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Zicom Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Zicom Group Limited  
38 Goodman Place  
Murarrie, QLD 4172

## Zicom Group Limited

### Chairman's Message

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#### Staying the Course

The past year has been one of global financial crisis and economic turbulence. Our businesses were not immune from the pandemic effects of the crisis. Our resilience was tested and we passed muster. Given the challenging conditions of the past year, we are indeed very pleased to be able to deliver a sterling performance that is better than that of the previous financial years.

#### Results

Our revenue increased by 5.33% to S\$134.13m (2008 S\$127.34m). Net profits after tax increased by 15.36% to S\$10.04m (2008 S\$8.70m). Normalised net profits after tax, that exclude non recurrent items, increased by 24.6% to S\$11.82m (2008 S\$9.49m). Earnings per share increased to Singapore 4.86 cents from Singapore 4.60 cents in 2008 (Australian 4.47 cents from 3.53 in 2008). We ended the financial year with healthy cash and bank balances of S\$10m having paid all the capital investments incurred in our expansion plans except for those portion funded by term loans.

The Group's Asian operations achieved a record year. These, however, were partly negated by our Australian operations which suffered losses as all our major customers in Australia froze their capital expenditure in response to the economic crisis. To address the structural weakness of our Australian operations we have restructured the business so as to pivot it on an integrated engineering platform with capability beyond concrete mixers, into foundation equipment and other niche engineering services relevant to the Australian market. The management has been restructured and strengthened with stronger focus on engineering, operational excellence and productivity. We aim to develop a platform for sustainability and growth in our Australian operations.

#### Keeping To Our Plans

We have stayed the course in our growth and expansion plans, the economic crisis notwithstanding. Our heavy duty deck machinery factory in Singapore completed in 2008 commenced production in May 2008. The full productivity benefits from this factory are now being felt. Our Thai factory has been completed and commenced production in September 2009, initially as a manufacturing hub for concrete mixers, and at a later stage, to expand into oil and gas and precision engineering activities.

The Group's foray into offshore structures for under-water robots, last year, has brought substantive success. At the same time, we have made a sustained effort to expand our foundation equipment business overseas. The group's subsidiaries in Singapore and Australia have jointly commenced sales and rental of foundation equipment in Australia. During the year, the oil and gas operations have been restructured to be more engineering driven. We have begun to undertake oil and gas turn-key projects in our own right. These benefits are expected to be felt in the coming years. Our precision engineering and automation subsidiary continues to strengthen its engineering alliances with leading multi-nationals in the semiconductor and biomedical devices. Increased focus is placed on the manufacturing of biomedical devices as a sustainable revenue base.

The implementation for the ERP (Enterprise Resource Planning) systems that integrate the group's operation and accounting systems together is expected to go live initially in two subsidiaries in Singapore to be followed by the rest in the ensuing 12 months. The Group has adopted succession management as a continuous management policy for our growth strategy. In this respect we have recently elevated some younger managers to executive director positions in two of our subsidiaries. All these form the key planks for the Group to achieve competitive edge and sustainable growth.

#### Confirmed Orders

Notwithstanding the economic slow-down the Group continues to secure strong orders. Outstanding confirmed orders as at 1 July 2009 amounted to S\$67m (2008 S\$103.4m). The pace of orders slowed down in the year just ended due to the prevailing credit crunch. With the economic recovery now underway, the momentum for orders has gained pace.

#### Our Aims

In 2006, after the reverse take-over, we were "Forging Ahead". In 2007, we were "Positioning For Growth". In the year just ended, notwithstanding the economic upheaval, we have been "Staying The Course". We shall look forward to enhancing shareholders' value in the coming years.

#### Conserving Cash

We decided on cash conservation as a strategy to take advantage of opportunities from the economic recovery. In line with this strategy, part of our performance bonus is paid in shares. I froze my salary's increments in 2009 and continue to freeze my salary's increases for the financial year 2010. The Group's gearing ratio improved from 12% in 2008 to 8%.

#### An Appreciation

On a personal note, I am deeply honored to have been selected as the 2008 winner of the Ernst & Young Entrepreneur of the Year Award (Industrial Products) in Singapore. This global award is an honor of which the management and all the employees of the Group rightfully deserve as equal shareholders. Indeed my gratitude goes to all of them. I would like to thank the management and all the employees for the sterling performance achieved for the year, to my fellow directors for their contribution and to our shareholders for their continuing support.

Giok Lak Sim  
Chairman

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## Zicom Group Limited

### Directors' Report 2009

Your directors present their report on the consolidated accounts of Zicom Group Limited for the year ended 30 June 2009.

#### Directors

The following persons were directors of Zicom Group Limited since the end of the financial year and up to the date of this report:

Mr. G L Sim	(Chairman and Managing Director)
Mr. K H Sim	(Executive Director)
Mr. B H Cheak	(Independent)
Mr. Y P Lim	(Independent)
Mr. F Leong	(Independent)
Mr. I R Millard	(Independent)
Mr. A G Palmer	(Independent)

#### Principal activities

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

#### Consolidated Results

The group recorded the following consolidated results during the year as compared with the previous corresponding year:-

Consolidated Results	Change (%)	Year Ended 30 June 2009		Year ended 30 June 2008	
		S\$ m	A\$ m	S\$ m	A\$ m
	(%)				
Revenue	+ 5.33	134.13	123.62	127.34	98.82
Earnings before interest, tax, depreciation, & amortization (EBITDA)	+ 15.45	16.04	14.78	13.90	10.79
Net profits after tax (NPAT)	+ 15.36	10.04	9.25	8.70	6.75

#### Dividends

The Group paid an interim dividend of Australian 0.3 cents per share during the year amounting to A\$622,943. Although we have achieved a record performance, the board has decided not to increase the amount of dividends and to pay a final dividend of similar amount of Australian 0.3 cents, amounting to A\$622,943, making the total amount paid out of the profits for the year just ended to A\$1,245,886.

