–	(7)
Net cash used in investing activities		(331)	(5,041)

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Consolidated Statement of Cash Flows (Cont'd)
for the half year ended 31 December 2019

	Note	31 Dec 2019 S\$'000	31 Dec 2018 S\$'000
Cash flows from financing activities			
Increase in bills payable		7,305	4,049
Proceeds from bank borrowings		462	3,600
Repayments of bank borrowings		(887)	(1,361)
Repayments of loans to related party		(1,075)	–
Repayment of lease liabilities		(1,194)	(197)
Net cash generated from financing activities		4,611	6,091
Net (decrease)/increase in cash and cash equivalents		(4,499)	1,055
Effect of exchange rate changes on cash and cash equivalents		24	(128)
Cash and cash equivalents at beginning of period		13,741	8,956
Cash and cash equivalents at end of period	7	9,266	9,883

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

Note 1 Corporate Information

The financial report of Zicom Group Limited (the “Company” or “Parent Entity”) and its subsidiaries (collectively, the “Group” or “consolidated entity”) for the half year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 27 February 2020. Zicom Group Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

Note 2 Summary of significant accounting policies

This general purpose interim financial report for the half year ended 31 December 2019 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the requirements of the *Corporations Act 2001*.

This financial report also complies with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

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

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

The accounting policies applied by the consolidated entity in this interim financial report are consistent with those applied by the consolidated entity in the annual financial report for the year ended 30 June 2019, except for the adoption of new and revised standards effective for the current reporting period. Other than AASB 16, the adoption of these standards and interpretations had no material impact on the financial position or performance of the Group.

On 1 July 2019, the Group adopted AASB 16 *Leases* which became effective for annual period beginning on or after 1 January 2019. AASB 16 *Leases* replaces AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases on the balance sheet.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 did not have an impact for leases when the Group is the lessor.

The Group adopted AASB 16 using the modified retrospective method of adoption, with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Therefore, the comparative information was not restated and continues to be reported under AASB 117.

For leases previously recognised as operating leases under AASB 117, the Group recognised right-of-use assets and lease liabilities except for short-term leases and low-value assets. The lease liability is measured at the present value of remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application. The right-of-use asset was measured at an amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments.

For leases previously classified as finance leases, the Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application (i.e the right-of-use assets and lease liabilities equal to the lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 were applied to these leases from 1 July 2019.

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

The Group has elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 at the date of initial application. The Group also applied the available practical expedients wherein it:

- Applied the exemption for leases with less than 12 months remaining lease term at 1 July 2019 and those lease contracts for which the underlying asset is low value;
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- Applied the exemption not to separate non-lease components from lease components, and instead, account for each lease component and any associated non-lease components as a single lease component; and
- Used hindsight to determine the lease term when the contract contains options to extend or terminate the lease.

The effect of adoption of AASB 16 is as follows:

As at 1 July 2019:

- Right-of-use assets of S\$9,621,000 were recognised and presented separately on the balance sheet. This includes the lease assets recognised previously under finance leases of S\$513,000 that were reclassified from Property, plant and equipment.
- Additional lease liabilities of S\$9,108,000 were recognised and presented separately on the balance sheet.
- The net deferred tax impact on transition was nil.

For the 6 months ended 31 December 2019:

- Property related expenses decreased by S\$1,145,000 as lease payments are replaced with depreciation and interest expense.
- Depreciation expense increased by S\$1,068,000 arising from right-of-use assets recognised.
- Interest expense increased by S\$170,000 relating to additional lease liabilities recognised.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	S\$'000
Assets	
Operating lease commitments as at 30 June 2019	10,532
Less:	
Commitments relating to short-term leases	(22)
Commitments relating to leases of low-value assets	(9)
	<u>10,501</u>
Weighted average incremental borrowing rate as at 1 July 2019	4.1%
Discounted operating lease commitments as at 1 July 2019	<u>8,597</u>
Add:	
Commitments relating to leases previously classified as finance leases	513
Lease payments relating to renewal periods not included in operating leases	511
	<u>9,621</u>
Lease liabilities as at 1 July 2019	<u>9,621</u>

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

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon the adoption of AASB 16 which have been applied from the date of initial application.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment, consistent with the Group's property, plant and equipment.

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

d) Key estimates and judgements

i) Lease term

Judgement is required when assessing the term of the lease and whether to include optional extension and termination periods. Optional periods are included in the lease term if the Group is reasonably certain whether or not to exercise the option to renew or terminate the lease depending on management's analysis of all relevant facts and circumstances including the leased asset's nature and purpose, the economic and practical potential for replacing the asset and any plans the Group has in place for the future use of the asset.

ii) Estimating the incremental borrowing rate

Where the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay" which requires estimation when no observable rates are available. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain region and entity-specific estimates (such as subsidiary's standalone credit rating).

