



## Zicom Group Limited

ABN 62 009 816 871 • ASX Code : ZGL

### A N N U A L   R E P O R T   2 0 1 5



*The Everest*

*Whatever you can do or dream you can,  
Begin it.  
Boldness has genius, power and magic in it.*

**- Johann Wolfgang von Goethe  
(1749 - 1832)**





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# Chairman's Message

Johann Wolfgang von Goethe ...  
(1749 - 1832)

*"Whatever you can do or dream you can, Begin it.  
Boldness has genius, power and magic in it"*

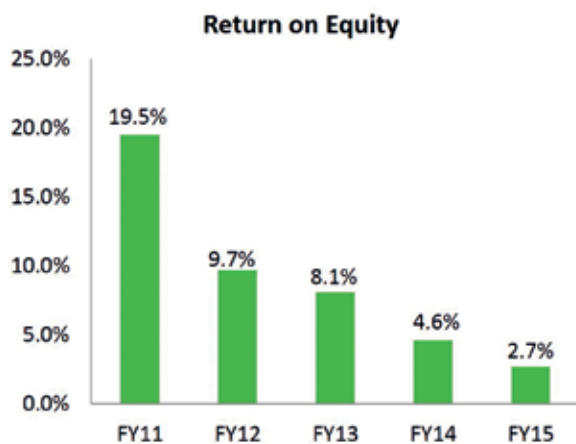
## GROWTH THROUGH INNOVATIONS

Dear Shareholders,

Global competition and economic uncertainties have made growth more challenging than ever. Innovation has been the key plank enabling successful global growth companies to defy the laws of economic gravity.

### INNOVATE TO GROW

To achieve long term sustainable growth, your Group decided a few years back to embrace innovation in both forms: progressive and disruptive innovations. Progressive innovations strengthen the Group's core capabilities enabling its businesses to scale up the value chain and to stay ahead of the curve. Disruptive technologies as those in the medtech and semi-conductor related technologies that we have invested in, possess the capability to disrupt the existing market to create new market and value.



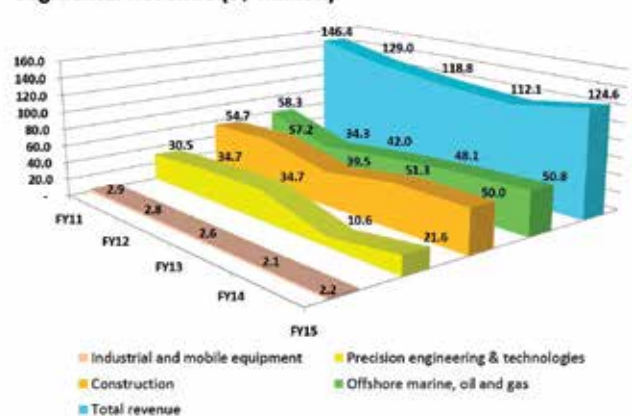
### MANAGING RISKS OF INNOVATIONS

Innovations in whatever form necessitate gestation periods and carry risks. As part of the Group's prudential financial policy such risks have been ring-fenced within the capability of the Group's internal resources without incurring external borrowings.

The Group's results in the last 2-3 years have invariably reflected some of the gestation costs and risks undertaken. Such costs, however, have not impaired the Group's financial position.



**Segmental Revenue (\$S'million)**



### BENEFITS & POTENTIALS OF INNOVATIONS

Progressive innovations have enabled the Group's businesses to strengthen their capabilities and remain relevant and competitive. These have come as increased costs. Your Board is, however, confident that the Group's strengthened capabilities will deliver good returns in the future.

The Group's technology investments are generally entering into commercialisation stage. As they progress, gestation costs will ebb and revenue is expected to be generated. At the appropriate time, the Group will look for opportunities to re-rate and unlock their value.

The on-going structural transition has evolved a culture of innovation within the Group positioning it to remain relevant in the highly competitive globalised economy.

### APPRECIATION

Your Board is thankful to the Group's management and employees for their strong dedication and commitment to support the Group's structural transition and is confident that such support will crystallise into promising rewards in the near future.

I also wish to thank the Board for their boldness in supporting the Group and contributing in this arduous journey. I thank all our shareholders for their support. The Group's direction is in alignment with shareholders' interest as it creates opportunities to enhance their value going forward.

**G L Sim**  
Chairman

# Board of Directors

## Executive Directors



**GIOK LAK SIM, FCPA**

Chairman and Group Managing Director,  
Age 69

### *Experience and Expertise*

Appointed to the Board on 5 April 1995. Chairman and Managing Director of Zicom Group Limited and Executive Chairman of all its subsidiaries. Experienced in public accounting, corporate development, financial and industrial management as well as international trade.

Chairman of Grant Appeal Advisory Panel, SPRING Singapore  
Member of Growth Oriented Enterprise Advisory Panel, SPRING Singapore  
Member of Strategic Advisory Panel, Diagnostic Development Hub at A\*Star  
Member of Incubation Advisory Board, Singapore National Eye Centre  
Singapore Ernst & Young Entrepreneur of the Year (Industrial Products), 2008

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

Board Member of SPRING Singapore (appointed on 1 April 2014)

### *Special responsibilities*

Member of Nomination and Remuneration Committee  
Executive Chairman of all subsidiaries  
Chairman of Curiox Biosystems Pte Ltd  
Chairman of HistoIndex Pte Ltd

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

81,794,110 ordinary shares



**KOK HWEЕ SIM, BSc, MSc**

Executive Director, Age 37

### *Experience and expertise*

Mr Kok Hwee Sim was appointed to the Board on 21 November 2007. As Executive Director of the Group, his responsibilities include human resource development, business process improvements, restructuring and acquisitions and treasury management. On 1 January 2015, Mr Sim stepped down as Managing Director of iPtec Pte Ltd and was subsequently appointed as the Managing Director of Biobot Surgical Pte Ltd. He is also the Managing Director of Zicom MedTacc Private Limited, the medtech technology accelerator investment company. Mr Sim graduated with a Bachelor's degree in Industrial Engineering and Operations Research from the University of Michigan with Honours (Magna Cum Laude) and a Master's degree in Financial Engineering from Columbia University, New York. Mr Kok Hwee Sim is the eldest son of the Chairman and Managing Director, Mr G L Sim and director of substantial shareholder, SNS Holdings Pte Ltd.

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

None

### *Special responsibilities*

Executive Director of Zicom Holdings Private Limited and Director of its subsidiaries  
Director and Deputy CEO of Curiox Biosystems Pte Ltd  
Managing Director of Biobot Surgical Pte Ltd  
Managing Director of Zicom MedTacc Private Limited  
Director of HistoIndex Pte Ltd

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

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



**KOK YEW SIM, BSc**

Executive Director, Age 35

### *Experience and expertise*

First appointed to the Board as Alternate Director to Mr Kok Hwee Sim on 5 July 2010 and made an Executive Director on 25 September 2014. Mr Sim is a Director and Chief Executive Officer of Sys-Mac Automation Engineering Pte Ltd (Sys-Mac) and is responsible for Sys-Mac's growth strategies, overall administration and management of its business and operations. He has assumed the role of Deputy Chairman of iPtec Pte Ltd, the medtech translation subsidiary, since 1 January 2015. Mr Sim is also a Director of Zicom MedTacc Private Limited, the medtech technology accelerator investment company. He will be instrumental in building the Group's capabilities to support medical technologies. Mr Sim graduated with a Bachelor's degree in Electrical and Electronics Engineering from the University of Michigan with Honours (Summa Cum Laude). He is the second son of the Chairman and Managing Director, Mr G L Sim and director of substantial shareholder, SNS Holdings Pte Ltd.

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

None

### *Special responsibilities*

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

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

1,070,253 ordinary shares and 280,000 options

## Independent Directors

### **YIAN POH LIM, BSc, MSc**

Independent Director, Age 69

#### ***Experience and expertise***

Appointed to the Board on 24 July 2006. Yian Poh Lim has more than 20 years of extensive experience in the banking and finance industry. In 1993, he set up Yian Poh Associates, a financial consultancy and investment firm. He has been an Honorary Commercial Advisor to The Administrative Committee of Jiaying Economic Development Zone, China since 2000. He is also a member of the advisory panel of the Singapore Food Manufacturers' Association.

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

Independent Director of Casa Holdings Limited (appointed 4 November 2008)  
Independent Director of TTJ Holdings Limited (appointed 5 July 1996)

#### ***Special responsibilities***

Chairman of Nomination and Remuneration Committee  
Member of Audit Committee  
Non-executive Director of Zicom Holdings Private Limited

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

488,000 ordinary shares

### **FRANK LEONG YEE YEW, MBA, FCA (ENGLAND & WALES), FCA (SINGAPORE)**

Independent Director, Age 72

#### ***Experience and expertise***

Appointed to the Board on 24 July 2006. Extensive experience in auditing, financial management and corporate secretarial work, having practised as a partner in an audit firm and worked as a company secretary, finance manager and financial controller in a leading property development company and involved in acquisitions and major developments.

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

Independent Director of TTJ Holdings Limited (appointed 11 January 2010)

#### ***Special responsibilities***

Member of Nomination and Remuneration Committee  
Member of Audit Committee  
Non-executive Director of Zicom Holdings Private Limited

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

624,364 ordinary shares

### **IAN ROBERT MILLARD, FCA, FAICD**

Independent Director, Age 76

#### ***Experience and expertise***

Appointed to the Board on 23 November 2006. Extensive experience in public accounting and corporate secretarial work. Fellow of the Institute of Chartered Accountants with 30 years as a partner in major accounting firms in Queensland and a Fellow of the Australian Institute of Company Directors.

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

None

#### ***Special responsibilities***

Chairman of Audit Committee

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

592,250 ordinary shares

### **SHAW PAO SZE**

Independent Director, Age 71

#### ***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***

Synergy Metals Ltd (Australia) (appointed 15 October 2010)

#### ***Special responsibilities***

None

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

30,000 options



# Company Secretaries



**LIM BEE CHUN, JENNY, FCCA**

Joint Company Secretary, Age 42

***Experience and expertise***

Ms Jenny Lim has been the Group's Financial Controller since 2005. She is a Fellow of the Association of Chartered Certified Accountants from the United Kingdom since 1998. Ms Lim has over 10 years of audit and tax experience in an international public accounting firm prior to joining the Group.

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

None

***Special responsibilities***

Director of Zicom Private Limited  
Director of Zicom MedTacc Private Limited  
Joint Company Secretary of all subsidiaries in Singapore except for MTA-Sysmac Automation Pte Ltd  
Joint Company Secretary of Curiox Biosystems Pte Ltd

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

744,563 ordinary shares and 400,000 options



**SURENDRA KUMAR, CPA**

Joint Company Secretary, Age 55

***Experience and expertise***

Mr Kumar is the Finance Manager of Cesco Australia Limited and holds a Bachelor's degree in Commerce from Auckland University and is a Certified Practicing Accountant. He has had 30 years of experiences in auditing, industrial and management accounting prior to joining the Group in 2008.

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

None

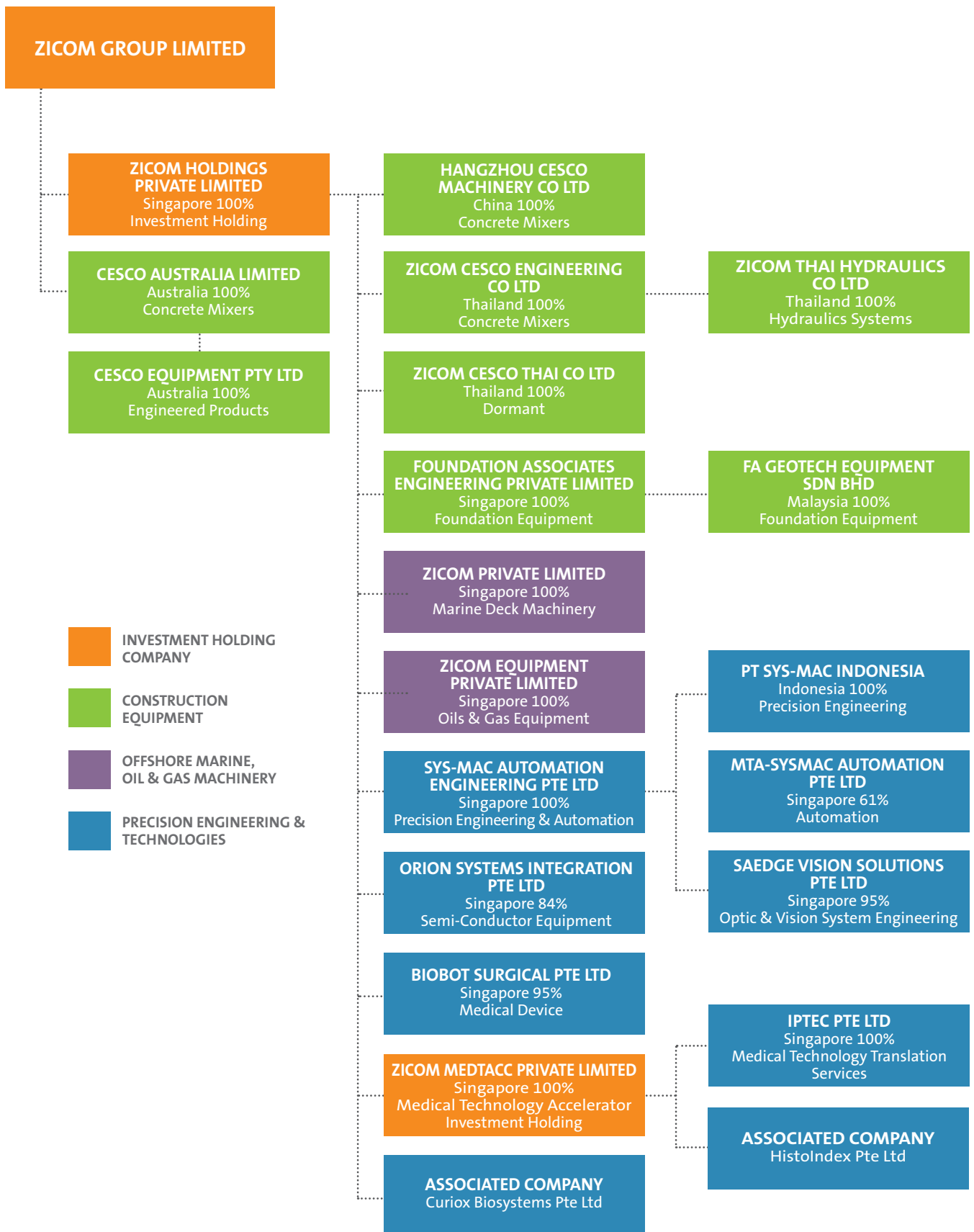
***Special responsibilities***

Director of Cesco Equipment Pty Ltd  
Company Secretary of Cesco Australia Limited and Cesco Equipment Pty Ltd

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

15,000 ordinary shares and 50,000 options

## Corporate Chart



# Key Management

## Singapore

### ZICOM PRIVATE LIMITED

JOINT MANAGING DIRECTORS

Juat Lim Sim

Hung Seah Tang

EXECUTIVE DIRECTORS

Kok Hwee Sim

Juat Khiang Sim

Hong Jun Zhang

Jenny Lim Bee Chun

### ZICOM EQUIPMENT PRIVATE LIMITED

MANAGING DIRECTOR

Rashed Choudhury

### FOUNDATION ASSOCIATES ENGINEERING PRIVATE LIMITED

MANAGING DIRECTOR

Jimmy Teoh Guan Hooi

DEPUTY MANAGING DIRECTOR

Peck Hua Ng

### SYS-MAC AUTOMATION ENGINEERING PTE LTD

MANAGING DIRECTOR

Juat Koon Sim

EXECUTIVE DIRECTORS

Kok Yew Sim - CEO

David Loh Chin Woon

Tony Low Boon Koon

### MTA-SYSMAC AUTOMATION PTE LTD

MANAGING DIRECTOR

Juat Koon Sim

EXECUTIVE DIRECTORS

Kok Yew Sim - CEO

Tony Low Boon Koon

Bobby Owen Archer

Bryan Raymond Root

### SAEDGE VISION SOLUTIONS PTE LTD

EXECUTIVE DIRECTORS

Kok Yew Sim - CEO

Bing Chiang Wong

### ORION SYSTEMS INTEGRATION PTE LTD

EXECUTIVE DIRECTORS

Amlan Sen

Chin Guan Khaw

Siew Sarn Lau

### BIOBOT SURGICAL PTE LTD

MANAGING DIRECTOR

Kok Hwee Sim

EXECUTIVE DIRECTOR

Kok Yew Sim

### IPTEC PTE LTD

MANAGING DIRECTOR

Gary Lee Kim Hin

EXECUTIVE DIRECTORS

Kok Hwee Sim

Kok Yew Sim

### ZICOM MEDTACC PRIVATE LIMITED

MANAGING DIRECTOR

Kok Hwee Sim

EXECUTIVE DIRECTOR

Kok Yew Sim

## Malaysia

### FA GEOTECH EQUIPMENT SDN BHD

MANAGING DIRECTOR

Peck Hua Ng

EXECUTIVE DIRECTOR

Teck Meng Liew

## Australia

### CESCO AUSTRALIA LIMITED

MANAGING DIRECTOR

Gary Webster

### CESCO EQUIPMENT PTY LTD

MANAGING DIRECTOR

Gary Webster

EXECUTIVE DIRECTORS

Surendra Kumar

Rick Pearce

Kenny Teh

## Thailand

### ZICOM CESCO ENGINEERING CO LTD

MANAGING DIRECTOR

Sammy Ng Siong Teck

DEPUTY MANAGING DIRECTOR

Saowaluke Phongchok

### ZICOM THAI HYDRAULICS CO LTD

MANAGING DIRECTOR

Sammy Ng Siong Teck

DEPUTY MANAGING DIRECTOR

Saowaluke Phongchok

## Indonesia

### PT SYS-MAC INDONESIA

MANAGING DIRECTOR

Juat Koon Sim

EXECUTIVE DIRECTORS

Kok Yew Sim

David Loh Chin Woon

Boon Chye Seah

## China

### HANGZHOU CESCO MACHINERY CO LTD

MANAGING DIRECTOR

Chin Ming Tan



# Directors' Report 2015

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 2015.