The record date for the final dividend is 18 September 2009 and the payment date 2 October 2009.

#### Review of operations

The whole of the financial year just ended was a year of global financial crisis and economic turbulence. The Group's businesses were not immune to the pandemic effects of the crisis which severely impaired numerous countries' economies.

Since the reverse take-over in 2006, your Group has adopted a prudent financial management and expansion policy, while focused on strengthening its resilience. We are therefore pleased to advise that, given the tough challenges during the year, your Group has continued to grow its businesses and been able to deliver a sterling performance for the year just ended.

Net profits after tax improved from S\$8.70m in the previous year to S\$10.04m, an increase of 15.36%. Net operating profits after tax excluding non-recurrent items increased from S\$9.49m in the previous year to S\$11.82m, an increase of 24.60%. Earnings before interest, tax, depreciation and amortisation, increased from S\$13.90m in the previous year to S\$16.04m, an increase of 15.45%. Non-recurrent items amounting to S\$1.66m is mainly attributable to write off of secondary listing fees and provision for doubtful debts.

Net tangible assets per share increased from Singapore 20.28 cents to 24.30 cents. Earnings per share increased from Singapore 4.60 cents (Australian 3.53 cents) in the previous year to Singapore 4.86 cents (Australian 4.47 cents).

Cash and bank balances stood at S\$9.98m as at 30 June 2009.

## Zicom Group Limited

### Directors' Report 2009

#### Results Comparisons

The year's results show an encouraging improvement over those of the previous year.

The following is an analysis of the segmental revenue:-

Revenue by Business Segments	Change (%)	Year ended 30 June 09		Year ended 30 June 08	
		S\$ m	A\$ m	S\$ m	A\$ m
Offshore Marine, Oil & Gas	+ 69.52	77.86	71.76	45.93	35.63
Construction	- 30.89	46.06	42.45	66.65	51.71
Precision Engineering & Automation	- 37.28	8.16	7.52	13.01	10.09
Industrial & Mobile Equipment	- 21.28	2.96	2.73	3.76	2.92

The Group's revenue in the offshore marine, oil and gas sector included contributions from offshore structures for underwater robots, a new business which our subsidiary FAE whose principal business is on sales and rental of foundation equipment for both land and offshore operations, developed during the year. Deck machinery deliveries increased during the year due to our increased production capacity and improved deliveries of key components from suppliers.

Demand for foundation equipment continued to hold steady. However the slump in demand for concrete mixers, particularly in Australia where we suffered a more severe setback arising from a sudden freeze on capital expenditure by all major customers, partly negated the total construction revenue. It would appear that with investment allowance incentive and the economic recovery underway, the situation has shown signs of easing. The same situation occurred in Asia and the resultant drop in sales of concrete mixers adversely impacted our total revenue in the construction sector. Although we expect the economic recovery to be slow, the worst appears to be over.

Our precision and engineering sector was likewise affected. The precision engineering revenue is made up of sales of equipment and services to the semi-conductor and electronics, bio-medical and pharmaceutical industries. As the major market of these products and services is in the western economies, which were most affected by the global economic crisis, demand dropped considerably during the year. Demand has improved lately due to the recent economic recovery.

The industrial and mobile equipment is mainly made up of supply of hydraulic drives for harvester machines in the agriculture sector in Thailand. The changes in the Thai government affected the policy of extending micro credit to the agriculture sector, a situation further compounded by the credit crunch. This gave rise to a slow-down in investment on farming machinery which includes harvesting machines.

The Group's financial position continues to remain strong and ended the year with cash and bank balances totaling S\$9.98m.

#### Confirmed Orders

The Group's businesses remain resilient. On 1 July 2009, its outstanding confirmed orders totalled S\$66.81m compared with S\$103.38m as at 1 July 2008. Out of the total confirmed orders, S\$50.13m are scheduled for delivery within the financial year 2010 and S\$16.68m for delivery after June 2010.

The orders are made up of offshore marine, oil and gas S\$56.55m, construction equipment S\$5.49m, precision engineering S\$4.25m and industrial and mobile equipment S\$0.52m.

The slow-down in orders is a result of a general global freeze in capital expenditure that has been prevalent during the financial crisis as borrowings to fund these have been difficult to obtain. Given that the global economic crisis appears to be stabilizing, although with uncertainties ahead, there is general consensus that it has already hit bottom and the credit crunch is easing and a slow road in economic recovery has begun. We are therefore confident that orders will gain pace.

An analysis of the confirmed orders is as follows :

	Delivery Scheduled For	
	FY2010	FY2011
	S\$m	S\$m
Offshore marine, oil & gas	39.87	16.68
Construction	5.49	-
Precision Engineering & Automation	4.25	-
Industrial & Mobile Equipment	0.52	-
	<u>50.13</u>	<u>16.68</u>

## Zicom Group Limited

### Directors' Report 2009

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#### Significant changes in state of affairs

##### *1 July 2008*

On 1 July 2008, the Group acquired the remaining 49% equity interest in Sys-Mac Automation Engineering Pte Ltd satisfied by way of an issue of 5,000,000 shares in the Company and a cash consideration of S\$1,398,831. Sys-Mac Automation Engineering Pte Ltd became a wholly-owned subsidiary company of the Group on that date.