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

The Group has also adopted AASB Interpretation 23 *Uncertainty over Income Tax Treatments* which has also come into effect on 1 July 2019. The adoption of this interpretation does not have a material impact on the financial statements of the Group.

Note 3 Segment information

Identification of reportable segments

The Group has identified its operating segments based on internal reports that are reviewed and used by the chief operating decision maker and the executive management team in assessing performance and in determining the allocation of resources. The operating segments are identified based on products and services as follows:

- Offshore Marine, Oil & Gas Machinery – manufacture and supply of deck machinery, gas metering stations, gas processing plants and related equipment, parts and services.
- Construction Equipment – manufacture and supply of concrete mixers and foundation equipment, including equipment rental, parts and related services.
- Precision Engineering & Technologies – manufacture and supply of precision and automation equipment including flip chip bonders, supply of medtech equipment, medical consumables and engineering services.
- Industrial & Mobile Hydraulics – supply of hydraulic drive systems, parts and services.

Unallocated revenue and expenses

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

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Note 3 Segment information (cont'd)

Segment results

	Offshore marine, oil & gas machinery S\$'000	Construction equipment S\$'000	Precision engineering & technologies S\$'000	Industrial & mobile hydraulics S\$'000	Consolidated S\$'000
Half year ended 31 Dec 2019					
Revenue					
Sales of goods	678	11,993	8,891	787	22,349
Rendering of services	43	1,196	290	74	1,603
Revenue recognised on projects	3,585	–	2,756	–	6,341
Revenue from contracts with customers	4,306	13,189	11,937	861	30,293
Rental income	–	1,218	–	–	1,218
Other income	1	31	167	–	199
Intersegment sales	–	–	–	123	123
Total segment revenue	4,307	14,438	12,104	984	31,833
Intersegment elimination					(123)
Unallocated revenue					31
Interest Income					29
Total consolidated revenue					31,770
Results					
Segment results	(1,843)	(691)	114	(615)	(3,035)
Unallocated revenue					31
Unallocated expenses					(1,219)
Share of results of associate			78		78
Loss before tax and finance costs					(4,145)
Finance costs					(521)
Interest income					29
Loss before taxation from continuing operations					(4,637)
Tax benefit					305
Loss after taxation from continuing operations					(4,332)

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Note 3 Segment information (cont'd)

Segment results

	Offshore marine, oil & gas machinery S\$'000	Construction equipment S\$'000	Precision engineering & technologies S\$'000	Industrial & mobile hydraulics S\$'000	Consolidated S\$'000
Half year ended 31 Dec 2018					
Revenue					
Sales of goods	387	17,095	22,363	688	40,533
Rendering of services	28	2,114	122	333	2,597
Revenue recognised on projects	4,493	–	2,810	–	7,303
Revenue from contracts with customers	4,908	19,209	25,295	1,021	50,433
Rental income	–	2,616	12	–	2,628
Other income	–	11	2,683	–	2,694
Intersegment sales	–	6	8	146	160
Total segment revenue	4,908	21,842	27,998	1,167	55,915
Intersegment elimination					(160)
Unallocated revenue					62
Interest Income					24
Total consolidated revenue					55,841
Results					
Segment results	(3,063)	1,357	6,984	245	5,523
Unallocated revenue					62
Unallocated expenses					(818)
Share of results of associate			102		102
Profit before tax and finance costs					4,869
Finance costs					(402)
Interest income					24
Profit before taxation from continuing operations					4,491
Tax benefit					189
Profit after taxation from continuing operations					4,680

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Note 4 Revenue, income and expenses

	Consolidated	
	31-Dec-19	31-Dec-18
	S\$'000	S\$'000
<i>(i) Revenue from contracts with customers</i>		
<i>Transferred at a point in time</i>		
Sale of goods	22,349	40,533
Revenue recognised on projects	2,228	–
<i>Transferred over time</i>		
Rendering of services	1,603	2,597
Revenue recognised on projects	4,113	7,303
	<u>30,293</u>	<u>50,433</u>
<i>(ii) Other operating income</i>		
Interest income	29	24
Gain on disposal of property, plant and equipment	–	4
Trade and other payables written back	2	–
Services rendered	167	102
Government grants	55	31
Gain on disposal of a subsidiary	–	1,629
Gain on demerger of subsidiaries and associates	–	977
Other revenue	6	13
	<u>259</u>	<u>2,780</u>
<i>(iii) Other operating expenses included the following</i>		
Provision for product warranties, net	185	350
Foreign exchange (gain)/loss, net	(67)	73
(Reversal of)/allowance for doubtful debts, net	(113)	1,065
Bad debts written off	1	96
Provision for inventory obsolescence	109	22
Property, plant and equipment written off	3	1
Intangible assets written off	–	71
Inventories written off	28	23