## Directors

The following persons were directors of Zicom Group Limited during the financial year and up to the date of this report. Directors were in office for this entire period.

Mr. G L Sim	(Chairman and Managing Director)
Mr. K H Sim	(Executive Director)
Mr. K Y Sim	(Executive Director)
Mr. Y P Lim	(Independent)
Mr. F Leong	(Independent)
Mr. I R Millard	(Independent)
Mr. S P Sze	(Independent)

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

## Principal Activities

The Group's principal activities comprise the manufacturing of deck machinery, offshore structures, fluid metering stations, gas processing plants, foundation equipment and concrete mixers, precision engineered machinery, medtech translation services and services to the offshore marine, oil and gas, construction, electronics, biomedical and agriculture industries.

## Consolidated Results

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

Key Financials	Change (%)	Year ended 30 June 15 (\$ million)	Year ended 30 June 14 (\$ million)
Total Revenue	+ 11.6	127.12	113.95
Net profits after tax (NPAT) attributable to equity holders of the Parent	- 40.2	2.44	4.08

The Group's cash balances remain strong. As at 30 June 2015, the Group's total cash and bank balances were S\$24.13m as compared with S\$22.33m as at 30 June 2014.

## Dividends

The Group has decided to pay a final dividend of 0.35 Australian cents per share (2014: 0.45 Australian cents) making the full year dividends to 0.70 Australian cents per share (2014: 0.90 Australian cents). This final dividend will be paid out of Conduit Foreign Income under the provisions of the Australian Income Tax Act. Accordingly, withholding tax will not apply to non-Australian residents.

The record date for the final dividend will be 20 November 2015 and is payable on 4 December 2015.

# Directors' Report 2015

## Review of Operations

The Group's consolidated revenue for the full year is S\$127.12m as compared with S\$113.95m in the previous year, an increase of 11.6%. The Group's full year net consolidated profits after tax attributable to members to 30 June 2015 are S\$2.44m as compared with S\$4.08m in the previous year, a decrease of 40.2%.

The net profit margin achieved for the full year is 2.0% as compared with 3.6% in the previous year, a drop of 1.6%.

Earnings per share dropped from Singapore 1.90 cents to 1.13 cents per share, a decrease of Singapore 0.77 cents.

Net tangible assets per share decreased slightly from Singapore 34.80 cents to 34.45 cents per share as a result of translation loss arising from the depreciation in Australian dollar.

Return on equity, based on average of the opening and closing equity, for the year was 2.7% as compared to 4.6% in 2014.

The average rates for currency translation for transactions and cash flows are A\$1 to S\$1.0864 (2014: S\$1.1521) for the year ended 30 June 2015 and balances A\$1 to S\$1.0323 (2014: S\$1.1739) as at 30 June 2015.

The results for the full year have been affected by cost overruns for the first time in projects undertaken involving new processes by our precision engineering sector; dampened growth in the electronics sector, reduced margin contributions by our construction equipment sector and timing delay in the recognition of oil and gas project revenues.

The less than satisfactory results reflect an increased risk posture that the Group has taken in elevating its various businesses up the value chain. The Group has established a strong engineering team imbued with various cross disciplines and strong manufacturing capabilities. The Board believes that in order for the Group to achieve long term sustainability in an age of dynamic changes globally, its businesses must scale up the value chain so as to remain competitive and relevant. In doing so, the Group has, in recent years, forayed into medical technology and at the same time assumed a higher risk exposure in its ongoing core businesses in participating in higher value projects that come with higher rewards that are equally matched with higher risks.

The Group primarily positions the business for the long term benefit of its shareholders while it also hopes to meet short term expectations. The Group adopts a calibrated approach and has always been measured and prudent in its management of business risks. It ensures that all its investments in technologies that require some gestation periods and projects with higher returns that inevitably come with increased risks are well covered by its internal resources without being exposed to bank borrowings; hence its policy of holding strong cash balances with no bank gearing.

In travelling this journey, the Group's total capabilities continue to be enhanced and strengthened. The Group therefore believes that the short-term setbacks suffered will strengthen the Group to climb up the value chain so as to achieve higher and sustainable returns in the future.

Global economic uncertainties continue to reverberate, underscored by an imbalanced global economy that is compounded by the Greek financial default that may well escalate in the Eurozone, the slowdown in the PRC's economy resulting in a recent Renminbi devaluation and rout in the share market, continuing deflation in Japan and potential increase in interest rates. Although the Group's businesses cannot escape from such global economic impact, its focus therefore is to position and develop businesses and directions that can better withstand the impact from such factors.

# Directors' Report 2015

## Strategic Repositioning

The Group continues to focus in restructuring its businesses in line with global dynamics. It is continuously reviewing its entire business activities and may potentially regroup its activities to unlock values. As a strategy, the Group continues to manage its businesses as a matter of course to maintain stability. The Group adopts no fixed timing to unlock value. It will do so only when the timing is suitable so as to maximise value.

The setbacks in the precision engineering sector represent a component of the journey embarked upon by the Group. The Group therefore remains committed to strengthen the business structure and organisation in this sector. The precision engineering business is critical in our quest to expand our investments into technology companies as it is the engineering and manufacturing support base for these investments. Our investment in technology is aimed to create a new and broader revenue stream for this sector transforming it into one based on product sales, which are recurrent, instead of project sales which are typically more cyclical.

## Revenue by Business Segments

The following is an analysis of the segmental results:-

Revenue by Business Segments	Change (%)	Year ended 30 June 15 (\$ million)	Year ended 30 June 14 (\$ million)
Offshore Marine, Oil & Gas Machinery	+ 7.03	51.46	48.08
Construction Equipment	- 3.04	50.15	51.72
Precision Engineering & Technologies	+ 96.23	22.92	11.68
Industrial & Mobile Hydraulics	- 19.74	2.48	3.09

## Offshore Marine, Oil & Gas Machinery

Demand for offshore marine, oil and gas machinery increased by 7.03% in the current year as compared with the previous year.

The continuing softening of the oil price without any visible impetus to drive its recovery in the short term has caused major oil and gas and service support companies to scale down their investments on equipment as well as activities. This scenario is expected to pose considerable challenges in the oil and gas sector for the next financial year.

Following the Group's policy of scaling up its capability that may come with higher risk, the Group, has in the last few years, successfully executed a few offshore projects involving deep seas operations and achieved good profits. The experiences gained have enabled the Group to position itself as being able to supply a full complement of equipment from shallow to deep seas operations. The success has won the loyalty from quality niche customers who are continuing to invest in development, albeit on a reduced scale. The Group is hopeful of sustainable orders.

Our oil and gas sector is currently executing orders of 3 turnkey gas processing plants. The projects are being executed as part of a consortium with a very established PRC state owned petroleum engineering institute. The projects are on track so far and costs are under control. We are hopeful of a successful execution of these projects all of which are expected to be completed within the coming financial year.

We are concurrently working on new projects and are hopeful of securing some of these in the near future.

As at the end of the financial year just ended, total confirmed orders in hand to be delivered in the financial year 2016 for this cluster were S\$72.6m.

# Directors' Report 2015

## Construction Equipment

Revenue from sales and rental of construction equipment decreased by 3.04% in the current year as compared with the previous year.

Demand for sales and rental of foundation equipment in Singapore and Malaysia remain healthy due to ongoing construction activities in these markets. However, margins have decreased as there is a surplus of equipment available in the market due to the slackened construction sector.

The weakening of the Australian dollar has dampened profit margin to some extent. Sales of concrete mixers in Thailand have been steady and are expected to remain flat. Although government projects remain slow, demand from the private sector, is however maintained. Demand for concrete mixers in Australia has increased and our business in Australia is expected to improve.

As at the end of the financial year, total confirmed orders in hand to be delivered in the financial year 2016 for this cluster were S\$6.4m.

## Precision Engineering & Technologies

### Precision Engineering

The precision engineering sector experienced a significant increase in revenue of 96.23%. The sector secured significant orders in automation projects from a consumer electronics customer that involved new processes. As these projects involved new processes there is a development component in it which could benefit and enhance the Group's capability for future projects.

The new processes had required more engineering time and special materials not foreseen. As a result the increased direct costs compounded by delays caused the Group to suffer significant cost overruns. This resulted in the projects managing to achieve break-even only on its direct costs.

The major part of the revenue contribution in this sector is derived from our automation engineering and contract manufacturing businesses as our new investments have only just started generating revenue and their contributions are negligible.

### Medtech Technology

The Group is focused to continue to grow its existing stable of medtech technology companies.

#### a) Biobot Surgical Pte Ltd (Biobot)

Our digital robotic platform for transperineal prostate biopsy has been accepted by several internationally renowned key opinion leaders and hospitals. We are well positioned to commercialise this technology.

Apart from our Centers of Excellence in hospitals in New York, Tübingen, Germany and Singapore, we have recently set up our first Australian Center of Excellence with the Epworth Hospital at Richmond Victoria. The Epworth group is the largest private cluster in Victoria. We planned to set up 3 to 5 more Centers of Excellence before December in Australia, the UK and Italy.

We have begun sales in Germany and our commercialisation efforts are expected to gain traction, as our Centers of Excellence are fully activated acting as our local champions and training centers.



# Directors' Report 2015

## b) Curiox Biosystems Pte Ltd (Curiox)

The Curiox's DropArray technology which has proven to save the cost of development of drug assays by 60% has been fully validated by the top 10 pharmaceutical companies.

However scalability of demand for our technology has proven more difficult with pharmaceutical companies. The entire process of evaluation initiating from their research units which focus on high value assays with a broad mix of protocols require a long gestation before our technology is adopted for high throughput usage that generates volume.

With endorsement by the pharmaceutical companies we have redirected our immediate efforts to market our technology to Contract Research Organisations (CRO). Although pricing to these CROs is lower, they consume high volume of plates for their assays that involve lesser and standardised mix in protocols. Since then we have successfully secured a 5 years' contract from one of the top 5 global CROs in USA with the potential of expanding into their international network. This success shows good promises for us to gain other CRO accounts.

With the change in focus, we are confident that Curiox is likely to break-even within the next 6 months and work towards profitability. We aim to re-engage with pharmaceutical companies to cater to their more demanding and challenging higher value assays to achieve scalability in the value chain when these "low hanging fruits" prove to be sustainable in generating revenue and a positive cash flow.

## c) HistoIndex Pte Ltd (HistoIndex)

During the year the Group co-invested in a tissue imaging company, HistoIndex Pte Ltd, together with SPRING Singapore, a Singapore government agency under an Accelerator Funding Scheme for which the Group has been awarded. HistoIndex has commenced commercialisation to the research sector and is currently collaborating with various world renowned institutions in PRC, Singapore and USA focused on refining their analytic algorithms for liver fibrosis for which numerous scientific papers have been published. The business is potentially geared towards the creation and operation of a web-based pathology platform to assist pathologists in refining and staging liver fibrosis and cancer. We aim to achieve initial applications in this domain within the next 12 months.

## Semi-Conductor Equipment Investment

### a) Orion Systems Integration Pte Ltd (Orion)

Orion's fine pitch flip chip thermal bonder is used in downstream semi-conductor manufacturing. Due to the dynamics of the industry, the chip industry has been undergoing very rapid changes with different configurations by manufacturers to differentiate from each other causing varying demands on the development of our machine to meet their needs during evaluation.

We have reached a stage where the various demands have been reduced to some common denominators and we are in a position to offer a modular machine that can meet basic needs as well as to accommodate customised needs of the key manufacturers.

We have during the last 6 months appointed an established distributor to handle our distribution for Asia while our team focused on development and after sales service. We are hopeful to secure orders in the coming financial year.

As at the end of the financial year, total confirmed orders in hand to be delivered in the financial year 2016 for this cluster were S\$6.3m.

# Directors' Report 2015

## Industrial & Mobile Hydraulics

This sector is made up of supply of hydraulic system drives and hydraulic services in support of our general core business activities in hydraulic engineering. Variation in this sector is not significant.

## Foreign Exchange Exposure

The Group generally prices its sales in foreign currencies on forward rates. During the full year, we hedged our rates accordingly to ensure our margins were maintained. The net loss attributable to foreign exchange during the current year is S\$0.81m as compared with an exchange loss S\$0.48m in the previous year.

## Financial Position

The group's financial position remains strong:-

Classification	Increase (+) / Decrease (-) S\$ million	As at 30 June 15 S\$ million	As at 30 June 14 S\$ million
Net Assets	- 0.02	89.44	89.46
Net Working Capital	+ 0.53	45.62	45.09
Cash in Hand and at Bank	+ 1.80	24.13	22.33

## Gearing Ratios

The Group's gearing ratio is 0% at the same ratio as for the year ended 30 June 2014 as cash and cash equivalents exceeded interest-bearing liabilities. Gearing ratio has been arrived at by dividing our interest-bearing liabilities less cash and cash equivalents over total capital.

## Return Per Share

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

Classification	Decrease Singapore Cents	2015 Singapore Cents	2014 Singapore Cents
Earnings per share	- 0.77	1.13	1.90

The weighted average shares used to compute basic earnings per share are 215,184,912 for this year and 214,881,267 shares for the previous year.

Classification	Decrease Singapore Cents	As at 30 June 15 Singapore Cents	As at 30 June 14 Singapore Cents
NTA per share	- 0.35	34.45	34.80

NTA per share has dropped due to translation loss arising from the depreciation in Australian dollar.

## Capital Expenditure

For the year ending 30 June 2016, the Group plans to invest up to S\$1.0m in equipment.

# Directors' Report 2015

## Confirmed Orders

We have a total of S\$86.0m (30 June 2014: S\$64.8m) outstanding confirmed orders in hand as on 30 June 2015. A breakdown of these outstanding confirmed orders is as follows:-

	S\$ m
Offshore Marine, Oil & Gas Machinery	72.6
Construction Equipment	6.4
Precision Engineering & Technologies	6.4
Industrial & Mobile Hydraulics	0.6
Total	<u>86.0</u>

Out of the above outstanding orders, S\$85.9m are scheduled for delivery in the financial year 2016 and the balance thereafter. Prospects for on-going orders continue to be strong.

## Prospects

The global economic environment for the year just ended has continued to be one of uncertainty. Although economic growth in the United States appears sustainable, other major economies notably PRC and Japan as well as the Eurozone continue to splutter and showing signs of inertia. The situation will be compounded by the potential winding down of the United States' monetary quantitative easing. The prospects ahead will be challenging.

The Group's resilience positions itself well to address such uncertainties and potential economic deceleration that may arise if the adverse factors converge.

Order prospects for the Group continue to be strong. As such, the Group continues to be confident of a profitable year in 2016.

## Subsequent Events after the Balance Sheet Date

On 26 August 2015, the directors declared a final unfranked dividend of 0.35 Australian cents per share for the financial year ended 30 June 2015 which has not been provided for in the financial statements of the current year.

## 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.

# Directors' Report 2015

## 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 numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of Committees			
			Audit		Nomination & Remuneration	
	A	B	A	B	A	B
Giok Lak Sim	4	4	-	-	1	1
Kok Hwee Sim	3	4	-	-	-	-
Kok Yew Sim	3	4	-	-	-	-
Yian Poh Lim	4	4	3	3	1	1
Frank Leong Yee Yew	4	4	3	3	1	1
Ian R Millard	4	4	3	3	-	-
Shaw Pao Sze	4	4	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

## Insurance or indemnification of officers

During the financial year, Zicom Group Limited paid a premium of A\$8,190 to insure against liabilities of the directors and officers of the reporting entity.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against directors or officers in their capacities as officers of the reporting entity.