##### *22 August 2008*

The group completed a rights issue of A\$0.20 for every share out of 20 held by shareholders. The rights were 83.38% taken up with a shortfall of 16.62 % raising net proceeds of A\$1,567,968 (S\$1,920,761). The company decided not to place out the shortfall of 1,616,885 shares (A\$323,377) to the public as the amount is not significant to the company and so as not to dilute existing shareholdings. The proceeds for the rights issue were intended to strengthen the company's position to take on any investment and acquisition opportunities that may arise. The group has ended the year 30 June 2009 with cash and bank balances of S\$9.98m.

##### *28 August 2008*

Pursuant to the shareholders' meeting on 28 August 2008, 425,000 employee share options were granted to the directors and related party at an exercise price of A\$0.28 per share option.

#### **Staying The Course**

The Group's strategy for achieving sustainable growth and competitive edge remained undaunted, notwithstanding considerable challenges. The resilience of the Group's businesses is underscored by a strong synergistic engineering culture catering for diverse industries with inherent strong growth potentials. The setbacks caused by the economic crisis were successfully managed due to the Group's positioning and its prudent financial and cost management.

We could therefore stay the course in our expansion to achieve sustainable growth and competitive edge in the midst of a global economic crisis.

##### *Strengthening Asian Operations*

We completed our heavy duty deck machinery factory last year and it commenced production in May 2008. Full benefits of the increased production capacity and productivity are now felt. Our Thai factory has been completed and is ready for production in September 2009. It is a 9,000sq.m factory on a 20,000sq.m land that would initially serve as our manufacturing hub for concrete mixers to achieve competitive edge. The factory includes a capacity for us to expand into fabrication for the oil and gas sector for the group and into precision engineering and automation services for the Thai market. These two factories form part of our key planks for our platform to achieve competitive edge and sustainable growth.

Our oil and gas subsidiary, Zicom Equipment Pte Ltd (ZEPL) underwent a structural change in business approach and management. ZEPL is now more strongly engineering driven and undertakes turn-key projects on its own from engineering, procurement to construction. The change has brought about concrete results which are expected to increase contributions in the coming years.

The precision engineering and automation sector suffered setbacks in year just ended. Notwithstanding the slow down, Sys-Mac Automation Engineering Pte Ltd (SAE) has taken the opportunity to strengthen its alliance with its MNC customers in increasing its focus on joint product development and at the same time, reinforcing its engineering team. Increased focus is being placed on the industry for biomedical devices as a sustainable growth area. SAE is positioning itself in this direction and has been working to gain accreditation for ISO 13485 in addition to ISO 9001, an accreditation for which it has already obtained.

##### *Restructuring Australian Operations*

The Group's Australian subsidiary, Cesco Australia Limited's ("CAL") operations were the most affected by the global economic crisis. These setbacks have partly negated the Group's results, particularly in the construction sector. Apart from cost cutting measures, a structural review of CAL's operating business as well as its management is being undertaken. We plan to re-position the entire business into one pivoted on an integrated engineering platform away from a single product, single industry platform. We are now broadening the base of our engineering skills. CAL has recently forged a cooperation with our wholly owned Singapore subsidiary, Foundation Associates Engineering Pte Ltd (FAE), which has achieved good success in its foundation equipment business, to market and rent out FAE's equipment in the Australian market. At the same time, CAL is embarking on environmental engineering products and services. Our focus on continuous product development to stay abreast of competitors in the concrete mixer business will not only continue unabated but will be further strengthened. The integrated engineering approach is expected to lend increased strengths in this direction.

## Zicom Group Limited

### Directors' Report 2009

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#### *Integrating Group's systems*

We are implementing an ERP (Enterprise Resource Planning) system to integrate group's operation and accounting systems. We expect to go live with two of our subsidiaries in Singapore in the fourth quarter of this calendar year with the rest of the group companies to follow suit in the ensuing 12 months.

The Group has managed to achieve continuous growth in the last 3 years since the reverse take-over in 2006 in the midst of strong challenges. Notwithstanding the strong head winds, the Group has stayed the course. Given the Group's strong fundamentals and positioning, we are confident of sustainable growth in the years ahead.

#### **Prospects**

The fundamentals of the Group's businesses remain strong and positive. The Group believes that the worst of the economic crisis is over and a slow economic recovery is underway. With our strong fundamentals, and our positioning, your directors are therefore confident of the Group's prospects and growth sustainability.

#### **Bank Support**

The Group's bankers have continued to give strong support to the Group's subsidiaries. In the midst of the credit crunch, the Group continued to enjoy an increase in short term bank facilities from its bankers during the financial year. We are confident of increasing bank support for the Group to take advantage of business opportunities arising from the economic recovery.

#### **Succession Management Process**

With the adoption of continuous succession management as part of its growth process, the Group exposes promising managers to policy level in the subsidiary companies. On 16 September 2009, Mr Dewen Liu and Mr Gary Webster were appointed as directors of Cesco Australia Limited responsible for engineering management and development and sales and operations respectively. Mr Zhang Hong Jun and Ms Jenny Lim were appointed as directors of Zicom Private Limited in charge of sales of deck machinery and financial management respectively. All these key executives are of age 50 and below.

#### **Environmental regulations**

The group is subject to environmental regulations under State and Federal legislations. The group holds environmental licences for its manufacturing sites in Brisbane. As a precondition of renewing the Brisbane environmental licences, an annual site audit is performed by the local authority.

No significant material environmental incidents occurred during the year.

#### **Information on Directors**

##### **Giok Lak Sim**

**Chairman and Group Managing Director**

##### *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.

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

None

##### *Special responsibilities*

Executive Chairman of all subsidiaries  
Member of Remuneration and Nomination Committee

##### *Relevant interests in shares and options*

69,233,476 ordinary shares

## Zicom Group Limited

### Directors' Report 2009

#### **John Cheak Boon Heng** **Independent Director**

##### *Experience and expertise*

Appointed to the Board on 5 April 1995. Non-executive director of Zicom Group Limited for more than 10 years. Extensive experience in sales, marketing, investment and venture management in Asia and Australia.