Note 5 Income tax

The major components of income tax benefit for the half year ended 31 December 2019 and 31 December 2018 are:

	Consolidated	
	31-Dec-19	31-Dec-18
	S\$'000	S\$'000
<i>Current income tax</i>		
Current income tax charge	(6)	(182)
Adjustments in respect of previous years	(6)	3
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	208	340
Adjustments in respect of previous years	109	28
Tax benefit	<u>305</u>	<u>189</u>

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Note 6 Earnings per share

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

For the purpose of calculating diluted earnings per share, net profit or 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	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Net (loss)/profit attributable to equity holders of the Parent	(4,256)	4,697	–	(1,282)	(4,256)	3,415
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 (loss)/earnings per share	(1.96)	2.16	–	(0.59)	(1.96)	1.57

There were 6,600,000 (2018: 2,610,000) share options excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period presented.

Note 7 Cash and cash equivalents

	Consolidated	
	31-Dec-19	30-Jun-19
	S\$'000	S\$'000
Cash at bank and in hand	10,217	15,009
Short-term deposits	14	15
Cash and bank balances	10,231	15,024

For the purpose of cash flow statements, cash and cash equivalents comprise the following:

Cash and short-term deposits	10,231	15,024
Bank overdrafts	(965)	(1,283)
	9,266	13,741

Note 8 Investments in subsidiaries

Investment in Zicom Energy Solutions Private Limited ("ZES")

On 30 November 2019, Zicom Private Limited ("ZPL"), a wholly-owned subsidiary, increased its investment in ZES by way of capitalisation of an amount of S\$137,000 owed by ZES to ZPL, increasing the Group's interest in ZES from 51% to 59%. The effect on the change in interest in ZES amounted to S\$51,000 has been recognised within equity.

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Note 9 Investment in associate

Movements in the carrying amount of the Group's investment in associate :

	Consolidated	
Emage Vision Pte Ltd ("EV")	31-Dec-19	30-Jun-19
Shareholdings held: 16.29% (30 Jun 19: 16.29%)	S\$'000	S\$'000
Principal place of business: Singapore		
At beginning of period	3,731	—
Investment during the period	—	3,473
Share of results after income tax	78	332
Dividend received	—	(74)
At end of period	<u>3,809</u>	<u>3,731</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.

Note 10 Other interest-bearing liabilities

	Consolidated	
	31-Dec-19	30-Jun-19
	S\$'000	S\$'000
<i>Current</i>		
Bank overdrafts (Note 7)	965	1,283
Bills payable	11,580	4,275
Revolving term loans	12,900	13,700
Term loans	151	163
Loans from a related party	1,389	2,464
	<u>26,985</u>	<u>21,885</u>
<i>Non-Current</i>		
Term loans	<u>208</u>	<u>283</u>

Note 11 Share capital

	Parent Entity		Consolidated	
	31-Dec-19	30-Jun-19	31-Dec-19	30-Jun-19
	No. of shares (Thousands)		S\$'000	S\$'000
Ordinary fully paid shares	<u>217,141</u>	<u>217,141</u>	<u>21,100</u>	<u>21,100</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

There were no movements in the share capital during the current period.

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Note 12 Related party disclosures

a) Sales and purchases of goods and services

The following table provides the total amount of transactions which have been entered into with related parties during the half year ended 31 December 2019 and 2018.

	31-Dec-19 S\$'000	31-Dec-18 S\$'000
Minority shareholder of a subsidiary company		
- Sales	228	636
- Purchases	—	32
	<hr/>	<hr/>
Associates		
- Sales	—	358
- Interest income	—	24
- Services rendered	—	401
	<hr/>	<hr/>
Other related parties		
- Sales	447	53
- Purchases	762	—
- Interest income	3	1
- Rental & utilities income	128	11
- Services rendered	39	36
- Services received	43	22
- Interest expense	44	34
	<hr/>	<hr/>

b) Amounts due from/(to) related parties

The following table provides the balances with related parties as at 31 December 2019 and 30 June 2019.

	31-Dec-19 S\$'000	30-Jun-19 S\$'000
Related party receivables		
- trade	313	1,219
- non-trade	86	739
	<hr/>	<hr/>
Related party payables		
- trade	—	(527)
- non-trade (including interest on loans)	(124)	(240)
- loans	(1,389)	(2,464)
	<hr/>	<hr/>

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Directors' Declaration

In accordance with a resolution of the directors of Zicom Group Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



G L Sim
Chairman

Brisbane
Date: 27 February 2020



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Independent Auditor's Review Report to the Members of Zicom Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Zicom Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

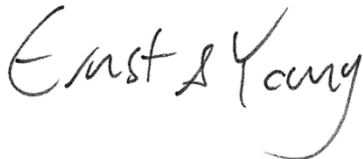
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Zicom Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



Ernst & Young



Tom du Preez
Partner
Brisbane
27 February 2020