The policy also provides for certain statutory fines incurred by the reporting entity or officers, and protection for claims made alleging a breach of professional duty arising out of an act, error or omission of the officers of the reporting entity.

## Indemnification of auditors

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

## Retirement, election and continuation in office of directors

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

## Directors' relevant interests in Zicom Group Limited

In accordance with S300(11) of the *Corporations Act 2001*, except as disclosed below, 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 2015.

As at the date of this report, Mr G L Sim's interests in the Company increased to 81,794,110 shares (30 June 2015: 80,758,915 shares).



# Directors' Report 2015

## Remuneration report (Audited)

This remuneration report outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. This information has been audited as required by section 308(3C) of the Act.

Key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent. Details of the KMP are set out in the following tables:

(i) Directors

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

(ii) Senior Executives

J L Sim	(Joint Managing Director of Zicom Private Limited)
H S Tang	(Joint Managing Director of Zicom Private Limited)
H J Zhang	(Marketing Director of Zicom Private Limited) (considered as KMP effective 1 July 2014)
J Khiang Sim	(Executive Director of Zicom Private Limited) (considered as KMP effective 1 July 2014)

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

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Service Agreements
- C Details of remuneration

### **A Principles used to determine the nature and amount of remuneration**

A combined Nomination and Remuneration Committee has been formed. The members of the Nomination and Remuneration Committee comprise of Mr Y P Lim as Chairman with Mr Frank Leong and Mr G L Sim as members. The Nomination and Remuneration Committee had approved the Service Agreement of the group managing director, Mr G L Sim and this was subsequently ratified by the full board.

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

# Directors' Report 2015

## *Non-executive directors*

Remuneration of non-executive directors is determined by the directors within the maximum amount approved by the shareholders. Each non-executive director receives a base fee of A\$25,000 for being a director of the Group. An additional fee of A\$2,000 is paid for each Board Committee of which a non-executive director sits and A\$5,000 if the director is a Chair of a Board Committee. The payment of additional fees for serving on committees recognises the additional time commitment and responsibilities of the non-executive directors who serve on one or more sub committees. There is also an attendance fee of A\$1,000 for each meeting attended by the non-executive director.

Non-executive directors are eligible to participate in the Zicom Employee Share and Option Plan ("ZESOP"). The Board considers that there should be an appropriate mix of remuneration comprising cash and securities for all directors to link the remuneration of the directors to the financial performance of the Company and to align the interests of shareholders and all directors. No options were granted to non-executive directors during the financial year and none are proposed for consideration at the 2015 Annual General Meeting.

The board recommends that total directors' fees for non-executive directors for the financial year ending 30 June 2016 be fixed at a maximum sum of A\$150,000 (S\$153,000) at the same level as the previous year.

## *Executive directors and senior executives*

All remuneration paid to executive directors and senior executives comprises of the following components:

- Base pay and benefits;
- Short term incentives;
- Other remuneration such as superannuation,
- Participation in the Zicom Employee Share and Option Plan.

## *Base pay*

The level of base pay is set so as to provide a level of remuneration which is appropriate to the position and is competitive in the market. The remuneration of the executive directors is reviewed annually by the board and the remuneration of senior executives is reviewed annually or on promotion by the managing director(s).

## *Benefits*

Senior executives receive benefits including health and disability insurance and car allowances.

## *Short term incentives*

The objective of short term incentives is to reward the senior executives of the group with performance bonus tied to a minimum profit threshold of the group companies. Such bonuses are paid within 90 days after the year end and completion of audit. The minimum profit threshold is the lower of S\$500,000 or 15% of total shareholder funds as at the reporting date.

# Directors' Report 2015

## **B Service Agreements**

### Group Managing Director

The group managing director, Mr G L Sim is directly employed by Zicom Holdings Private Limited ("ZHPL") and has renewed his service agreement with ZHPL for another 5 years with effect from 1 July 2011. The group and Mr Sim are required to give each other at least 6 months' notice in the termination of the service agreement. Under the terms of his service agreement, Mr Sim continues to be appointed as the Zicom Group Limited ("ZGL") Group Managing Director and Chairman as well as the Executive Chairman of all the operating subsidiaries.

Mr Sim is entitled to an annual review of his monthly salary if the company's results exceed 15% return on shareholders' funds. Mr Sim has frozen his monthly salary since 2007. Mr Sim will continue to draw the monthly salary at the 2007 level for the next 5 years from 1 July 2011 and waive all salary increments. Apart from this, all other benefits, terms and conditions in his service agreement remain unchanged.

Mr Sim is paid a monthly salary and a car allowance. Mr Sim is entitled to a performance bonus not exceeding 5% of the pre-tax consolidated profits of ZHPL upon achieving agreed minimum profit targets, being the only criterion for his entitlement. Mr Sim is entitled to convert part of his performance bonus up to no more than 50% of the amount payable into shares of ZGL at the average of the closing prices of the last 5 trading days before the end of the relevant financial year. However, such entitlement must be exercised within 7 working days after the financial year end. For the financial year just ended, Mr Sim was not entitled to any bonus as the minimum profit target was not achieved.

Mr Sim is not paid any salary or fees by ZGL, Cescio Australia Limited ("CAL") or any other group companies. In the event CAL achieves the minimum pre-tax profits, Mr Sim will be paid a bonus not exceeding 5% of CAL's profits. During the financial year just ended, Mr Sim was not paid any bonus by CAL as the profit target was not achieved.

### Senior Executives (directors of group companies)

Senior executives in key decision making are employed under rolling contracts. The company and these senior executives are required to give each other 6 months' notice to terminate the service contracts. The senior executives are entitled to a monthly salary and a car allowance. Each year, each of the subsidiary companies, allocates 10% of their pre-tax profits upon achieving agreed minimum profit targets, being the only criterion for allocation of bonus to its eligible executives, as a "bonus pool". The maximum entitlement capped for eligible executives ranges from 2.5% to 5% of the pre-tax profits. Each year, the Nomination and Remuneration Committee will decide the proportion payable to each of these eligible executives based on the number of eligible executives entitled to the pool and any recommendation by management to reward any outstanding senior executives who are otherwise not eligible contractually, to be specially rewarded. The decisions made by the Committee are deemed to be 100% of their entitlement for the respective eligible executive for the relevant financial year.

These senior executives are also entitled to convert part of their performance bonus, up to no more than 50% of the amount payable, into shares in ZGL at the average of the closing prices of the last 5 trading days before the end of the relevant financial year. However, such entitlement must be exercised within 7 working days after the financial year end. For the financial year just ended, none of the executives exercised the option to convert part of their performance bonus into ZGL shares.

# Directors' Report 2015

## *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.

During the current financial year, 2,150,000 share options (2014: nil) were granted. In the same period, employees exercised options to acquire 555,000 (2014: 195,000) fully paid ordinary shares in Zicom Group Limited at a weighted average exercise price of A\$0.17 per share. 240,000 (2014: 275,000) share options expired during the financial year.

As at the date of this report, there were 5,660,000 unissued ordinary shares under options (7,440,000 at the reporting date).

## *Company Performance*

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

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Earnings per share (Australian cents)	1.04	1.65	2.56	2.83	5.15
Dividend per share (Australian cents)	0.70	0.90	1.00	1.00	1.00
Closing share price (Australian cents)	20.50	22.00	23.00	15.00	50.00
Net tangible asset per share (Australian cents)	33.37	29.64	29.96	26.49	24.73



# Directors' Report 2015

## C Details of remuneration (audited)

Details of the remuneration to the directors and the key management personnel of Zicom Group Limited for the years ended 30 June 2015 and 2014 are set out in the following tables. All performance related bonus and share-based payment listed in the table were 100% vested for both financial years.

2015	Name	Short Term Employee Benefits				Benefit	Share-Based Payments		Consisting Of Share Options %					
		Other		Performance	Related %									
		Cash Salary and Fees \$	Short Term Cash \$			Non-Monetary Benefits \$	Short-Term Employee Benefits \$	Superannuation \$	Bonus Paid in Shares \$	Share options \$	Total \$			
Non-executive Directors														
	Y P Lim	39,110	—	—	—	—	—	—	—	—	—	39,110	—	—
	F Leong	35,851	—	—	—	—	—	—	—	—	—	35,851	—	—
	I R Millard	36,938	—	—	—	—	—	—	—	—	—	36,938	—	—
	S P Sze	31,506	—	—	—	—	—	—	—	—	—	31,506	—	—
	Sub-total non-executive directors	143,405	—	—	—	—	—	—	—	—	—	143,405		
Executive Directors														
	G L Sim – Chairman	432,000	—	—	—	24,000	5,825	—	—	—	—	461,825	—	—
	K H Sim	170,995	105,000	—	—	12,000	13,900	—	—	—	807	302,702	34.7	0.3
	K Y Sim	149,332	—	—	—	44,400	9,900	—	—	—	807	204,439	—	0.4
	Sub-total executive directors	752,327	105,000	—	—	80,400	29,625	—	—	—	1,614	968,966		
Other key management personnel														
	J L Sim <sup>(1)</sup>	216,000	280,000	—	—	21,600	6,400	—	—	—	4,890	528,890	52.9	0.9
	H S Tang <sup>(2)</sup>	181,200	215,000	—	—	14,400	5,875	—	—	—	4,890	421,365	51.0	1.2
	H J Zhang <sup>(3)</sup>	144,000	206,000	—	—	10,800	9,375	—	—	—	4,890	375,065	54.9	1.3
	J Khiang Sim <sup>(4)</sup>	144,000	198,000	—	—	14,400	9,375	—	—	—	4,890	370,665	53.4	1.3
	Sub-total other key management personnel	685,200	899,000	—	—	61,200	31,025	—	—	—	19,560	1,695,985		
	Grand total	1,580,932	1,004,000	—	—	141,600	60,650	—	—	—	21,174	2,808,356		

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

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

<sup>(3)</sup> H J Zhang is the marketing director of Zicom Private Limited

<sup>(4)</sup> J Khiang Sim is an executive director of Zicom Private Limited

# Directors' Report 2015

2014

Name	Cash Salary and Fees		Short Term Cash		Non-Monetary Benefits		Short-Term Employee Benefits		Superannuation		Performance Bonus Paid in Shares		Share options		Total		Performance Related		Consisting Of Share Options	
	S\$		S\$		S\$		S\$		S\$		S\$		S\$		S\$		%		%	
Non-executive Directors																				
Y P Lim	41,477		–		–		–		–		–		–		–		41,477	–		–
F Leong	38,020		–		–		–		–		–		–		–		38,020	–		–
I R Millard	39,172		–		–		–		–		–		–		–		39,172	–		–
S P Sze	33,412		–		–		–		–		–		–		–		33,412	–		–
Sub-total non-executive directors		152,081	–	–	–	–	–	–	–	–	–	–	–	–	–	–	152,081			
Executive Directors																				
G L Sim - Chairman	432,000		102,327		–		24,000		5,525		102,328		–		–		666,180	30.7		–
K H Sim	166,814		120,000		–		12,000		13,600		–		–		3,959		316,373	37.9		1.3
K Y Sim	157,326		–		–		44,400		13,600		–		–		3,959		219,285	–		1.8
Sub-total executive directors		756,140	222,327		–		80,400		32,725		102,328		7,918				1,201,838			
Other key management personnel																				
G H Teoh <sup>(1)</sup>	216,000		198,624		–		60,000		8,925		–		–		4,253		487,802	40.7		0.9
J L Sim <sup>(2)</sup>	216,974		190,000		–		21,600		5,950		–		–		4,253		438,777	43.3		1.0
H S Tang <sup>(3)</sup>	180,496		140,000		–		14,400		5,950		–		–		4,253		345,099	40.6		1.2
J K Sim <sup>(4)</sup>	170,881		–		–		45,500		11,900		–		–		–		228,281	–		–
Sub-total other key management personnel		784,351	528,624		–		141,500		32,725		–		–		12,759		1,499,959			
Grand total		1,692,572	750,951		–		221,900		65,450		102,328		20,677				2,853,878			

<sup>(1)</sup> G H Teoh is the managing director of Foundation Associates Engineering Private Limited

<sup>(2)</sup> J L Sim is the joint managing director of Zicom Private Limited

<sup>(3)</sup> H S Tang is the joint managing director of Zicom Private Limited

<sup>(4)</sup> J K Sim is the managing director of Sys-Mac Automation Engineering Pte Ltd

# Directors' Report 2015

## Details of share options to key management personnel

Options granted to, vested, exercised or expired during the years 2015 and 2014 as well as their outstanding options held as at year end are shown in the tables below.

### 30 June 2015

	Balance at 1 July 2014	Granted	Options exercised	Expired	Balance at 30 June 2015	Value of options granted S\$	Value of options expired S\$	Exercisable	Not Exercisable
<i>Directors</i>									
G L Sim	—	—	—	—	—	—	—	—	—
K H Sim	280,000	—	—	—	280,000	—	—	280,000	—
K Y Sim	280,000	—	—	—	280,000	—	—	280,000	—
Y P Lim	—	—	—	—	—	—	—	—	—
F Leong	—	—	—	—	—	—	—	—	—
I R Millard	—	—	—	—	—	—	—	—	—
S P Sze	30,000	—	—	—	30,000	—	—	30,000	—
<i>Executives</i>									
J L Sim	280,000	200,000	(280,000)	—	200,000	4,528	—	—	200,000
H S Tang	280,000	200,000	—	—	480,000	4,528	—	280,000	200,000
H J Zhang*	280,000	200,000	—	—	480,000	4,528	—	280,000	200,000
J Kiang Sim*	280,000	200,000	—	—	480,000	4,528	—	280,000	200,000
	1,710,000	800,000	(280,000)	—	2,230,000	18,112	—	1,430,000	800,000

\*Considered as KMP effective 1 July 2014, accordingly, option holdings were not disclosed as at 30 June 2014.

### 30 June 2014

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

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

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

# Directors' Report 2015

The terms and conditions of the options granted to key management personnel during the year are as follows:

	2015
Grant date	1/11/2014
Fair value per option at grant date	A\$0.06
Exercise price	A\$0.205
First Exercise date	1/11/2016
Last Exercise date	31/10/2019

Shareholdings of key management personnel as at 30 June 2015 and 30 June 2014 are as follows:

## 30 June 2015

	Balance as at 1 July 2014	Granted as remuneration	Options exercised	Net change other	Balance as at 30 June 2015
<i>Directors</i>					
G L Sim	77,474,368	419,317	—	2,865,230	80,758,915
K H Sim	1,258,180	—	—	—	1,258,180
K Y Sim	1,070,253	—	—	—	1,070,253
Y P Lim	488,000	—	—	—	488,000
F Leong	524,364	—	—	100,000	624,364
I R Millard	592,250	—	—	—	592,250
S P Sze	—	—	—	—	—
<i>Executives</i>					
J L Sim	6,407,767	—	280,000	—	6,687,767
H S Tang	2,470,699	—	—	—	2,470,699
H J Zhang*	795,939	—	—	—	795,939
J Kiang Sim*	1,789,525	—	—	—	1,789,525
	92,871,345	419,317	280,000	2,965,230	96,535,892

\*Considered as KMP effective 1 July 2014, accordingly, shareholdings were not disclosed as at 30 June 2014.

## 30 June 2014

	Balance as at 1 July 2013	Granted as remuneration	Options exercised	Net change other	Balance as at 30 June 2014
<i>Directors</i>					
G L Sim	77,474,368	—	—	—	77,474,368
K H Sim	1,258,180	—	—	—	1,258,180
K Y Sim	1,070,253	—	—	—	1,070,253
Y P Lim	488,000	—	—	—	488,000
F Leong	524,364	—	—	—	524,364
I R Millard	592,250	—	—	—	592,250
S P Sze	—	—	—	—	—
<i>Executives</i>					
G H Teoh	50,000	—	—	—	50,000
J L Sim	6,407,767	—	—	—	6,407,767
H S Tang	2,470,699	—	—	—	2,470,699
J K Sim	20,091,937	—	—	—	20,091,937
	110,427,818	—	—	—	110,427,818

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



# Directors' Report 2015

## 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

There were no non-audit services provided by the entity's auditor and related practices of the entity auditor, Ernst & Young, during the year.

## Rounding of Amounts

The Company is an entity to which the Class Order 98/100 applies and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest S\$1,000 unless otherwise stated.

This report was made in accordance with a resolution of the board of directors.

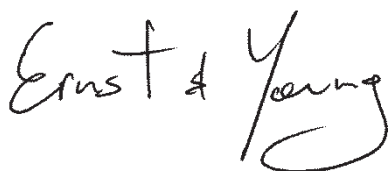


GL Sim  
Chairman/Managing Director  
29 September 2015

# Auditor's Independence Declaration

to the Directors of Zicom Group Limited

In relation to our audit of the financial report of Zicom Group Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Ric Roach

Partner

29 September 2015

# Corporate Governance Statement

## Introduction

The Board of Directors is responsible for the Corporate Governance of Zicom Group Limited and its controlled entities (referred to in this document as “the Company”). The Directors are focused on fulfilling their responsibilities individually and as a Board to all of the Company’s stakeholders. This involves recognition of and a need to adopt principles of good corporate governance having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations.