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

Non-executive director of Finbar Group Limited

Non-executive director of CH Offshore Ltd

Non-executive director of Scomi Marine Bhd

Executive Chairman of CH Offshore Ltd from 1 February 2005 to 17 October 2005

##### *Special responsibilities*

Member of Remuneration and Nomination Committee

##### *Relevant interests in shares and options*

1,847,000 ordinary shares and 50,000 options

#### **Yian Poh Lim** **Independent Director**

##### *Experience and expertise*

Appointed to the Board on 24 July 2006. Lim Yian Poh has more than 20 years' experience in the banking and finance industry, having worked in major international banks including Citibank, Banque Nationale de Paris (now known as BNP Paribas) and Arab Banking Corporation, where he held regional responsibilities. He possesses a wealth of experience and extensive network of contacts both in Singapore and the region. In 1993, he left as General Manager of Arab Banking Corporation, Singapore Branch to 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 obtained his Bachelor of Science degree from Nanyang University, Singapore in 1969 and his Master of Science degree from the University of Hull, England in 1972.

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

Independent director of Casa (Singapore) Limited

##### *Special responsibilities*

Chairman of Remuneration and Nomination Committee

Member of Audit Committee

##### *Relevant interests in shares and options*

413,000 ordinary shares and 50,000 options

**Zicom Group Limited**

**Directors' Report 2009**

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**Frank Leong Yee Yew**

**Independent Director**

*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*

None

*Special responsibilities*

Member of Audit Committee

*Relevant interests in shares and options*

183,750 ordinary shares and 50,000 options

**Ian Robert Millard**

**Independent Director**

*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.

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

None

*Special responsibilities*

Chairman of Audit Committee

*Relevant interests in shares and options*

517,250 ordinary shares and 50,000 options

**Arthur Gregory Palmer**

**Independent Director**

*Experience and expertise*

Appointed to the Board on 21 November 2007. Extensive engineering experience having worked as an engineer and consultant for more than 30 years on projects related to foundation equipment, food, and mining technology. Corporate member of the Institute of Engineers since 1976, a Registered Professional Engineer in Queensland, Australia since 1991 and a Fellow of the Australian Institute of Company Directors since 1999.

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

None

*Special responsibilities*

None

*Relevant interests in shares and options*

50,000 ordinary shares and 25,000 options



## Zicom Group Limited

### Directors' Report 2009

#### **Kok Hwee Sim**

##### **Corporate Development Director**

##### *Experience and expertise*

First appointed to the Board as an alternate director on 24 July 2006 and made a full director on 21 November 2007. Responsible for various corporate development work including restructuring, acquisitions, valuation of businesses, and intangibles. Son of the Chairman and Managing Director, Mr GL Sim and director of substantial shareholder, SNS Holdings Pte Ltd.

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

None

##### *Special responsibilities*

Enterprise Resource Planning Implementation for Group Companies

##### *Relevant interests in shares and options*

683,000 ordinary shares and 100,000 options

#### **Company Secretaries**

The joint Company Secretaries are Mr Surendra Kumar and Ms Jenny Lim. Mr Surendra Kumar has replaced Mr Michael Mee who resigned on 16 September 2009 to focus on an operational role on the same date.

Mr Kumar is the Finance Manager of Cesco Australia Limited and holds a Bachelors degree in Commerce from Auckland University and is a Certified Practicing Accountant. Ms Jenny Lim is the Group's Financial Controller and a director of Zicom Private Limited. Ms Lim is a Fellow of the Association of Chartered Certified Accountants, UK.

#### **Meetings of directors**

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2009, 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	5	5	-	-	1	1
Boon Heng Cheak	5	2	-	-	1	0
Frank Leong Yee Yew	5	5	3	3	-	-
Yian Poh Lim	5	5	3	3	1	1
Ian R Millard	5	5	3	3	-	-
Arthur G Palmer	5	5	-	-	-	-
Kok Hwee Sim	5	5	-	-	-	-

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

## Zicom Group Limited

### Directors' Report 2009

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#### Insurance or indemnification of officers

During the financial year, Zicom Group Limited paid a premium of A\$14,850 to insure 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.

#### Retirement, election and continuation in office of directors

Mr Lim Yian Poh retires by rotation and being eligible, offers himself for re-election. Mr John Cheak Boon Heng also retires by rotation, although eligible, is not offering himself for re-election so as to spend time with his third generation. The board records its thanks to Mr John Cheak for his past services and contributions to the Company.

#### Remuneration report (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, 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 Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

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 Remuneration and Nomination Committee has been formed. The members of the Remuneration and Nomination Committee comprise of Mr Y P Lim as Chairman, with Mr G L Sim and Mr John Cheak as members. The Remuneration and Nomination 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.

#### *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\$30,000 for being a director of the Group. An additional fee of A\$2,000 is also 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 committee recognises the additional time commitment, and responsibilities of the non-executive directors who serve on one or more sub committees.

#### *Senior Executives pay*

The senior executive pay and reward structure has the following components:

- Base pay and benefits;
- Short term incentives;
- Other remuneration such as superannuation, salary sacrifice for provision of motor vehicle;
- Participation in the Executive Share 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 level of remuneration is reviewed annually to ensure the senior executive's pay is competitive with the market. A senior executive's pay is also reviewed on promotion.

#### *Benefits*

Senior Executives receive benefits including health insurance, 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.

*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 entered into a 5 years' service agreement with ZHPL with effect from 1 July 2006. 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 is also appointed as the ZGL's group managing director as well as the Executive Chairman of all the operating subsidiaries. On 23 November 2006, Mr Sim was also appointed the Chairman of ZGL.

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. He is entitled to convert part of this performance bonus up to no more than 50% of the amount payable, into shares of ZGL at the average of the closing prices at the end of the relevant financial year. ZHPL's consolidated profits exceeded the target for the financial year just ended and Mr Sim will be paid a bonus accordingly. Mr Sim has elected to convert part of his performance bonus into 2,000,000 shares in ZGL, fully paid at A\$0.10, the average closing prices as at 30 June 2009, amounting to A\$200,000 (approximately S\$249,000). This is subject to shareholders' approval. Mr Sim is not paid any salary or fees by ZGL, CAL or any other group companies. In the event CAL's pre-tax results achieve minimum profit target, Mr Sim is paid a bonus not exceeding 5% of CAL's profits. During the year just ended, Mr Sim was not paid any bonus by CAL as the profit target was not achieved.

Other Senior Executives

All senior executives have rolling contracts. The company and the senior executives, with the exception of Mr James Vaughan, are required to give each other 6 months' notice to terminate the service contracts. Mr James Vaughan and the company are required to give each other two months' notice to terminate the service contract. The senior executives are entitled to a monthly salary and a car allowance. The senior executives are paid a performance bonus on their respective companies achieving agreed minimum profit targets. 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 as at the end of the relevant financial year. During the year, Messrs JL Sim and HS Tang have elected to convert part of their performance bonus into 1,000,000 shares each in ZGL, fully paid at A\$0.10, the average closing prices as at 30 June 2009, amounting to A\$100,000 (S\$123,100) for each of them.

For the year ended 30 June 2008, performance bonus amounting to S\$983,897 provided for in that period vested to the executives was paid in the current financial year. There were no forfeitures. Performance bonus accrued for the current financial year amounting to S\$1,810,000, which is 100% vested to the executives, has been reviewed by the remuneration and nomination committee and are not expected to have forfeitures.

Zicom Group Limited Employee Share and Option Plan

Options are granted under the Zicom Group Limited Employee Share and Option Plan ("Plan") which was approved by shareholders on 23 November 2006.

A person is eligible to participate in the plan if he or she is a director or an employee of a group company. The board may at any time make invitations to eligible employees to participate in the Plan. 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 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 Plan Options, then those options shall continue to be capable of being exercised in accordance with the Plan Rules.

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

Up to the end of the financial year just ended, 3,290,000 share options were granted to employees. Out of these outstanding options, 325,000 and 100,000 share options were granted during the financial year to directors and related party respectively.

## Zicom Group Limited

### Directors' Report 2009

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Options are granted at no cost to employees. When exercised, each option is convertible into one ordinary share, pursuant to a resolution passed at a meeting of the Board, which shall be credited as fully paid up and rank equally with all other fully paid ordinary share capital.

#### *Company Performance*

The table below shows the performance of the Group for the past 3 financial years:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Earnings per share (Australian cents)	4.47	3.53	3.50
Dividend per share (Australian cents)	0.60	0.80	0.35
Closing share price (Australian cents)	0.10	0.20	0.33
Net tangible asset per share (Australian cents)	20.84	15.58	11.24

The board recommends that the directors' fees for the financial year ending 30 June 2010 be fixed at a maximum sum of A\$150,000 (2008 : A\$180,000).

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Zicom Group Limited

Directors' Report 2009

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*Details of remuneration (audited)*

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosure*) of Zicom Group Limited for the year ended 30 June 2009 and 2008 are set out in the following tables:

2009	Name	Short Term Employee Benefits				Post employment benefit	Share-based payment	Performance related	
		Cash Salary and Fees	Short Term Cash	Non-monetary benefits	Other short-term employee benefits	Superannuation	Equity-based	Total	%
		S\$	S\$	S\$	S\$	S\$	S\$	S\$	
<i>Non-executive Directors</i>									
	BH Cheak	34,710	-	-	-	-	865	35,575	-
	YP Lim	40,133	-	-	-	-	865	40,998	-
	F Leong	34,710	-	-	-	-	865	35,575	-
	I R Millard	37,964	-	-	-	-	865	38,829	-
	A G Palmer	32,541	-	-	-	-	432	32,973	-
	<b>Sub-total non-executive directors</b>	<b>180,058</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,892</b>	<b>183,950</b>	
<i>Executive Directors</i>									
	GL Sim - Chairman	432,000	401,000	-	24,000	4,515	249,000	1,110,515	58.5
	KH Sim	100,419	98,000	-	12,000	13,057	1,729	225,205	43.5
	<b>Sub-total executive directors</b>	<b>532,419</b>	<b>499,000</b>	<b>-</b>	<b>36,000</b>	<b>17,572</b>	<b>250,729</b>	<b>1,335,720</b>	
<i>Other key management personnel</i>									
	JL Sim <sup>(1)</sup>	201,889	376,900	-	21,600	6,757	130,287	737,433	67.8
	HS Tang <sup>(2)</sup>	181,200	176,900	-	14,400	6,195	126,694	505,389	59.4
	GH Teoh <sup>(3)</sup>	178,200	262,000	2,514	18,000	9,452	3,594	473,760	55.3
	J V Vaughan <sup>(4)</sup>	177,890	-	37,249	21,032	17,789	3,594	257,554	-
	J Koon Sim <sup>(5)</sup>	159,374	-	9,810	20,700	5,895	-	195,779	-
	<b>Sub-total other key management personnel</b>	<b>898,553</b>	<b>815,800</b>	<b>49,573</b>	<b>95,732</b>	<b>46,088</b>	<b>264,169</b>	<b>2,169,915</b>	
	<b>Grand total</b>	<b>1,611,030</b>	<b>1,314,800</b>	<b>49,573</b>	<b>131,732</b>	<b>63,660</b>	<b>518,790</b>	<b>3,689,585</b>	