The Company has reviewed its Corporate Governance procedures over the past year to ensure compliance with the principles of good corporate governance.

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

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

### *Role of Board and management*

The role of the Board is to lead and oversee the management and direction of the Company and its controlled entities.

After appropriate consultation with executive management the Board:

- defines and sets the business and strategic objectives. It monitors performance and achievement of these Company’s objectives;
- oversees the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes and reviews executive management of the Company;
- monitors and approves business plans, financial performance and budgets, available resources, major capital expenditure, capital raising, acquisition and divestment of Company’s assets;
- maintains liaison with the Company’s auditor; and
- reports to Shareholders.

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

The Company is guided by the Board for the selection, nomination and appointment of Directors. As part of this process the Board ascertain 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 committees and individual Directors. The review process is currently informal, generally done through a meeting with the Chairman of the Board. The performance is reviewed regularly against both measureable and qualitative indicators. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of Zicom Group Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

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

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

### *Composition of Board*

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

Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are included in the "Board of Directors" section within the annual report.

The composition of the Board has been determined so as to provide the Company with a broad base of industry, business, technical, administrative and corporate skill and experience considered necessary to represent Shareholders and fulfil the business objectives of the Company.

### *Nomination and Remuneration Committee*

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

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

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

Details on the number of meetings of the Nomination and Remuneration Committee held during the year and the attendees at those meetings are set out in the Directors' Report on page 14.

# 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 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 requirement noted above.

## *Independence*

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

- does not hold an executive position;
- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or other group member, or been a director after ceasing to hold any such employment;
- is not a principal of a significant professional adviser or a significant consultant of the Company or other group member, or an employee materially associated with the service provided;
- is not a significant supplier or customer of the Company or other group member, or an officer of, or otherwise associated directly or indirectly with a significant supplier or customer;
- has no significant contractual relationship with the Company or other group member other than as a Director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- has 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 a 20% shareholding if a private company or 2% if a listed company.

Mr Frank Leong has no relationships or interests that would affect his role as an independent director.

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

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

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

# Corporate Governance Statement

Mr K H Sim is an Executive Director and therefore is considered by the Board to be not independent.

Mr K Y Sim is an Executive Director and therefore is considered by the Board to be not independent.

Mr G L Sim was appointed Managing Director of Zicom Group Limited commencing 1 July 2006, and Chairman of Zicom Group Limited with effect from 23 November 2006. He is a major shareholder in Zicom Group Limited through his interest in his family company, SNS Holdings Pte Ltd. Previously Mr Sim had been the major shareholder (through SNS Holdings Pte Ltd) of Zicom Holdings Private Limited ("ZHPL"). Mr Sim has been the Managing Director of ZHPL since founding the company and was appointed the Chairman of ZHPL on 17 August 2007, in line with his position as the Group chairman. The Board has determined that Mr G L Sim is, and was not independent.

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

## *Length of Service*

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

Executive		Independent	
Mr G L Sim	20 years	Mr Ian R Millard	9 years
Mr K H Sim	8 years	Mr Y P Lim	9 years
Mr K Y Sim	1 year	Mr Frank Leong	9 years
		Mr S P Sze	5 years

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

## *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 of 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. When applicable, Directors are to act in accordance with the *Corporations Act* if a conflict cannot be removed or it persists. Directors would be restricted from taking part in the decision making process or discussions where that conflict does arise.

### *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 of only independent members:

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

# 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 Company's internal control environment, including effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.
- Recommend the appointment, removal and remuneration of the external auditor, and review the terms of their engagement, the scope and quality of their audit and assess their performance.
- Consider the independence and competence of the external auditor on an ongoing basis.
- Report on matters relevant to the committee's role and responsibilities.

Non-committee members, including members of management 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 auditors without management present and rights to seek explanations and additional information from both management and auditors.

Details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings are set out in the Directors' Report on page 14.

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

The Company's external auditors will be requested to attend the Company's Annual General Meeting to answer any questions from shareholders.

## **Principal 5: Make Timely and Balanced Disclosure**

The Company is committed to complying with its disclosure obligations under the Corporations Act and the ASX Listing Rules 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 its AGM and for those shareholders who are unable to attend in person, they are able to lodge proxies. The external auditors will attend AGM and are available to answer any shareholder’s questions 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 they 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*, the Group Managing Director (Chief Executive Officer equivalent) and the Group Financial Controller (Chief Financial Officer equivalent) have provided a written statement to the board that:

- The view provided on the Company’s financial report for the financial year just ended is founded on a sound system of risk management and internal compliance and control which implements the Board’s policies; and
- The Company’s risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

# Corporate Governance Statement

The board acknowledges that such internal control assurance are not absolute and can only be provided on a reasonable basis after having made due enquiries. This is due to factors such as the need for judgement and the inherent limitations in internal controls and therefore is not and cannot be designed to detect all weaknesses in control procedures.

## **Principle 8: Remunerate Fairly and Responsibly**

As stated above, a combined Nomination and Remuneration Committee has been established by the board comprising the Executive Chairman and two independent directors.

Details on the number of meetings of the Nomination and Remuneration Committee held during the year and the attendees at those meetings are set out in the Directors' Report on page 14.

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

The Group Managing Director and Group Executive Directors receive performance based remuneration. In addition, the Group Managing Director has renewed his service agreement with the Group for a term of another 5 years from 1 July 2011. The other Directors do not receive any performance based remuneration and do not have contracts with the Company that give them any form of certain tenure. One third of the Directors retire annually and are free to seek re-election by Shareholders.

Each member of the Board has committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

A maximum amount of remuneration for non-executive Directors is fixed by Shareholders in general meeting and can be varied in the same manner. In determining the allocation (if any) the Board must take account of the time demands on the Directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.

The Directors with the exception of Mr G L Sim were granted options after it was approved by the shareholders in an Extraordinary General Meeting on 28 August 2008. The Board considers that there should be an appropriate mix of remuneration comprising cash and securities for all Directors to link the remuneration of the Directors to the financial performance of the Company. The Directors consider this remuneration policy to be a sensible and balanced policy which aligns the interests of shareholders and all Directors. Transactions which limit the economic risk in participating in unvested entitlement under equity-based remuneration schemes are not allowed.

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

(In Singapore dollars)

	Note	2015 S\$'000	2014 S\$'000
<b>Revenue from continuing operations</b>	5	124,586	112,083
Other operating income	5	2,530	1,870
Cost of materials		(67,660)	(58,895)
Employee, contract labour and related costs		(33,110)	(29,102)
Depreciation and amortisation		(5,762)	(5,211)
Property related expenses		(2,919)	(2,578)
Other operating expenses	5	(15,678)	(13,166)
Finance costs		(497)	(378)
Share of results of associates	12	(316)	(739)
<b>Profit before taxation</b>		<u>1,174</u>	<u>3,884</u>
Tax benefit	6	<u>797</u>	<u>31</u>
<b>Profit for the year from continuing operations after taxation</b>		<u>1,971</u>	<u>3,915</u>
<b>Other comprehensive income:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Share of other comprehensive income of associates		(31)	–
Foreign currency translation on consolidation		(249)	(515)
Effect of tax on other comprehensive income		–	–
		<u>(280)</u>	<u>(515)</u>
<b>Total comprehensive income</b>		<u>1,691</u>	<u>3,400</u>
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Parent		2,437	4,081
Non-controlling interests		<u>(466)</u>	<u>(166)</u>
<b>Profit for the year</b>		<u>1,971</u>	<u>3,915</u>
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Parent		2,157	3,566
Non-controlling interests		<u>(466)</u>	<u>(166)</u>
<b>Total comprehensive income</b>		<u>1,691</u>	<u>3,400</u>
<b>Earnings per share (cents)</b>			
Basic earnings per share	7	1.13	1.90
Diluted earnings per share	7	<u>1.13</u>	<u>1.89</u>

# Consolidated Balance Sheet

As at 30 June 2015  
(In Singapore dollars)

		2015	2014
	Note	S\$'000	S\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	28,669	30,784
Intangible assets	10	15,197	14,792
Deferred tax assets	6	3,213	2,418
Convertible loan receivable from an associate	12	—	459
Investment in associates	12	5,015	1,804
Others		1	1
		52,095	50,258
<b>Current assets</b>			
Cash and bank balances	20	24,134	22,328
Inventories	13	26,411	27,758
Trade and other receivables	14	29,416	38,601
Convertible loan receivable from an associate	12	459	460
Prepayments		430	626
Tax recoverable		86	—
		80,936	89,773
<b>TOTAL ASSETS</b>		<b>133,031</b>	<b>140,031</b>
<b>Current liabilities</b>			
Payables	16	23,697	30,701
Interest-bearing liabilities	17	9,915	12,105
Provisions	18	1,454	966
Provision for taxation		252	336
Unearned income		—	400
Unrealised loss on derivatives		—	173
		35,318	44,681
<b>NET CURRENT ASSETS</b>		<b>45,618</b>	<b>45,092</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	17	5,549	2,758
Deferred tax liabilities	6	2,371	2,745
Provisions	18	358	390
		8,278	5,893
<b>TOTAL LIABILITIES</b>		<b>43,596</b>	<b>50,574</b>
<b>NET ASSETS</b>		<b>89,435</b>	<b>89,457</b>
<b>Equity attributable to equity holders of the Parent</b>			
Share capital	19	37,862	37,593
Reserves		(1,136)	(703)
Retained earnings		52,211	51,703
		88,937	88,593
<b>Non-controlling interests</b>		<b>498</b>	<b>864</b>
<b>TOTAL EQUITY</b>		<b>89,435</b>	<b>89,457</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>133,031</b>	<b>140,031</b>



# Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

(In Singapore dollars)

Attributable to equity holders of the Parent									
	Share capital	Share capital – exercise of share options	Foreign currency translation reserve	Share-based payments reserve	Retained earnings	Total	Non-controlling interests	Total equity	
Note	Share capital S\$'000	Share capital – exercise of share options (a) S\$'000	Foreign currency translation reserve (b) S\$'000	Share-based payments reserve (c) S\$'000	Retained earnings S\$'000	Total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000	
<b>Balance at 1.7.2013</b>	37,397	226	(957)	706	50,099	87,471	1,016	88,487	
Profit for the year	–	–	–	–	4,081	4,081	(166)	3,915	
Other comprehensive loss	–	–	(515)	–	–	(515)	–	(515)	
Total comprehensive income for the year	–	–	(515)	–	4,081	3,566	(166)	3,400	
Exercise of employee share options	39	21	–	(21)	–	39	–	39	
Minimum holding share buy-back	(90)	–	–	–	–	(90)	–	(90)	
Share-based payments	–	–	–	110	–	110	–	110	
Expiry of employee share options	–	–	–	(26)	26	–	–	–	
Acquisition of non-controlling interests	–	–	–	–	(11)	(11)	11	–	
Change of interest in subsidiary company	–	–	–	–	(3)	(3)	3	–	
Dividends paid on ordinary shares	–	–	–	–	(2,489)	(2,489)	–	(2,489)	
<b>Balance at 30.6.2014</b>	37,346	247	(1,472)	769	51,703	88,593	864	89,457	
Profit for the year	–	–	–	–	2,437	2,437	(466)	1,971	
Other comprehensive loss	–	–	(280)	–	–	(280)	–	(280)	
Total comprehensive income for the year	–	–	(280)	–	2,437	2,157	(466)	1,691	
Exercise of employee share options	107	60	–	(60)	–	107	–	107	
Shares issued, net of expenses	102	–	–	–	–	102	–	102	
Share-based payments	–	–	–	(30)	–	(30)	–	(30)	
Expiry of employee share options	–	–	–	(63)	63	–	–	–	
Change of interest in subsidiary company	–	–	–	–	(100)	(100)	100	–	
Dividends paid on ordinary shares	–	–	–	–	(1,892)	(1,892)	–	(1,892)	
<b>Balance at 30.6.2015</b>	37,555	307	(1,752)	616	52,211	88,937	498	89,435	

(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 2015

(In Singapore dollars)

	Note	2015 S\$'000	2014 S\$'000
<b>Cash flows from operating activities:</b>			
Operating profit before taxation		1,174	3,884
Adjustments for:			
Depreciation of property, plant and equipment	9	4,863	4,477
Amortisation of intangible assets	10	899	734
Bad debts written off	5	1	16
Allowance for doubtful debts	5	107	5
Allowance for inventory obsolescence	5	77	123
Inventories written off	5	8	30
Finance costs		497	378
Interest income	5	(243)	(179)
Property, plant and equipment written off	5	32	9
Intangible assets written off	5	34	5
(Gain)/loss on disposal of property, plant and equipment, net	5	(53)	13
Gain on disposal of assets held for sale	5	—	(260)
Loss on subsidiary company struck off	5	15	—
Forfeiture of customer deposit	5	(639)	—
Trade and other payables written back	5	(8)	(50)
Provisions made, net	18	750	77
Cost of share-based payments		(29)	102
Share of results of associates		316	739
Unrealised loss on derivatives		—	173
Unrealised exchange difference		65	26
		<hr/>	<hr/>
<b>Operating profit before reinvestment in working capital</b>		7,866	10,302
Decrease/(increase) in stocks and work-in-progress		2,130	(4,998)
Decrease in projects-in-progress		6,280	76
Decrease/(increase) in debtors		1,707	(1,287)
(Decrease)/increase in creditors		(11,044)	9,622
		<hr/>	<hr/>
<b>Cash generated from operations</b>		6,939	13,715
Interest received		232	179
Interest paid		(489)	(374)
Income taxes paid		(517)	(418)
		<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		<hr/> 6,165	<hr/> 13,102
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	9(b)	(2,428)	(2,007)
Proceeds from disposal of property, plant and equipment	9(c)	125	14
Proceeds from disposal of assets held for sales		—	784
Increase in computer software	10	(203)	(227)
Increase in development expenditure		(1,512)	(2,007)
Increase in patented technology	10	(85)	(86)
Investment in associates	12(b)	(3,002)	—
Decrease/(increase) in amount due from associate		1,306	(1,140)
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		<hr/> (5,799)	<hr/> (4,669)

# Consolidated Statement of Cash Flows

For the year ended 30 June 2015

(In Singapore dollars)

	Note	2015 S\$'000	2014 S\$'000
<b>Cash flows from financing activities:</b>			
Proceeds from/(repayment of) bank borrowings		5,576	(2,956)
Dividends paid on ordinary shares	8	(1,892)	(2,489)
Proceeds from exercise of employee share options		107	39
Payment for minimum holding share buy-back		—	(90)
Repayment of hire purchase creditors		(1,920)	(2,250)
<b>Net cash generated from/(used in) financing activities</b>		<b>1,871</b>	<b>(7,746)</b>
Net increase in cash and cash equivalents		2,237	687
Net foreign exchange differences		(169)	(87)
Cash and cash equivalents at beginning of year	20	21,802	21,202
<b>Cash and cash equivalents at end of year</b>	20	<b>23,870</b>	<b>21,802</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 2015 was authorised for issue in accordance with a resolution of the directors on 29 September 2015.

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 report has also been prepared on a historical cost basis except for derivative financial instruments which have been measured at their fair values.

The financial report is presented in Singapore dollars and all values are rounded to the nearest thousand dollars (\$\$’000) unless otherwise stated.

### 2.2 Statement of compliance

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

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

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014.

- AASB 2012-3 *Amendments to AASB 132 – Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to AASB 139 – Novation of Derivatives and Continuation of Hedge Accounting*
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- AASB 2014-1 Annual Improvements to AASBs 2010-2012 Cycle [AASB 2, AASB 3, AASB 8, AASB 116, AASB 138, AASB 124]
- AASB 2014-1 Annual Improvements to AASBs 2011-2013 Cycle [AASB 13, AASB 140]
- AASB 2014-Part B *Amendments to AASB 119 – Defined Benefit Plans: Employee Contributions*

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

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

Certain Australian Accounting Standards and Interpretations have been recently issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2015. Except for the standards disclosed below which the directors have yet to finalise their assessment of the impact, the directors expect the adoption of these new and amended standards and interpretations will have no material impact on the financial statements in the period of initial application.

- AASB 9 *Financial Instruments* (Effective annual period on or after 1 July 2018)
- AASB 15 *Revenue from Contracts with Customers* (Effective annual period on or after 1 July 2017, but the effective date may be deferred to 1 July 2018)

### 2.3 Principles of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2015. 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 with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

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

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.3 Principles of consolidation (cont'd)

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.

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

### 2.4 Business combinations and goodwill

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

When the Group acquires a business, it 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, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previously held interest, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group 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 are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

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 of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the disposed operation and the portion of the cash-generating unit retained.

### 2.5 Operating segments

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

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

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

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

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

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets, head office expenses, and income tax assets and liabilities. Capital expenditure consists of additions of property, plant and equipment and intangible assets.

### 2.6 Foreign currency translation

#### (a) *Functional and presentation currency*

The presentation currency of Zicom Group Limited is Singapore dollars (S\$). Each subsidiary in the Group determines its own functional currency and items included in the financial statements of each subsidiary company are measured using that functional currency.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.6 Foreign currency translation (cont'd)

#### (b) *Transactions and balances*

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

Differences arising on the settlement or translation of monetary items are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. These are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity, until the net investment is disposed of, at which time, the cumulative amount is reclassified from equity to profit or loss.

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

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

- Assets and liabilities are translated at the closing rate prevailing at 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 the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

### 2.7 Property, plant and equipment

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

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

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

Leasehold buildings	over remaining period of the lease expiring years 2036 to 2042
Buildings	20 years
Machinery	10 years
Office furniture and equipment	5 years
Leasehold improvements	5 years
Motor vehicles	5 years
Computers	1 year

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

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

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

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

### 2.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition 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 intangibles, excluding capitalised development 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 the amortisation method are reviewed at least at each financial year-end. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.8 Intangible assets (cont'd)

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 – 10 years
Patented technology	10 – 20 years
Unpatented technology	7 – 14 years

#### Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised 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 the development. Amortisation begins when the development is complete and the asset is available for use or sale. Any expenditure so capitalised is amortised over the period of expected benefit from the related project. During the period of development, the asset is tested for impairment annually.

#### Club membership

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

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

### 2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in profit or loss.

### 2.10 Associates

An associate is an entity over which the Group has 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 account for its investments in associates 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 for 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 entity's share of result 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 the results of operations of the associate. Where there has been a change recognised in other comprehensive income by the associate, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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 its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the loss as "share of results of associates" in profit or loss.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.10 Associates (cont'd)

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the aggregate of fair value of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

### 2.11 Financial Instrument – Initial recognition and subsequent measurement

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

#### (i) *Financial assets*

##### *Initial recognition and measurement*

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

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

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

##### *Subsequent measurement*

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

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

#### (a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

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



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

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

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

#### (b) *Loans and receivables*

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

#### (c) *Held-to-maturity investment*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate method, less impairment. The Group did not have any held-to-maturity investments during the years ended 30 June 2015 and 2014.

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

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit and loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or changes in market conditions.

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

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

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

##### *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 any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

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

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

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

#### (iii) Financial liabilities

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

##### *Subsequent measurement*

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

##### *Financial liabilities at fair value through profit or loss*

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

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

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

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

##### *Loans and borrowings*

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

##### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

#### (iv) *Offsetting of financial instruments*

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

### 2.12 Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

### 2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts which forms an integral part of the Group's cash management. Bank overdrafts are included within interest-bearing liabilities under current liabilities on the balance sheet.

### 2.14 Inventories

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

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

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

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.15 Construction contracts

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

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

Where the contract outcome cannot be measured reliably (principally during the early stages of a contract), both contract revenue and expenses are not recognised until the contract outcome can be estimated reliably.

The stage of completion is measured by the proportion that contract costs incurred to date bear to the estimated total contract cost. Only costs that reflect services performed are included in the estimated total costs of the contract.

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

### 2.16 Fair value measurement

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

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

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

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

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

### 2.17 Provisions

#### *General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### *Warranty provisions*

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

#### *Wages and salaries, annual leave*

Liabilities for wages and salaries, including annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services rendered up to the reporting date and measured at the amounts expected to be paid when liabilities are settled.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.17 Provisions (cont'd)

#### *Long service leave / retirement benefits*

The liabilities for long service leave and retirement benefits, applicable to Australian and Thailand subsidiaries respectively, are recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds and corporate bond rates with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### 2.18 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the period that the related costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, it is deducted in arriving at the carrying amount of the asset.

### 2.19 Borrowing costs

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

### 2.20 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

#### *Group as a lessee*

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

Finance leases are capitalised at the commencement of the lease at the inception date 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.



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.20 Leases (cont'd)

#### *Group as a lessee (cont'd)*

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

#### *Group as a lessor*

Leases where the Group transfers substantially all the risks and rewards of ownership of the leased asset is accounted for in accordance with the Group's policy for sale of goods as set out in note 2.22. Costs incurred in connection with negotiating and arranging the finance lease are recognised as an expense when the selling profit is recognised.

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in note 2.22.

### 2.21 Employee benefits

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

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

Contributions are made by the Group, for its Australian subsidiaries, to employee accumulation superannuation funds.

The Group's companies in Singapore make contributions to the Central Provident Fund scheme, a defined contribution pension scheme.

The subsidiary company incorporated and operating in the People's Republic of China ("PRC") is required to provide certain staff pension benefits to its employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulators and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

Contributions to defined contribution pension schemes are recognised as an expense in the year in which the related service is performed.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.21 Employee benefits (cont'd)

#### (b) *Employee share option plan*

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 when the grant is made 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.

### 2.22 Revenue recognition

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

#### *Sale of goods*

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

#### *Rendering of services*

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

#### *Revenue recognised on projects*

Revenue on projects are recognised using the percentage of completion method. The stage of completion is measured using the proportion of costs incurred to the estimated total costs to complete the project. Losses, if any, are immediately recognised when their existence is foreseen.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.22 Revenue recognition (cont'd)

#### *Interest income*

Interest income is recognised using the effective interest rate.

#### *Dividends*

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

#### *Rental income*

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

#### *Commission income*

Commission for services rendered is recognised on an accrual basis.

### 2.23 Taxation

#### (a) *Current income tax*

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

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

#### (b) *Deferred tax*

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.23 Taxation (cont'd)

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

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### (c) *Goods and service tax*

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

- When the goods and services tax incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the revenue or the expense item or part of the cost of acquisition of the asset, as applicable; and
- When receivables and payables that are stated with the amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the balance sheet.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### 2.24 Share capital and share issuance expenses

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

## 3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosures made. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

#### (i) Determination of control over investees

As at 30 June 2015, the Group holds 68.55% (2014: 46.49%) equity interest in Curiox Biosystems Pte Ltd ("Curiox") and 459,326 convertible loan stocks which could potentially convert into a further 1.76% interest in Curiox but currently not exercisable. Although the Group holds the majority of voting rights in Curiox, it has been assessed that the Group does not have the practical ability to direct the relevant activities of Curiox unilaterally but has significant influence over its financial and operating policy decisions. Hence, the investment in Curiox is treated as an associate as opposed to being a subsidiary company.

As at 30 June 2015, the Group holds 4.1% equity interest in HistoIndex Pte Ltd ("HistoIndex"). The Group considers HistoIndex as an associate as the Group has the ability to exercise significant influence through both its shareholdings and the Chairman's active participation on HistoIndex Board of Directors.

### (b) Key sources of estimation uncertainty

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

#### (i) Impairment of non-financial assets

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

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine the recoverable amount for the different cash generating units are disclosed in note 10 to the financial statements.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 3. Significant accounting judgements, estimates and assumptions

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

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

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in note 21 to the financial statements.

#### (iii) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the reporting date, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs which will affect the stage of completion. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from construction contracts at the balance sheet date are disclosed in note 15 to the financial statements.

#### (iv) Development expenditure

The Group capitalises development expenditure in accordance with its accounting policy as set out in note 2.8. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed. In determining the amount to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. As at 30 June 2015, the carrying amount of capitalised development expenditure was S\$4,789,000 (2014: S\$3,754,000).

#### (v) Taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. The Group recognises deferred tax assets for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based on 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.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 3. Significant accounting judgements, estimates and assumptions

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

(v) Taxes (cont'd)

The carrying amount of the Group's current tax payables and deferred tax liabilities at 30 June 2015 was S\$252,000 (2014: S\$336,000) and S\$2,371,000 (2014: S\$2,745,000) respectively. The Group also has deferred tax assets of S\$3,213,000 (2014: S\$2,418,000) as at 30 June 2015.

## 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, offshore structures for underwater robots and related equipment, parts and services.
- Construction Equipment – manufacture and supply of concrete mixers and foundation equipment, including equipment rental, parts and related services.
- Precision Engineering & Technologies – manufacture of precision and automation equipment, medtech equipment and products, medtech translation and engineering services.
- Industrial & Mobile Hydraulics – supply of hydraulic drive systems, parts and services.

#### *Inter-segment sales*

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

#### *Unallocated revenue and expenses*

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



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 4. Segment information (cont'd)

### *Business segments (cont'd)*

The following tables present revenue and profit information regarding operating segments for the years ended 30 June 2015 and 2014.

	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 2015</b>					
<b>Revenue</b>					
Sales to external customers	50,759	50,008	21,638	2,181	124,586
Other revenue	702	122	1,278	1	2,103
Inter-segment sales	—	15	4	303	322
Total segment revenue	51,461	50,145	22,920	2,485	127,011
Inter-segment elimination					(322)
Unallocated revenue					184
Interest income					243
<b>Total consolidated revenue</b>					<b>127,116</b>
<b>Results</b>					
Segment results	7,557	1,029	(5,366)	590	3,810
Unallocated revenue					184
Unallocated expenses					(2,250)
Share of results of associates					(316)
Operating profits					1,428
Finance costs					(497)
Interest income					243
<b>Profit before taxation</b>					<b>1,174</b>
Tax benefit					797
<b>Net profit after taxation</b>					<b>1,971</b>
<b>Other segment information</b>					
Capital expenditure					
- property, plant and equipment	290	3,455	94	—	3,839
- intangible assets	70	15	1,614	—	1,699
					<b>5,538</b>
Depreciation and amortisation	604	3,655	1,236	21	5,516
Other non-cash expenses	587	531	134	69	1,321

# 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 2014</b>					
<b>Revenue</b>					
Sales to external customers	48,063	51,278	10,634	2,108	112,083
Other revenue	14	444	1,041	3	1,502
Inter-segment sales	—	2	4	978	984
Total segment revenue	48,077	51,724	11,679	3,089	114,569
Inter-segment elimination					(984)
Unallocated revenue					189
Interest income					179
<b>Total consolidated revenue</b>					<b>113,953</b>
<b>Results</b>					
Segment results	6,097	4,810	(4,761)	555	6,701
Unallocated revenue					189
Unallocated expenses					(2,068)
Share of results of associates					(739)
Operating profits					4,083
Finance costs					(378)
Interest income					179
<b>Profit before taxation</b>					<b>3,884</b>
Tax benefit					31
<b>Net profit after taxation</b>					<b>3,915</b>
<b>Other segment information</b>					
Capital expenditure					
- property, plant and equipment	199	3,861	339	—	4,399
- intangible assets	133	36	2,147	—	2,316
					<b>6,715</b>
Depreciation and amortisation	570	3,315	1,055	18	4,958
Other non-cash expenses	76	363	102	61	602

# 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 2015 and 2014.

### 30 June 2015

	Australia	Malaysia	Singapore	China	United States	India	Bangladesh	Thailand	Others	Total
Revenue	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Sales to external customers	20,923	7,517	52,655	26,010	8,231	—	1,435	2,433	5,382	124,586
Other revenue from external customers	21	59	2,400	2	3	—	—	45	—	2,530
										<u>127,116</u>
<b>Other segment information</b>										
Segment non-current assets	2,575	3,547	30,938	172	—	—	—	6,201	433	43,866
Investment in associates										5,015
Unallocated assets										<u>3,214</u>
										<u>52,095</u>
Capital expenditure										
- property, plant and equipment	73	57	3,730	12	—	—	—	73	6	3,951
- intangible assets	—	—	1,769	—	—	—	—	3	—	<u>1,772</u>
										<u>5,723</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 4. Segment information (cont'd)

### Geographical segments (cont'd)

30 June 2014

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

## 5. Revenue, income and expenses

### (i) Revenue

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	S\$'000	S\$'000
Sale of goods	75,049	63,923
Rendering of services	5,255	6,614
Rental income	3,807	5,927
Revenue recognised on projects	<u>40,475</u>	<u>35,619</u>
	<u>124,586</u>	<u>112,083</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### (ii) Other operating income

	Consolidated	
	2015	2014
	S\$'000	S\$'000
Interest income	243	179
Forfeiture of customer deposit	639	—
Gain on disposal of property, plant and equipment	53	—
Gain on disposal of assets held for sale	—	260
Service rendered	152	261
Government grants	1,351	1,078
Trade and other payables written back	8	50
Write back of excess provision for reinstatement costs	25	—
Other revenue	59	42
	<u>2,530</u>	<u>1,870</u>

### (iii) Other operating expenses

Included in other operating expenses are the following:

	Consolidated	
	2015	2014
	S\$'000	S\$'000
Allowance for inventory obsolescence	77	123
Allowance for doubtful debts	107	5
Bad debts written off	1	16
Foreign exchange loss	807	482
Provision for product warranties, net	713	22
Loss on disposal of property, plant and equipment, net	—	13
Property, plant and equipment written off	32	9
Warranty expense charged directly to profit or loss	4	8
Inventories written off	8	30
Intangible assets written off	34	5
Loss on subsidiary company struck off	15	—
	<u>15</u>	<u>—</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 6. Taxation

	Consolidated	
	2015	2014
	S\$'000	S\$'000
Current income tax		
- Current income tax charge	1,575	1,065
- Loss transferred under Group Relief Scheme	(1,478)	(736)
- Adjustments in respect of previous years	250	(6)
Deferred income tax		
- Relating to the origination and reversal of temporary differences	(1,331)	(496)
- Adjustment in respect of previous years	187	142
Tax benefit	<u>(797)</u>	<u>(31)</u>

A reconciliation between the tax expense and the product of accounting profit of the Group multiplied by the applicable tax rate for the year ended 30 June was as follows:

	Consolidated	
	2015	2014
	S\$'000	S\$'000
Profit before taxation	<u>1,174</u>	<u>3,884</u>
Tax expense:		
Tax at the domestic rates applicable to profits in the countries where the group operates	349	992
Release of deferred tax liability on intangible assets	(47)	(60)
Non-deductible expenses	183	520
Non-taxable income	(255)	(689)
Partial tax exemption	(6)	(31)
Deferred tax assets not recognised	483	404
Recognition of deferred tax assets not previously recognised	(115)	(160)
Utilisation of previously unrecognised tax losses	(220)	—
Adjustment in respect of previous years	437	136
Enhanced tax credits	(1,585)	(1,137)
Others	(21)	(6)
Tax benefit	<u>(797)</u>	<u>(31)</u>

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 6. Taxation (cont'd)

Deferred taxation as at 30 June relates to the following:

	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2015	2014	2015	2014
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Deferred tax liabilities</b>				
Differences in depreciation	(2,238)	(2,285)	(30)	(97)
Intangible assets	(432)	(479)	(47)	(157)
Accrual for unconsumed leave	—	—	—	58
Provisions	—	—	—	147
Unutilised capital allowances	299	—	(299)	7
Unutilised tax losses	—	19	19	169
	<u>(2,371)</u>	<u>(2,745)</u>		
<b>Deferred tax assets</b>				
Unutilised tax losses	3,459	2,870	(581)	(840)
Unutilised capital allowances	550	411	(139)	(325)
Provisions	448	297	(151)	(96)
Accrual for unconsumed leave	—	—	—	11
Differences in depreciation	(233)	(360)	(127)	332
Intangible assets	(1,011)	(800)	211	437
	<u>3,213</u>	<u>2,418</u>	<u>(1,144)</u>	<u>(354)</u>
			<b>Consolidated</b>	
			<b>2015</b>	<b>2014</b>
			S\$'000	S\$'000
The directors estimate that the potential future income tax benefit at 30 June in respect of revenue tax losses of certain subsidiaries not brought to account is			<u>4,384</u>	<u>4,375</u>

The benefit will only be obtained if –

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

### *Tax Consolidation Legislation*

Zicom Group Limited and its wholly owned Australian subsidiaries have not elected to form a tax consolidated group.



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 7. Earnings per share

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

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

		<b>Consolidated</b>	
		<b>2015</b>	<b>2014</b>
		<b>S\$'000</b>	<b>S\$'000</b>
(a)	Earnings used in calculating basic and diluted earnings per share		
	Net profit attributable to equity holders of the Parent	2,437	4,081
		<b>No. of shares (Thousands)</b>	
(b)	Weighted average number of shares for basic earnings per share	215,185	214,881
	Effect of dilution:		
	Share options	1,079	1,268
	Adjusted weighted average number of shares	216,264	216,149
		<b>Singapore cents</b>	
(c)	Earnings per share		
	Basic	1.13	1.90
	Diluted	1.13	1.89

There are 2,150,000 (2014: nil) 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.

269,000 (2014: nil) shares were issued and allotted to employees under the Zicom Employee Share and Option Plan on 26 August 2015.