(1) JL Sim is the joint managing director of Zicom Pte Ltd

(2) HS Tang is the joint managing director of Zicom Pte Ltd

(3) GH Teoh is the managing director of Foundation Associates Engineering Pte Ltd

(4) JV Vaughan is the managing director of Cescio Australia Ltd

(5) J Koon Sim is the managing director of Sys-Mac Automation Engineering Pte Ltd

Zicom Group Limited

Directors' Report 2009

2008	Name	Short Term Employee Benefits			Post employment benefit	Share-based payment		% performance related	
		Cash Salary and Fees	Short Term Cash	Non-monetary benefits	Other short-term employee benefits	Superannuation	Equity-based		Total
		S\$	S\$	S\$	S\$	S\$	S\$	%	
<i>Non-executive Directors</i>									
	BH Cheak	41,280	-	-	-	-	-	41,280	-
	YP Lim	47,730	-	-	-	-	-	47,730	-
	F Leong	41,280	-	-	-	-	-	41,280	-
	I R Millard	53,016	-	-	-	-	-	53,016	-
	A G Palmer ( <i>appointed on 21 Nov 2007</i> )	38,700	-	-	-	-	-	38,700	-
	R E Keevers ( <i>resigned 27 Sep 2007</i> )	-	-	-	-	-	-	-	-
	<b>Sub-total non-executive directors</b>	<b>222,006</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>222,006</b>	
<i>Executive Directors</i>									
	GL Sim - Chairman	432,000	454,383	-	24,000	2,938	-	913,321	49.6
	KH Sim ( <i>appointed on 21 Nov 2007</i> )	115,035	45,000	-	11,400	8,174	-	179,609	-
	<b>Sub-total executive directors</b>	<b>547,035</b>	<b>499,383</b>	<b>-</b>	<b>35,400</b>	<b>11,112</b>	<b>-</b>	<b>1,092,930</b>	
<i>Other key management personnel</i>									
	JL Sim <sup>(1)</sup>	241,897	305,359	-	19,800	8,038	712	575,806	53.0
	GH Teoh <sup>(2)</sup>	175,500	174,207	2,114	13,450	10,191	356	375,818	46.4
	J V Vaughan <sup>(3)</sup>	228,828	-	45,595	21,548	20,875	356	317,202	-
	HS Tang <sup>(4)</sup>	188,346	90,600	-	13,800	5,743	356	298,845	-
	J Koon Sim <sup>(5)</sup>	178,615	49,948	7,450	12,183	10,898	-	259,094	19.3
		1,013,186	620,114	55,159	80,781	55,745	1,780	1,826,765	
	<b>Total</b>	<b>1,782,227</b>	<b>1,119,497</b>	<b>55,159</b>	<b>116,181</b>	<b>66,857</b>	<b>1,780</b>	<b>3,141,701</b>	

(1) JL Sim is the joint managing director of Zicom Pte Ltd

(2) GH Teoh is the managing director of Foundation Associates Engineering Pte Ltd

(3) JV Vaughan is the managing director of Cesco Australia Ltd

(4) HS Tang is the joint managing director of Zicom Pte Ltd

(5) J Koon Sim is the managing director of Sys-Mac Automation Engineering Pte Ltd

## Zicom Group Limited

### Directors' Report

#### Shares under option

During the year, the company granted 325,000 options to directors.

The exercise price of the options is A\$0.28 each and these are valid for 5 years with 50% of the options exercisable 24 months after the grant date and the remaining 50% exercisable 36 months after the grant date. The options are granted as an incentive to retain experiences and attract talent.

#### Details of share options to key management personnel

The following directors /key management were granted share options during the financial years 2009 and 2008:

2009	No	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	First exercise date	Last exercise date
<i>Directors</i>							
B H Cheak	25,000	28 Aug 08	A\$0.04	A\$0.28	27/8/2013	28/8/2010	27/8/2013
	25,000	28 Aug 08	A\$0.04	A\$0.28	27/8/2013	28/8/2011	27/8/2013
Y P Lim	25,000	28 Aug 08	A\$0.04	A\$0.28	27/8/2013	28/8/2010	27/8/2013
	25,000	28 Aug 08	A\$0.04	A\$0.28	27/8/2013	28/8/2011	27/8/2013
F Leong	25,000	28 Aug 08	A\$0.04	A\$0.28	27/8/2013	28/8/2010	27/8/2013
	25,000	28 Aug 08	A\$0.04	A\$0.28	27/8/2013	28/8/2011	27/8/2013
I R Millard	25,000	28 Aug 08	A\$0.04	A\$0.28	27/8/2013	28/8/2010	27/8/2013
	25,000	28 Aug 08	A\$0.04	A\$0.28	27/8/2013	28/8/2011	27/8/2013
A G Palmer	12,500	28 Aug 08	A\$0.04	A\$0.28	27/8/2013	28/8/2010	27/8/2013
	12,500	28 Aug 08	A\$0.04	A\$0.28	27/8/2013	28/8/2011	27/8/2013
K H Sim	50,000	28 Aug 08	A\$0.04	A\$0.28	27/8/2013	28/8/2010	27/8/2013
	50,000	28 Aug 08	A\$0.04	A\$0.28	27/8/2013	28/8/2011	27/8/2013
	<u>325,000</u>						