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

## 8. Dividends

		<b>Consolidated</b>	
		<b>2015</b>	<b>2014</b>
		<b>S\$'000</b>	<b>S\$'000</b>
Declared and paid during the financial year:			
-	Final unfranked dividend for 2014: 0.45 Australian cents per share	1,090	—
-	Interim unfranked dividend for 2015: 0.35 Australian cents per share	802	—
-	Final unfranked dividend for 2013: 0.55 Australian cents per share	—	1,377
-	Interim unfranked dividend for 2014: 0.45 Australian cents per share	—	1,112
		1,892	2,489
Proposed but not recognised as a liability as at 30 June:			
-	Final unfranked dividend for 2015: 0.35 Australian cents per share (2014: 0.45 Australian cents per share)	750	1,115

The final dividend for 2015 was approved by the board of directors after the reporting date.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 9. Property, plant and equipment

Consolidated	Freehold land	Leasehold buildings	Buildings	Machinery under installation	Plant and equipment	Leasehold improvements	Motor vehicles	Total
Cost	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 1.7.2013</b>	1,804	10,436	4,592	100	34,496	2,361	1,630	55,419
Currency realignment	(99)	(4)	(253)	(5)	(190)	(2)	(10)	(563)
Additions	—	—	—	—	4,238	124	317	4,679
Disposals	—	—	—	—	(62)	—	(41)	(103)
Reclassification to inventories	—	—	—	—	(2,256)	—	—	(2,256)
Reclassification to intangible assets	—	—	—	—	(23)	—	—	(23)
Reclassification	—	—	(5)	—	—	5	—	—
Write off	—	—	—	—	(28)	—	—	(28)
<b>At 30.6.2014</b>	1,705	10,432	4,334	95	36,175	2,488	1,896	57,125
Currency realignment	58	2	146	3	(578)	(35)	(44)	(448)
Additions	—	—	—	—	3,169	455	327	3,951
Disposals	—	—	—	—	(198)	—	(81)	(279)
Reclassification to inventories	—	—	—	—	(1,434)	—	—	(1,434)
Adjustment	—	—	—	—	(127)	—	—	(127)
Write off	—	—	—	—	(147)	(130)	—	(277)
<b>At 30.6.2015</b>	1,763	10,434	4,480	98	36,860	2,778	2,098	58,511
<b>Accumulated depreciation and impairment</b>								
<b>At 1.7.2013</b>	—	3,386	869	—	15,412	1,585	1,066	22,318
Currency realignment	—	(3)	(52)	—	(66)	—	(4)	(125)
Charge for 2014	—	268	222	—	3,525	275	187	4,477
Disposals	—	—	—	—	(52)	—	(24)	(76)
Reclassification to inventories	—	—	—	—	(218)	—	—	(218)
Reclassification to intangible assets	—	—	—	—	(16)	—	—	(16)
Reclassification	—	—	—	—	(14)	14	—	—
Write off	—	—	—	—	(19)	—	—	(19)
<b>At 30.6.2014</b>	—	3,651	1,039	—	18,552	1,874	1,225	26,341
Currency realignment	—	2	32	—	(412)	(27)	(39)	(444)
Charge for 2015	—	267	226	—	3,811	313	246	4,863
Disposals	—	—	—	—	(128)	—	(79)	(207)
Reclassification to inventories	—	—	—	—	(466)	—	—	(466)
Adjustment	—	—	—	—	—	—	—	—
Write off	—	—	—	—	(140)	(105)	—	(245)
<b>At 30.6.2015</b>	—	3,920	1,297	—	21,217	2,055	1,353	29,842
<b>Net carrying value</b>								
<b>At 30.6.2015</b>	1,763	6,514	3,183	98	15,643	723	745	28,669
<b>At 30.6.2014</b>	1,705	6,781	3,295	95	17,623	614	671	30,784

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

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

	Consolidated	
	2015 S\$'000	2014 S\$'000
Motor vehicles	309	177
Plant and equipment	3,152	3,681
	<u>3,461</u>	<u>3,858</u>

Leased assets are pledged as security for the related finance lease liabilities.

- (b) During the year, the Group acquired property, plant and equipment with an aggregate cost of S\$3,951,000 (2014: S\$4,679,000) of which S\$1,256,000 (2014: S\$1,681,000) were acquired by means of hire purchase financing. Cash payments of S\$2,428,000 (2014: S\$2,007,000) were made to purchase property, plant and equipment. Included in additions is an amount of S\$267,000 (2014: S\$991,000) 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\$72,000 (2014: S\$27,000). Sales proceeds amounting to S\$125,000 (2014: S\$14,000) 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\$32,000 (2014: S\$9,000).
- (e) The net book value of property, plant and equipment pledged as security are as follows:

	Consolidated	
	2015 S\$'000	2014 S\$'000
Mortgage of leasehold buildings	2,874	2,999
Mortgage of freehold land and buildings	4,946	5,000
	<u>7,820</u>	<u>7,999</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 10. Intangible assets

<i>Consolidated</i>	Customer list	Developed technology	Goodwill	Development expenditure	Club membership	Computer software	Unpatented technology	Patented technology	Total
<i>Cost</i>	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 1.7.2013</b>	918	1,141	7,246	1,811	10	1,893	3,721	60	16,800
Currency realignment	—	—	8	—	—	(24)	—	—	(16)
Additions	—	—	—	2,016	—	227	—	86	2,329
Reclassification from property, plant & equipment	—	—	—	—	—	23	—	—	23
Write off	—	—	—	—	—	(27)	—	—	(27)
<b>At 30.6.2014</b>	918	1,141	7,254	3,827	10	2,092	3,721	146	19,109
Currency realignment	—	—	(277)	—	—	(34)	—	—	(311)
Additions	—	—	—	1,484	—	203	—	85	1,772
Reclassification to inventories	—	—	—	(156)	—	—	—	—	(156)
Write off	—	—	—	—	—	(2)	—	(34)	(36)
<b>At 30.6.2015</b>	918	1,141	6,977	5,155	10	2,259	3,721	197	20,378
<b>Accumulated amortisation</b>									
<b>At 1.7.2013</b>	874	1,141	—	37	—	903	633	—	3,588
Currency realignment	—	—	—	—	—	1	—	—	1
Amortisation	44	—	—	36	—	380	274	—	734
Reclassification from property, plant & equipment	—	—	—	—	—	16	—	—	16
Write off	—	—	—	—	—	(22)	—	—	(22)
<b>At 30.6.2014</b>	918	1,141	—	73	—	1,278	907	—	4,317
Currency realignment	—	—	—	—	—	(33)	—	—	(33)
Amortisation	—	—	—	293	—	330	274	2	899
Reclassification to inventories	—	—	—	—	—	—	—	—	—
Write off	—	—	—	—	—	(2)	—	—	(2)
<b>At 30.6.2015</b>	918	1,141	—	366	—	1,573	1,181	2	5,181
<b>Net carrying value</b>									
<b>At 30 June 2015</b>	—	—	6,977	4,789	10	686	2,540	195	15,197
<b>At 30 June 2014</b>	—	—	7,254	3,754	10	814	2,814	146	14,792

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 10. Intangible assets (cont'd)

	Customer list	Developed technology	Development expenditure	Computer software	Unpatented technology	Patented technology
Average remaining amortisation period (years) – 2015	–	–	7.5	3	9.4	9
Average remaining amortisation period (years) – 2014	–	–	7.9	4	10.4	10

### Impairment tests for goodwill

In accordance with AASB 3, the carrying value of the Group's goodwill on acquisition as at 30 June 2015 was assessed for impairment.

Group	As at 30.6.2015 S\$'000	As at 30.6.2014 S\$'000	Basis on which recoverable values are determined	Growth rate per annum		Pre-tax discount rate per annum	
				2015	2014	2015	2014
<b>Carrying value of capitalised goodwill based on cash generating units</b>							
Sys-Mac Automation Engineering Pte Ltd	2,974	2,974	Value-in-use	15% - 25%	8% - 15%	20%	16%
Zicom Group Limited	2,022	2,299	Value-in-use	5% - 10%	5% - 10%	18%	18%
Orion Systems Integration Pte Ltd ("Orion")	664	664	Value-in-use	–	–	26%	17%
Biobot Surgical Pte Ltd ("BBS")	1,316	1,316	Value-in-use	–	–	19%	19%
MTA-Sysmac Automation Pte Ltd	1	1	–	–	–	–	–
	<u>6,977</u>	<u>7,254</u>					

Goodwill is allocated for impairment testing purposes to the individual entity which is also the cash generating unit ("CGU").

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

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

**Budgeted gross margins** – Gross margins are based on average values achieved in the three years preceding the start of the budget period or if unavailable, based on management's assessment of the markets. These are increased over the budget period for anticipated efficiency improvements.

**Growth rates** – These are used to extrapolate cash flow projections beyond the period covered by the most recent budgets and are based on management's assessment of the markets and do not exceed the long-term average growth rate for the industries relevant to the CGUs. Most recent budgets for Orion and BBS covered a period of 5 years, hence, no growth rate was used for extrapolation.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 10. Intangible assets (cont'd)

Pre-tax discount rates – Discount rate reflect the current market assessment of the risk specific to the CGUs. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and the yield on a 15 year government bond at the beginning of the budgeted year.

### *Sensitivity to changes in assumption*

Management believe that no reasonably possible change in any of the above key assumptions would cause the carrying values of these CGUs to materially exceed their recoverable amounts.

No impairment loss was required for the financial years ended 30 June 2015 and 2014 for goodwill as their recoverable values were in excess of their carrying values.

## 11. Investment in subsidiaries

	Parent Entity	
	2015	2014
	S\$'000	S\$'000
Investment in controlled entities, at cost	54,544	54,544
Less: Impairment loss	(4,660)	(5,334)
	<u>49,884</u>	<u>49,210</u>

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

The interest in each controlled entity has been adjusted to assessed recoverable amounts on the basis of their underlying assets.

Name of Company	Country of incorporation/formation	Carrying value of parent entity investment		Equity interest held by the Group	
		2015	2014	2015	2014
		S\$'000	S\$'000	%	%
<b><i>Held by the Company:</i></b>					
Cesco Australia Limited	Australia	5,709	5,035	100	100
Zicom Holdings Private Limited	Singapore	44,175	44,175	100	100
<b><i>Controlled entities held through subsidiary companies:</i></b>					
Cesco Equipment Pty Ltd	Australia	—	—	100	100
Zicom Private Limited	Singapore	—	—	100	100
Zicom Equipment Private Limited	Singapore	—	—	100	100
Foundation Associates Engineering Private Limited	Singapore	—	—	100	100
Sys-Mac Automation Engineering Pte Ltd	Singapore	—	—	100	100
MTA-Sysmac Automation Pte Ltd	Singapore	—	—	61	61

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

Name of Company	Country of incorporation/formation	Carrying value of parent entity investment		Equity interest held by the Group	
		2015	2014	2015	2014
		S\$'000	S\$'000	%	%
<b>Controlled entities held through subsidiary companies: (cont'd)</b>					
SAEdge Vision Solutions Pte Ltd	Singapore	—	—	95	95
Integrated Automation Systems Pte Ltd	Singapore	—	—	100	100
iPtec Pte Ltd	Singapore	—	—	100	100
Orion Systems Integration Pte Ltd	Singapore	—	—	84	84
Biobot Surgical Pte Ltd (a)	Singapore	—	—	95	92
Zicom MedTacc Private Limited	Singapore	—	—	100	—
PT Sys-Mac Indonesia	Indonesia	—	—	100	100
Zicom Cescos Engineering Co. Ltd	Thailand	—	—	100	100
Zicom Cescos Thai Co. Ltd	Thailand	—	—	100	100
Zicom Thai Hydraulics Co. Ltd	Thailand	—	—	100	100
FA Geotech Equipment Sdn Bhd	Malaysia	—	—	100	100
Cesco Kemajuan Sdn Bhd (b)	Malaysia	—	—	—	100
Hangzhou Cescos Machinery Co. Ltd	China	—	—	100	100
		<u>49,884</u>	<u>49,210</u>		

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

On 30 December 2014, Zicom Holdings Private Limited ("ZHPL") exercised 3,016,772 warrants to subscribe for 3,016,772 ordinary shares in BBS for a total consideration of S\$905,000 fully satisfied by capitalising shareholder's loan owing from BBS to ZHPL. This has resulted in an increase in the Group's interest in BBS from 91.80% to 93.42% and the favourable effect of the change of interest of S\$35,000 has been recognised within equity.

On 26 June 2015, 5,105,600 ordinary shares were allotted to ZHPL pursuant to the non-renounceable rights issue of BBS for a cash consideration of S\$3,574,000. As a result of this allotment, the Group's interest in BBS increased to 95.06% and the unfavourable effect of the change of interest of S\$135,000 was also recognised within equity.

### (b) Cescos Kemajuan Sdn Bhd, a dormant wholly-owned subsidiary, was struck off during the financial year.

#### Entity subject to class order relief

Pursuant to the Class Order 98/1418, relief has been granted to Cescos Australia Limited ("CAL") and Cescos Equipment Pty Ltd ("CEPL") from the *Corporations Act* 2001 requirements for the preparation, audit and lodgement of their financial reports.

As a condition for the Class Order, a deed of Cross Guarantee was executed between Zicom Group Limited ("ZGL") and CAL on 15 May 2008. The effect of the deed is that ZGL has guaranteed to pay any deficiency in the event of winding up of CAL or if CAL does not meet its obligations under the terms of overdraft, loans, leases or other liabilities subject to the guarantee.

CAL has also given a similar guarantee in the event that ZGL is wound up or if it does not meet its obligations under the terms of overdraft, loans and leases or other liabilities subject to the guarantee.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

*Entity subject to class order relief (cont'd)*

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>2015</b>	<b>2014</b>
	S\$'000	S\$'000
Profit from continuing activities before taxation	2,073	2,311
Income tax expense	—	—
Net profit for the year	2,073	2,311
Accumulated losses at the beginning	(24,589)	(24,436)
Expiry of employee share options	56	25
Dividends paid	(1,892)	(2,489)
Accumulated losses at the end	(24,352)	(24,589)

### **Consolidated Balance Sheet**

	<b>Closed Group</b>	
	<b>2015</b>	<b>2014</b>
	S\$'000	S\$'000
<b>Non-current assets</b>		
Property, plant and equipment	586	1,164
Intangible assets	386	519
Investment in subsidiaries	44,175	44,175
	45,147	45,858
<b>Current assets</b>		
Cash and bank balances	1,790	1,620
Inventories	3,082	3,979
Trade and other receivables	4,691	5,962
Prepayments	18	20
	9,581	11,581
<b>Current liabilities</b>		
Payables	5,886	7,766
Interest-bearing liabilities	313	1,084
Provisions	339	347
	6,538	9,197
<b>NET CURRENT ASSETS</b>	3,043	2,384



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

	Closed Group	
	2015 S\$'000	2014 S\$'000
<b>Non-current liabilities</b>		
Provisions	113	124
<b>NET ASSETS</b>	<b>48,077</b>	<b>48,118</b>
<b>Equity attributable to equity holders of the Parent</b>		
Share capital	71,870	71,601
Reserves	559	1,106
Accumulated losses	(24,352)	(24,589)
<b>TOTAL EQUITY</b>	<b>48,077</b>	<b>48,118</b>

## 12. Investment in associates

### (a) Investment details

	Consolidated	
	2015 S\$'000	2014 S\$'000
<b>Held through subsidiaries</b>		
Curiox Biosystems Pte Ltd	4,515	1,804
HistoIndex Pte Ltd	500	—
	<b>5,015</b>	<b>1,804</b>

The principal place of business for both associates is in Singapore.

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

Curiox Biosystems Pte Ltd ("Curiox")

Shareholdings held: 68.55% (2014: 46.49%)

	Consolidated	
	2015 S\$'000	2014 S\$'000
At beginning of year	1,804	2,578
Additional investment	3,051	—
Share of losses after income tax	(316)	(739)
Share of other comprehensive income	(31)	—
Unrealised profits	7	(35)
At end of year	<b>4,515</b>	<b>1,804</b>

On 31 December 2014, 460,000 convertible loan stocks with cumulative interest at 5% per annum amounting to S\$549,000 were converted into 110,000 preference shares in Curiox, fully paid at S\$5 per share, resulting in an increase in the Group's interest in Curiox to 49.28%. The remaining convertible loan stocks amounting to S\$459,000 due for conversion or repayment on 31 December 2015 has accordingly been reclassified from non-current assets on the balance sheet to current assets.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

### (b) Movements in carrying amount of the Group's investment in associates (cont'd)

#### Curiox Biosystems Pte Ltd ("Curiox") (cont'd)

On 28 April 2015, 1,251,000 preference shares attached with 1 warrant for every 4 shares issued were allotted to Zicom Holdings Private Limited ("ZHPL") pursuant to the non-renounceable rights issue of Curiox for a cash consideration of S\$2,502,000. Each warrant entitles ZHPL to subscribe for 1 preference share in Curiox at S\$2.00 by 31 December 2015. As a result of this allotment, the Group's interest in Curiox increased to 68.55%.

Although ZHPL holds the majority of voting rights in Curiox, it does not have the power and practical ability to direct the relevant activities of Curiox unilaterally and hence, Curiox remains an associate of the Group as at 30 June 2015.

#### HistoIndex Pte Ltd ("HistoIndex")

On 8 June 2015, Zicom MedTacc Private Limited ("MedTacc"), a wholly-owned subsidiary of ZHPL and an appointed Sector Specific Accelerator by Spring Singapore ("SPRING"), has acquired 4.1% equity interest in HistoIndex Pte Ltd for a cash consideration of S\$500,000. MedTacc is committed to inject additional S\$500,000 by 31 December 2015.

As part of the Accelerator Funding Scheme, SPRING co-invested with MedTacc on 1:1 basis and will grant call options to MedTacc to acquire their investments at nominal annual compounding interest.

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

### (c) Summarised financial information

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

	2015 S\$'000	2014 S\$'000
Current assets	1,539	1,141
Non-current assets	451	559
	<u>1,990</u>	<u>1,700</u>
Current liabilities	(826)	(3,038)
Net assets/(liabilities)	1,164	(1,338)
Add: Fair value adjustments arising from acquisition	442	264
	<u>1,606</u>	<u>(1,074)</u>
Proportion of Group's investment	68.55%	46.49%
Share of net assets/(liabilities)	1,101	(499)
Goodwill	3,502	2,399
Less: Unrealised profits	(74)	(81)
Less: Other equity transactions	(14)	(15)
Carrying amount of associate	<u>4,515</u>	<u>1,804</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

(c) Summarised financial information (cont'd)

	2015 S\$'000	2014 S\$'000
<b>Results:</b>		
Revenue	609	527
Cost of goods sold	(51)	(92)
	558	435
Other income	263	350
Operating expenses	(1,442)	(2,313)
Loss before tax	(621)	(1,528)
Income tax expense	(1)	(1)
	(622)	(1,529)
Add: Fair value adjustments arising from acquisition	(60)	(60)
Net loss for the year	(682)	(1,589)
Other comprehensive income	(57)	—
Total comprehensive income	(739)	(1,589)
Group's share of losses for the year	(316)	(739)
Group's share of other comprehensive income	(31)	—

## 13. Inventories

	Consolidated	
	2015 S\$'000	2014 S\$'000
Raw materials/trading stocks (at cost or net realisable value)	17,194	16,017
Work-in-progress (at cost)	6,344	9,561
Finished goods (at cost)	1,522	1,362
Stocks-in-transit (at cost)	1,351	818
Total inventories at lower of cost and net realisable value	26,411	27,758

Inventories recognised as cost of sales for the year ended 30 June 2015 totalled S\$80,662,000 (2014: S\$66,488,000) for the Group.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 14. Current assets - receivables

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	S\$'000	S\$'000
Trade receivables (a)	23,063	24,316
Allowance for impairment loss (b)	(215)	(163)
	<u>22,848</u>	<u>24,153</u>
Advance payments to suppliers	836	1,817
Amount due from customers for contract work (note 15)	3,769	10,075
Deposits	96	155
Related party receivables (c):		
- Associates		
- trade	698	622
- non-trade	29	282
- loans	—	500
- Other related parties		
- trade	43	45
- non-trade	1	—
Other receivables	<u>1,096</u>	<u>952</u>
	<u>29,416</u>	<u>38,601</u>

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

The Group has trade and other receivables that are impaired at the balance sheet date and the movements of the allowance accounts used to record the impairment are as follows:

	<b>Consolidated</b>			
	<b>Individually impaired</b>			
	<b>Trade receivables</b>		<b>Non-trade receivables</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	S\$'000	S\$'000	S\$'000	S\$'000
Nominal amounts	215	163	26	26
Less: allowance for impairment	<u>(215)</u>	<u>(163)</u>	<u>(26)</u>	<u>(26)</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Movements in allowance accounts:				
As at 1 July	163	317	26	26
Charge for the year	107	5	—	—
Written off	(58)	(158)	—	—
Currency realignment	3	(1)	—	—
As at 30 June	<u>215</u>	<u>163</u>	<u>26</u>	<u>26</u>

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

	Consolidated	
	2015	2014
	S\$'000	S\$'000
Contract costs incurred to date	5,208	17,790
Recognised profits to date	1,905	6,993
	7,113	24,783
Progress billings and advances	(7,174)	(18,564)
Amount due (to)/from customers for contract work, net	(61)	6,219
Gross amount due from customers for contract work (note 14)	3,769	10,075
Gross amount due to customers for contract work (note 16)	(3,830)	(3,856)
	(61)	6,219
Advances received included in gross amount due to customers for contract work	—	5,470

Revenue recognised on projects is disclosed in note 5.

## 16. Current liabilities - payables

	Consolidated	
	2015	2014
	S\$'000	S\$'000
Trade, other payables and accruals (a)	19,167	26,608
Amount due to customers for contract work (note 15)	3,830	3,856
Owing to related parties (b)		
- trade	651	187
- non-trade	49	50
	23,697	30,701

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

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 17. Interest-bearing liabilities

	Consolidated	
	2015	2014
	S\$'000	S\$'000
<i>Current</i>		
Bank overdrafts (a)	264	526
Bills payable (b)	3,487	7,536
Factory loans (c)	317	591
Term loans (d)	4,332	1,651
Lease liabilities (note 25)	1,515	1,801
	<u>9,915</u>	<u>12,105</u>
<i>Non-Current</i>		
Factory loans (c)	303	620
Term loans (d)	4,639	1,153
Lease liabilities (note 25)	607	985
	<u>5,549</u>	<u>2,758</u>

Details of the secured borrowings are as follows:

- (a) Bank overdraft amounting to S\$248,000 (2014: S\$462,000) which bears interest at 6.00% to 6.50% (2014: 6.00% to 6.50%) per annum is secured by corporate guarantee from Zicom Holdings Private Limited ("ZHPL").

Bank overdraft of S\$16,000 (2014: S\$55,000) which bears interest at 7.80% (2014: 7.90%) per annum is secured by a corporate guarantee from Zicom Cescio Engineering Co. Ltd.

The remaining bank overdraft amounting to S\$9,000 which was outstanding as at 30 June 2014 bore interest at 7.90% per annum and was secured by a mortgage of the subsidiary company's freehold land and buildings at 700/895 Moo 2, Amata Nakorn Industrial Estate, Chonburi, Thailand and a corporate guarantee from ZHPL.

- (b) Bills payable amounting to S\$3,174,000 (2014: S\$6,463,000) with an average maturity of 1 - 4 months (2014: 3 - 4 months) bear fixed interest rates until expiry, ranging from 2.04% to 2.93% (2014: 1.58% to 2.50%) per annum, at which point interest rate resets and are secured by a corporate guarantee given by ZHPL.

The remaining bills payable amounting to S\$313,000 (2014: S\$1,073,000) which bears floating interest rate at 5.11% to 5.71% (2014: 5.62% to 5.86%) per annum is secured by a fixed and floating charge over all the assets of Cescio Australia Limited.

- (c) Factory loan amounting to S\$548,000 (2014: S\$790,000) which is made up of current and long-term portions of S\$245,000 (2014: S\$240,000) and S\$303,000 (2014: S\$550,000) respectively is repayable over the remaining 26 monthly instalments at fixed interest rate of 2.75% (2014: 1.75%) per annum. It is secured by a legal mortgage on ZHPL's leasehold building at No. 9 Tuas Avenue 9 Singapore 639198 and a corporate guarantee from Zicom Group Limited.

The remaining factory loan due within the next 12 months amounting to S\$72,000 (2014: S\$421,000 made up of current portion: S\$351,000; non-current portion: S\$70,000) bears interest at floating rate of 3.75% (2014: 3.90%) per annum. It is secured by a legal mortgage of the subsidiary company's freehold land and buildings at 700/895 Moo 2, Amata Nakorn Industrial Estate, Chonburi, Thailand and a corporate guarantee from ZHPL.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

- (d) Term loan amounting to S\$2,833,000 (2014: S\$892,000) comprising current and long-term portions of S\$1,000,000 (2014: S\$892,000) and S\$1,833,000 (2014: S\$nil) respectively which bears interest at floating rate of 2.70% (2014: 2.53%) per annum is payable over 3 years and is secured by a corporate guarantee given by ZHPL.

Term loan amounting to S\$3,185,000 (2014: S\$nil) comprising current and long-term portions of S\$1,067,000 and \$2,118,000 respectively bears interest at floating rate of 3.75% per annum and is payable over 3 years. It 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 term loan amounting to S\$1,153,000 (2014: S\$1,612,000) comprising current and long-term portions of S\$465,000 (2014: S\$459,000) and S\$688,000 (2014: S\$1,153,000) respectively which bears interest at fixed rate of 2.75% (2014: 1.75%) per annum is payable over 5 years and is secured by a legal mortgage on ZHPL's leasehold building at No. 9 Tuas Avenue 9 Singapore 639198 and a corporate guarantee from Zicom Group Limited.

Short term loans with tenures of 1 – 6 months (2014: 3 months) amounting to S\$1,800,000 (2014: S\$300,000) bear interest at fixed rates ranging from 2.64% to 2.98% (2014: 2.35%) per annum and is secured by a corporate guarantee given by ZHPL.

- (e) Financing facilities available

As at 30 June 2015, the Group had available S\$141,000,000 (2014: S\$117,000,000) of undrawn committed borrowing facilities and all bank covenants were complied with.

## 18. Provisions

	Consolidated	
	2015	2014
	S\$'000	S\$'000
<i>Current</i>		
Product warranties	1,167	679
Employee benefits	239	233
Reinstatement costs	48	54
	<u>1,454</u>	<u>966</u>
<i>Non-Current</i>		
Employee benefits	250	247
Reinstatement costs	108	143
	<u>358</u>	<u>390</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 18. Provisions (cont'd)

	Consolidated	
	2015	2014
	S\$'000	S\$'000
Movements in provision for warranties:		
At beginning of year	679	927
Additional provision	820	413
Unused amounts reversed	(107)	(391)
Utilised	(222)	(270)
Currency realignment	(3)	—
At end of year	<u>1,167</u>	<u>679</u>
Warranty expense charged directly to profit or loss (note 5)	<u>4</u>	<u>8</u>
Movements in provision for employee benefits:		
At beginning of year	480	457
Additional provision	70	55
Unused amounts reversed	(8)	—
Utilised	(11)	(29)
Currency realignment	(42)	(3)
At end of year	<u>489</u>	<u>480</u>
Movements in provision for reinstatement costs:		
At beginning of year	197	197
Unused amounts reversed	(25)	—
Utilised	(10)	—
Currency realignment	(6)	—
At end of year	<u>156</u>	<u>197</u>

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

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)

## 19. Share capital

### (a) Share capital

	Parent Entity		Consolidated	
	2015	2014	2015	2014
	No. of shares (Thousands)		S\$'000	S\$'000
Ordinary fully paid shares	215,522	214,547	37,862	37,593

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

### (b) Movements in ordinary share capital

	Company Number of ordinary shares (Thousands)	Group S\$'000
At 1 July 2013	214,752	37,623
Issue of shares under Zicom Employee Share and Option Plan (i)	195	60
Minimum holding share buy-back (ii)	(400)	(90)
At 30 June 2014	214,547	37,593
Issue of shares under Zicom Employee Share and Option Plan (i)	555	167
Issue of shares in lieu of cash performance bonus (iii)	420	102
At 30 June 2015	215,522	37,862

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

On 1 October 2013, the Company issued and allotted 155,000 and 40,000 ordinary shares, fully paid at A\$0.17 and A\$0.18 per share respectively, under the ZESOP. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

On 1 October 2014, 7 November 2014 and 17 March 2015, the Company issued and allotted a total of 250,000 and 305,000 ordinary shares fully paid at A\$0.18 and A\$0.17 per share respectively, under the ZESOP. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

#### (ii) Minimum holding share buy-back

ZGL completed a share buy-back exercise for holders of unmarketable parcels. A total of 399,367 ordinary shares were bought back by the Company at A\$0.192 per share and cancelled.

#### (iii) Issue of shares in lieu of cash performance bonus

Pursuant to the shareholders' meeting held on 3 November 2014, 419,317 shares were allotted to Mr Giok Lak Sim fully paid at A\$0.22 per share as part payment of his performance bonus for the year ended 30 June 2014. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 20. Cash and cash equivalents

	Consolidated	
	2015	2014
	S\$'000	S\$'000
Cash at bank and in hand	23,108	18,895
Short-term fixed deposits	1,026	3,433
	<u>24,134</u>	<u>22,328</u>

For the purpose of cash flow statements, cash and cash equivalents comprise the following as at 30 June:

Cash and short-term deposits	24,134	22,328
Bank overdrafts	(264)	(526)
	<u>23,870</u>	<u>21,802</u>

Cash at bank balance amounting to S\$2,580,000 as at 30 June 2015 (2014: S\$2,660,000) earned interest at floating rate based on daily bank deposit rates ranging of 0.10% to 3.51% (2014: 0.24% to 3.33 %) per annum. The remaining cash at bank balances are non-interest bearing.

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

## 21. Financial instruments

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

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Group enters into derivative transactions, principally foreign currency forward contracts and foreign currency options, purpose is to manage currency risk arising from the Group's operations and sources of finance. The Group does not apply hedge accounting for such derivatives.

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

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 21. 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>2015</b>	<b>2014</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<i>Financial assets</i>		
Cash and bank balances	2,580	2,660
<i>Financial liabilities</i>		
Bank overdrafts	264	526
Bills payable	313	1,073
Factory loan	72	421
Term loans	6,018	892
	<u>6,667</u>	<u>2,912</u>

### *Sensitivity analysis of interest rate risk*

As at 30 June 2015, if interest rates had increased/decreased by 25 basis points with all other variables held constant, post-tax profits for the consolidated entity for the financial year would be (S\$10,000)/S\$10,000 (2014: (S\$1,000)/S\$1,000) lower/higher, as a result of the higher/lower interest rates. Accordingly, the Group's equity as at year-end will be (S\$10,000)/S\$10,000 (2014: (S\$1,000)/S\$1,000) lower/higher.

### (c) Foreign currency risk

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

## 21. 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 profit and equity would have been affected as follows:

	Post tax profit Higher/(lower)	
	2015 S\$'000	2014 S\$'000
<b>Consolidated</b>		
USD		
- strengthened 6% (2014: 3%)	253	168
- weakened 1% (2014: 3%)	(42)	(168)
EURO		
- strengthened 8% (2014: 5%)	44	8
- weakened 1% (2014: 5%)	(5)	(8)
AUD		
- strengthened 3% (2014: 3%)	68	47
- weakened 3% (2014: 3%)	(68)	(47)
GBP		
- strengthened 5% (2014: 3%)	(2)	(5)
- weakened 5% (2014: 3%)	2	5

### (d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. Credit risk is monitored through careful selection of customers and their balances are monitored on an ongoing basis with the result that the Group's exposure of bad debts has not been significant.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 21. Financial instruments (cont'd)

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

#### *Credit risk concentration profile*

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

	Consolidated			
	2015		2014	
	S\$'000	% of total	S\$'000	% of total
Austria	89	0.4	98	0.4
Australia	3,962	17.3	3,378	14.0
Bangladesh	47	0.2	3,014	12.5
Germany	134	0.6	—	—
Hong Kong	149	0.6	188	0.8
Indonesia	157	0.7	81	0.3
Malaysia	1,934	8.5	3,913	16.2
New Zealand	35	0.2	304	1.3
People's Republic of China	1,240	5.4	2,089	8.6
Singapore	14,479	63.4	9,543	39.5
Thailand	455	2.0	738	3.1
United States of America	92	0.4	726	3.0
Others	75	0.3	81	0.3
	<u>22,848</u>	<u>100</u>	<u>24,153</u>	<u>100</u>

At the balance sheet date, approximately 63.2% (2014: 68.5%) of the Group's trade receivables were due from 7 (2014: 16) major customers.

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

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

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

	Consolidated	
	2015	2014
	S\$'000	S\$'000
Less than 30 days	2,569	4,612
30 to 60 days	3,485	1,712
61 to 90 days	613	1,322
91 to 120 days	537	164
More than 120 days	1,964	2,833
	<u>9,168</u>	<u>10,643</u>

As at 30 June 2014, trade receivables amounting to S\$2,522,000 were arranged to be settled via letters of credit issued by reputable banks in countries where the customers were based. There was no such arrangement for trade receivables outstanding as at 30 June 2015.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 21. Financial instruments (cont'd)

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

#### *Financial assets that are impaired*

Please refer to note 14 for details.