	Value of option granted during the year	Remuneration consisting of options during the year
B H Cheak	2,332	6.6%
Y P Lim	2,332	5.7%
F Leong	2,332	6.6%
I R Millard	2,332	6.0%
A G Palmer	1,166	3.5%
K H Sim	4,664	2.1%

2008	No	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	First exercise date	Last exercise date
<i>Executives</i>							
J L Sim	100,000	1 Jun 08	A\$0.08	A\$0.28	31/5/2013	1/6/2010	31/5/2013
	100,000	1 Jun 08	A\$0.08	A\$0.28	31/5/2013	1/6/2011	31/5/2013
G H Teoh	50,000	1 Jun 08	A\$0.08	A\$0.28	31/5/2013	1/6/2010	31/5/2013
	50,000	1 Jun 08	A\$0.08	A\$0.28	31/5/2013	1/6/2011	31/5/2013
J V Vaughan	50,000	1 Jun 08	A\$0.08	A\$0.28	31/5/2013	1/6/2010	31/5/2013
	50,000	1 Jun 08	A\$0.08	A\$0.28	31/5/2013	1/6/2011	31/5/2013
H S Tang	50,000	1 Jun 08	A\$0.08	A\$0.28	31/5/2013	1/6/2010	31/5/2013
	50,000	1 Jun 08	A\$0.08	A\$0.28	31/5/2013	1/6/2011	31/5/2013
	<u>500,000</u>						

	Value of option granted during the year	Remuneration consisting of options during the year
J L Sim	20,800	3.6%
G H Teoh	10,400	2.8%
J V Vaughan	10,400	3.3%
H S Tang	10,400	3.5%

## Zicom Group Limited

### Directors' Report

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As at 30 June 2009 and 2008, none of these options were vested and accordingly, none were exercised. There were no options granted to directors in 2008.

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

#### Shares issued on the exercise of option

No shares of ZGL were issued on the exercise of option during the year.

#### 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

Ernst and Young continues in office in accordance with section 327 of the *Corporations Act 2001*.

Non-audit services provided by the entity's auditor and related practices of the entity auditor, Ernst & Young, during the year include a total of A\$6,000 for the provision of tax compliance services. The directors are satisfied that the services disclosed does not compromise the external auditors' independence as the nature of the services provided do not compromise the general principles relating to auditor independence imposed by the *Corporations Act 2001*.

A copy of the auditor's signed independence declaration as required under Section 307C of the Corporations Act 2001 is attached to this report.

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



GL Sim  
Chairman/Managing Director  
Brisbane  
30 September 2009



## 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 2009, 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



Mike Reid  
Partner  
30 September 2009

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## Zicom Group Limited

### Corporate Governance Statement

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#### 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. The Board supports the guidelines on the “Principles of Good Corporate Governance and Best Practice Recommendations” established by the ASX Corporate Governance Council.

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

At the end of this Corporate Governance Statement there is a table detailing the recommendations with which the Company does not strictly comply.

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

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 objectives. It subsequently monitors performance and achievement of the 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, and available resources and major capital expenditure initiatives of the Company;
- maintains liaison with the Company’s auditor; and
- reports to Shareholders.

The performance of the board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the remuneration and nomination committee conducted performance evaluations that involved an assessment of each board’s member’s and key executive’s performance against specific and measurable qualitative and quantitative performance criteria. 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.

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

The recommendations of the Corporate Governance Council are that the composition of the Board be 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.

The recommendations of best practice are that the majority of the directors and in particular the chairperson should be 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; and
- 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.

Individual board members do not fulfil all of these criteria but the overall profile of the Board is considered the most appropriate for the activities of the Company.

Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are in the Directors’ Report under the heading “Information on Directors.”

## Zicom Group Limited

### Corporate Governance Statement

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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 G L Sim was appointed Managing Director of Zicom Group Limited commencing 1<sup>st</sup> 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 Pte Ltd. 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 Sim is, and was not independent.

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

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 Arthur G Palmer has no relationships or interest that would affect his role as an independent director.

Mr K H Sim is the Group Corporate Development Director and therefore is considered by the Board to be not independent.

#### **Term of Office**

The Company's Constitution specifies that at the annual general meeting in every year, one third of the Directors for the time being (with the exception of the Managing Director) must retire from office. A Director of or over the age of 72 may not be appointed or re-appointed as a Director except pursuant to a resolution passed by a 75% majority of those voting at a general meeting of Shareholders.

#### **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.

#### **Board Committees**

The Company has a Remuneration and Nomination Committee and an Audit Committee, the details of which are set out below:

##### **Remuneration and Nomination Committee**

The Remuneration and Nomination Committee is a combined committee, comprising of the following members:

- Mr Y P Lim (Chairman)
- Mr G L Sim
- Mr John Cheak

The committee is responsible for the recruitment and evaluation of Board members. In addition the committee formulates the remuneration policies for the Board Members and the Managing Director of the Group.

##### **Audit Committee**

The Audit Committee comprises of the following members:

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

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

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

## Zicom Group Limited

### Corporate Governance Statement

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- Review and monitor related party transactions and assess their propriety.
- Report on matters relevant to the committee's role and responsibilities.

#### **Principle 3: Promotion of Ethical and Responsible Decision-Making**

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour and business ethics on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. 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.

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 for twenty-four hours after:

- any major announcements;
- the release of the Company's half year and annual results to the ASX; and
- the Annual General Meeting.

Price sensitive information is information that a reasonable person would expect to have a material affect on the price or value of the company 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 Financial Reporting**

As stated above the Company's Audit Committee is made up of independent directors.

Each member of the Board has access to the external Auditor and the Auditor has access to each Board member.

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

The Company Secretary is the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communication with the ASX. This involves compliance with the continuous disclosure requirements of the Listing Rules.