### (e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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.

	6 months or less S\$'000	7 to 12 months S\$'000	After 1 year but not more than 5 years S\$'000	5 to 10 years S\$'000	Total S\$'000
<b>Consolidated 2015</b>					
<b><i>Financial assets:</i></b>					
Trade receivables	23,310	—	—	—	23,310
Other receivables	928	100	—	—	1,028
Investment securities	—	—	1	—	1
Loan receivable	471	—	—	—	471
Cash and bank balances	24,134	—	—	—	24,134
Total undiscounted financial assets	48,843	100	1	—	48,944
<b><i>Financial liabilities:</i></b>					
Trade payables	6,378	—	—	—	6,378
Other payables	6,768	49	—	—	6,817
Loans and borrowings	8,354	1,893	5,729	—	15,976
Total undiscounted financial liabilities	21,500	1,942	5,729	—	29,171
Total net undiscounted financial assets/(liabilities)	27,343	(1,842)	(5,728)	—	19,773

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 21. Financial instruments (cont'd)

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

	6 months or less S\$'000	7 to 12 months S\$'000	After 1 year but not more than 5 years S\$'000	5 to 10 years S\$'000	Total S\$'000
<b>Consolidated 2014</b>					
<b>Financial assets:</b>					
Trade receivables	24,225	—	—	—	24,225
Other receivables	670	93	—	—	763
Investment securities	—	—	1	—	1
Loan receivable	500	531	471	—	1,502
Cash and bank balances	22,328	—	—	—	22,328
Total undiscounted financial assets	47,723	624	472	—	48,819
<b>Financial liabilities:</b>					
Trade payables	9,777	—	—	—	9,777
Other payables	6,217	585	—	—	6,802
Unrealised loss on derivatives	173	—	—	—	173
Loans and borrowings	10,963	1,353	2,884	—	15,200
Total undiscounted financial liabilities	27,130	1,938	2,884	—	31,952
Total net undiscounted financial assets/(liabilities)	20,593	(1,314)	(2,412)	—	16,867

### (f) Derivative financial instruments

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

	Quoted prices in active markets for identical instruments (Level 1) S\$'000	Significant other observable inputs (Level 2) S\$'000	Significant unobservable inputs (Level 3) S\$'000	Total S\$'000
<b>Consolidated 2015</b>				
<b>Financial assets:</b>				
Available-for-sale	1	—	—	1
At 30 June 2015	1	—	—	1

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 21. Financial instruments (cont'd)

### (f) Derivative financial instruments (cont'd)

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

	Quoted prices in active markets for identical instruments (Level 1) S\$'000	Significant other observable inputs (Level 2) S\$'000	Significant unobservable inputs (Level 3) S\$'000	Total S\$'000
<b>Consolidated 2014</b>				
<b>Financial assets:</b>				
Available-for-sale	1	—	—	1
At 30 June 2014	1	—	—	1
<b>Financial liabilities:</b>				
Derivatives – foreign currency options	—	173	—	173
At 30 June 2014	—	173	—	173

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

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

The fair value of these foreign currency options are derived from the mark to market valuations using the Monte Carlo valuation model which incorporates various inputs such as foreign exchange spot and forward rates, volatility, tenure, time value and forward rates curves of the underlying commodity. The Group's own non-performance risk as at 30 June 2015 was assessed to be insignificant.

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

There were no transfers between level 1 and level 2 fair value measurements during the financial years 2015 and 2014.

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

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



# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 21. Financial instruments (cont'd)

### (f) Derivative financial instruments (cont'd)

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

The fair values of non-current finance lease liabilities and bank loans bearing interest at fixed rates, which are not carried at fair value on the balance sheet, is presented in the following table. The fair value is estimated using discounted cash flow analysis using discount rate that reflects the issuer's borrowing rate at the end of the reporting period. The Group's own non-performance risk as at 30 June 2015 was assessed to be insignificant.

	Carrying Amount		Fair Value	
	2015 S\$'000	2014 S\$'000	2015 S\$'000	2014 S\$'000
<b>Financial liabilities:</b>				
Obligations under finance leases	607	985	591	955
Bank loans	991	1,703	907	1,536

## 22. Capital management

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

The Group regularly reviews the company's capital structure and make adjustments to reflect economic conditions, business strategies and future commitments. The Group may adjust the dividend payments to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies and processes during the years ended 30 June 2015 and 30 June 2014.

Management monitors capital through the gearing ratio (net debt / total capital). The Group defines net debts as interest-bearing liabilities less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Parent and reserves. The Group's policy is to keep its gearing ratio at less than 50%.

The gearing ratios as at 30 June 2015 and 30 June 2014 were 0% as cash and cash equivalents exceeded interest-bearing liabilities.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 23. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

In addition to the related party information disclosed elsewhere in the financial statements, the following are transactions with related parties at mutually agreed terms and amounts:

### (a) Sale and purchase of goods and services

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Minority shareholder of a subsidiary company		
- Sales	396	167
- Purchases	<u>721</u>	<u>312</u>
Associates		
- Sales	939	464
- Interest income	119	84
- Rental & utilities income	111	134
- Secretarial fees	<u>24</u>	<u>24</u>
Other related parties		
- Sales	<u>31</u>	<u>268</u>

### (b) Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made at arm's length basis at normal market prices and on normal commercial terms.

Convertible loan stocks from Curiox Biosystems Pte Ltd ("Curiox") amounting to S\$459,000 (2014: S\$919,000) earns interest at 5% per annum. These will be either repaid or redeemed by Curiox on 31 December 2015. Zicom Holdings Private Limited holds the right to convert these into preference shares in Curiox on the maturity date.

An amount of S\$500,000 was extended to Curiox as an interest-bearing loan at 5% per annum as at 30 June 2014. This loan has been fully repaid during the current financial year.

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

### (c) Compensation of key management personnel

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>S\$</b>	<b>S\$</b>
Short-term employee benefits	2,726,532	2,665,423
Post-employment benefits	60,650	65,450
Share-based payments	21,174	123,005
Total compensation	<u>2,808,356</u>	<u>2,853,878</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 24. Share-based payment plans

### (a) Recognised share-based payment expenses

During the current financial year, a credit amounting to S\$30,000 was recognised in profit or loss relating to equity-settled share-based payment transactions as it represents the movement in cumulative expense in Singapore dollars recognised as at beginning and end of financial year.

The expense recognised for employee services received during the previous financial year for equity-settled share-based payment transactions amounted to S\$110,000.

There have been no cancellations or modifications to the plan during the years 2015 and 2014.

### (b) Description of the share-based payment plan

#### *Zicom Employee Share and Option Plan ("ZESOP")*

Share options are granted to employees as an incentive to retain experience and attract talent. Under the ZESOP, the exercise price of the options approximates the market price of the shares on the grant dates. Employees must remain in service for a period of 1 to 3 years.

Should an employee leave the company or resign from his office, any vested options not exercised prior to that date will be lost except for exceptional circumstances such as death or physical or mental incapacity.

The contractual life of each option granted is 3-5 years. There are no cash-settlement alternatives.

### (c) Outstanding number of options granted under ZESOP

	<b>2015</b> (Thousands)	<b>2014</b> (Thousands)
Outstanding at beginning of the year	6,395	7,035
Granted during the year	2,150	—
Forfeited during the year	(310)	(170)
Expired during the year	(240)	(275)
Exercised during the year	(555)	(195)
Outstanding at end of year	<u>7,440</u>	<u>6,395</u>
Exercisable at end of year	<u>5,290</u>	<u>5,145</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

- (c) Outstanding number of options granted under ZESOP (cont'd)

The outstanding balance as at 30 June 2015 and 30 June 2014 is represented by:

No. of options (Thousands)		Exercise price	Exercisable	Expiry Date
2015	2014	(Australian Cents)	on or after	
—	135	28.0	1/5/2012	30/4/2015
—	135	28.0	1/5/2013	30/4/2015
1,460	1,650	18.0	1/10/2011	30/9/2015
1,460	1,675	18.0	1/10/2012	30/9/2015
215	215	18.0	15/11/2011	14/11/2015
215	215	18.0	15/11/2012	14/11/2015
885	1,040	17.0	1/9/2013	31/8/2015
895	1,170	17.0	1/9/2014	31/8/2015
80	80	17.0	15/11/2013	14/11/2015
80	80	17.0	15/11/2014	14/11/2015
2,150	—	20.5	1/11/2016	31/10/2019
<u>7,440</u>	<u>6,395</u>			

- (d) Weighted average fair value

The weighted average fair value of options granted in the current financial year was A\$0.06 (2014: A\$nil)

- (e) The weighted average share price during the period of exercise is A\$0.21 (2014: A\$0.22).

- (f) Option pricing model

The fair value of the equity-settled share options granted under the ZESOP is estimated as at the date of grant using a Trinomial model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the share options granted in the current financial year.

Inputs	2015
Exercise price (A\$):	0.205
Stock price at grant date (A\$):	0.205
Maximum option life in years:	5
Volatility:	35.66%
Risk free interest rate:	2.50%

The effects of early exercise have been incorporated into the calculations by defining the conditions under which employees are expected to exercise their options after vesting in terms of the stock price reaching a specified multiple of the exercise price, which is not necessary indicative of exercise patterns that may occur in the future.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 25. Commitments

### (a) Commitments

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

- (i) Issued letters of credit amounting to S\$4,731,000 (2014: S\$1,094,000).
- (ii) Issued letters of guarantee amounting to S\$14,369,000 (2014: S\$12,358,000).
- (iii) The Group entered into a foreign exchange buy contract amounting to S\$109,000 (2014: S\$375,000) on 30 June 2015.

### (b) Operating lease commitments

The Group has entered into commercial leases for the use of leasehold properties and office equipment as lessee. These leases have an average of 3 to 30 years. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease payments for the leases are as follows:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	S\$'000	S\$'000
Within 1 year	1,453	2,373
Within 2 - 5 years	1,519	2,349
More than 5 years	5,831	5,639
	<u>8,803</u>	<u>10,361</u>

The amount of operating lease payments recognised as an expense in the year ended 30 June 2015 is S\$2,654,000 (2014: S\$2,425,000).

### (c) Finance lease commitments

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

<b>Consolidated</b>	<b>Minimum payments 2015</b>	<b>Present value of payments 2015</b>	<b>Minimum payments 2014</b>	<b>Present value of payments 2014</b>
	S\$'000	S\$'000	S\$'000	S\$'000
Due within one year	1,572	1,515	1,892	1,801
After one year but not more than five years	633	607	1,034	985
Total minimum lease payments	<u>2,205</u>	<u>2,122</u>	<u>2,926</u>	<u>2,786</u>
Less: amounts representing finance charges	<u>(83)</u>	<u>—</u>	<u>(140)</u>	<u>—</u>
	<u>2,122</u>	<u>2,122</u>	<u>2,786</u>	<u>2,786</u>

### (d) Capital commitments

As at 30 June 2015, the Group had capital commitment of S\$500,000 (2014: S\$nil) relating to the additional capital injection into HistoIndex by 31 December 2015.

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 26. Auditors' remuneration

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

	Consolidated	
	2015	2014
	S\$	S\$
<i>Amounts received or due and receivable by Ernst &amp; Young (Australia)</i>		
- Audit and review of financial statements	133,627	138,255
<i>Amounts received or due and receivable by Ernst &amp; Young (Singapore)</i>		
- Audit and review of financial statements	230,000	217,000
<i>Amounts received or due and receivable by other audit firms</i>		
- Audit and review of financial statements	23,358	24,886
- Taxation services	7,766	9,259
- Other non-audit services	2,211	—
	<u>396,962</u>	<u>389,400</u>

## 27. Parent entity disclosures

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

	2015	2014
	S\$'000	S\$'000
<b>Balance sheet of the parent entity at year end</b>		
Non-current assets	49,884	49,210
Current assets	<u>2,218</u>	<u>2,573</u>
Total assets	<u>52,102</u>	<u>51,783</u>
Current liabilities	<u>50</u>	<u>70</u>
Total liabilities	<u>50</u>	<u>70</u>
Net assets	<u>52,052</u>	<u>51,713</u>
<b>Total equity of the parent entity comprising of:</b>		
Share capital	71,563	71,354
Share capital - exercise of share options	307	247
Capital reserve	688	688
Foreign currency translation reserve	(406)	(200)
Share-based payments reserve	590	732
Accumulated losses	<u>(20,690)</u>	<u>(21,108)</u>
	<u>52,052</u>	<u>51,713</u>
<b>Results of parent entity</b>		
Profit for the year	2,254	2,714
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income	<u>2,254</u>	<u>2,714</u>

# Notes to the Consolidated Financial Statements

(In Singapore dollars)

## 27. Parent entity disclosures (cont'd)

### (b) Guarantees

- (i) The parent entity has issued letters of guarantee amounting to S\$2,156,000 (2014: S\$3,637,000) to secure trade facilities and bank loans to controlled entities.
- (ii) The parent entity has entered into a Deed of Cross Guarantee and the subsidiaries subject to the deed is disclosed in note 11.

### (c) Contingent liabilities

The parent entity has no contingent liabilities as at 30 June 2015 and 30 June 2014.

## 28. Subsequent events

On 26 August 2015, the directors declared a final unfranked dividend of 0.35 Australian cents per share for the financial year ended 30 June 2015. This amount has not been recognised as a liability as at 30 June 2015 but will be accounted for in the next financial year.

# Directors' Declaration

(In Singapore dollars)

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's balance sheet as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.2.
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2015.
- (e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 11 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



GL Sim  
Chairman/Managing Director  
29 September 2015



# Independent Auditor's Report

to the members of Zicom Group Limited

## Report on the financial report

We have audited the accompanying financial report of Zicom Group Limited, which comprises the consolidated balance sheet as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

## *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2.2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

## *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

## *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

# Independent Auditor's Report

to the members of Zicom Group Limited

## **Opinion**

In our opinion:

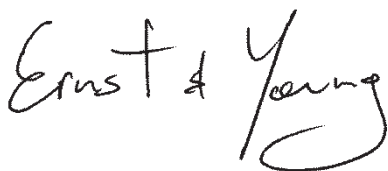
- a. the financial report of Zicom Group Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.2.

## **Report on the remuneration report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## **Opinion**

In our opinion, the Remuneration Report of Zicom Group Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Ric Roach  
Partner  
Brisbane  
29 September 2015

# Information on Shareholdings

As at 29 September 2015

## Distribution of Equity Securities

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

			Ordinary Shares	Number of Holders
1	—	1,000	9,593	58
1,001	—	5,000	869,482	237
5,001	—	10,000	2,638,113	296
10,001	—	100,000	18,353,210	529
100,001		and over	193,920,382	132
			<u>215,790,780</u>	<u>1,252</u>

b) There were 114 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	70,449,028	32.65%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,226,590	9.84%
JUAT KOON SIM	15,890,172	7.36%
GIOK LAK SIM	11,345,082	5.25%
VENTRADE (ASIA) PTE LTD	8,478,344	3.93%
JUAT LIM SIM	6,487,767	3.01%
BNP PARIBAS NOMS (NZ) LTD	4,773,382	2.21%
CITICORP NOMINEES PTY LIMITED	3,584,213	1.66%
EE GEK GOH	2,791,017	1.29%
MR MAKRAM HANNA & MRS RITA HANNA	2,510,167	1.16%
SIONG TECK NG	2,410,665	1.12%
HUNG SEAH TANG	2,000,839	0.93%
ALAN BLACKBURN & ASSOCIATES PTY LTD	2,000,000	0.93%
FIRST CHARNOCK SUPERANNUATION PTY LTD	1,890,000	0.88%
JUAT KHIANG SIM	1,869,525	0.87%
DEBUSCEY PTY LTD	1,355,615	0.63%
KOK HWEE SIM	1,208,180	0.56%
KAILVA PTY LTD	1,200,000	0.56%
MR CHUAN GAO	1,088,820	0.50%
KOK YEW SIM	1,070,253	0.50%

## 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	81,794,110	37.90%
JUAT KOON SIM & HIS ASSOCIATES	18,681,189	8.65%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,226,590	9.84%

## Voting Rights

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

# Corporate Directory

## BOARD OF DIRECTORS

Giok Lak Sim (Chairman and Managing Director)  
Kok Hwee Sim (Executive Director)  
Kok Yew Sim (Executive Director)  
Yian Poh Lim  
Frank Leong Yee Yew  
Ian Robert Millard  
Shaw Pao Sze

## JOINT COMPANY SECRETARIES

Jenny Lim Bee Chun  
Surendra Kumar

## REGISTERED OFFICE

38 Goodman Place  
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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 15  
324 Queen Street  
Brisbane, QLD 4000  
Australia  
Facsimile : +61 2 9287 0309

## AUDITORS

Ernst & Young  
111 Eagle Street  
Brisbane QLD 4000  
Australia

## SOLICITORS

Thomson Geer  
Level 16, Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000  
Australia

## BANKERS

### Australia

Westpac Banking Corporation

### Singapore

United Overseas Bank Limited  
Malayan Banking Berhad  
Oversea-Chinese Banking Corporation Limited  
DBS Bank Limited  
Westpac Banking Corporation  
Australia & New Zealand Banking Group Limited

### Thailand

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

### China

Industrial and Commercial Bank of China Limited  
China Merchants Bank

# Notice of Annual General Meeting

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

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

Time: 10.00am (Brisbane time)  
Date: Tuesday, 17 November 2015

A formal Notice of Meeting is enclosed.



**Zicom Group Limited**

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