#### **Principal 6: Respect the Rights of Shareholders**

Pursuant to Principle 6, the Board's objective is to promote effective communication with its shareholders at all times.

Zicom Group Limited is committed to:

- Ensuring that shareholders and financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way
- Complying with continuous disclosure obligations contained in the ASX listing rules and the Corporation Act in Australia
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX
- Through the distribution of annual report and Notice of Annual General Meeting
- Through shareholder meetings and investor relations presentations
- Through letters and other forms of communications directly with shareholders when deemed necessary
- Hosting all of the above on the Company website at [www.zicomgroup.com](http://www.zicomgroup.com)

The external auditors are required to attend the Annual General Meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

#### **Principle 7: Recognise and Manage Risk**

The Board is conscious of the need to continually maintain systems of risk management and controls in order to create long-term shareholder value. In recognition of this, the board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal controls on an annual basis. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management through the Managing Director, including the responsibility for the day to day design and implementation of the Company's risk management and internal control system. Management reports to the board on the Company's key risks and the extent to which it believes these risks are effectively managed.

## Zicom Group Limited

### Corporate Governance Statement

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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:

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

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

As stated above, a Remuneration and Nomination Committee has been established by the board.

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 Corporate Development Director receive performance based remuneration. In addition, the Group Managing Director has signed a service agreement with the Group for a term of 5 years from 1 July 2006.

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.

The Company does not have a policy that allows transactions which limit the economic risk in participating in unvested entitlements under equity-based remuneration schemes.

#### **Departures from the Recommendations of the ASX Corporate Governance Council.**

<b>Recommendation Number</b>	<b>Departure from Recommendation</b>	<b>Explanation for Departure</b>
1.1	There is no formalisation of the separation of functions between the Board and Management.	Throughout the reporting period the Board consisted of a majority of non-executive Directors. Practices followed are consistent with the Principle.
1.2	There is no written process for performance evaluation of the Board, committees, individual Directors and key executives.	The Remuneration and Nomination Committee monitors, reviews and discusses the performance of the Board and key executives and implements changes where necessary.
2.2	The chair is not an independent director.	The Chairperson and Managing Director positions are held by the same non-independent director. The Board has chosen a director who has significant experience in the business who will lead the Company in the best interests of the shareholders.
2.3	The roles of the chair and Managing Director are exercised by the same non-independent director.	The Board has agreed on the responsibilities and division between Chairman and Managing Director.
5.1	There are no written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements.	Although there are no written policies in place, the responsibility for compliance with the ASX Listing Rules is handled by the Board, in conjunction with the Company Secretary.
6.1	The Company has no formally designed or disclosed communication strategy with Shareholders.	The Board is conscious of the need to keep Shareholders and markets advised. The procedures adopted within the Company, although not written, are weighted towards informing Shareholders and markets.

**Zicom Group Limited**

**Corporate Governance Statement**

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7.1 and 7.2	There has been no written implementation of policy on risk oversight and management or for senior management to make statements to the Board concerning those matters.	Given the nature and size of the Company, its business interests and the involvement of all Directors, all of whom have business management skills, it was not considered necessary to establish a written policy. The Company adheres to the Recommendations under this Principle for statements by senior management to the Board.
8.2 and 8.3	There is no written policy other than as disclosed in the Directors Report pursuant to the requirements of the Corporations Act. A Remuneration Committee operated throughout the year.	Remuneration of Board members has been, and continues to be, in accordance with the general principles recommended by the ASX. Non Executive Directors receive a fixed fee for their services and do not receive performance-based remuneration. The Remuneration and Nomination Committee regularly reviews, and where warranted, changes the remuneration paid to Directors. Similarly the remuneration and other benefits paid to key executives is regularly reviewed and changed as needed. The Board is committed to establishing an enhanced framework for determining, reviewing and reporting on remuneration of directors and executives in accordance with Principle 8.

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**Zicom Group Limited**

**Income Statements for the year ended 30 June 2009**

(In Singapore dollars)

	Note	Consolidated		Parent Entity	
		2009 S\$	2008 S\$	2009 S\$	2008 S\$
<b>Revenue from continuing operations</b>	4	132,811,892	125,516,132	–	–
Other operating income	4	1,317,055	1,824,597	2,152,395	1,650,784
Cost of materials		(83,386,354)	(80,846,061)	–	–
Employee, contract labour and related costs		(21,629,237)	(20,808,152)	(73,512)	(202,819)
Depreciation and amortisation		(2,790,105)	(2,130,401)	–	–
Property related expenses		(2,361,570)	(1,622,613)	(8,678)	(15,464)
Other operating expenses	4	(10,706,967)	(10,166,219)	(434,129)	(300,566)
Finance costs		(920,372)	(985,011)	–	(17)
Provision for diminution in value of investment in controlled entity		–	–	–	714,934
<b>Profit before taxation</b>		<u>12,334,342</u>	<u>10,782,272</u>	<u>1,636,076</u>	<u>1,846,852</u>
Tax expense	5	(2,170,765)	(1,712,990)	–	–
<b>Profit for the year</b>		<u><u>10,163,577</u></u>	<u><u>9,069,282</u></u>	<u><u>1,636,076</u></u>	<u><u>1,846,852</u></u>
<b>Attributable to :</b>					
Equity holders of the Company		10,037,516	8,701,376	1,636,076	1,846,852
Minority interests		126,061	367,906	–	–
<b>Profit for the year</b>		<u><u>10,163,577</u></u>	<u><u>9,069,282</u></u>	<u><u>1,636,076</u></u>	<u><u>1,846,852</u></u>
<b>Earnings per share (cents)</b>					
Basic and fully diluted	6	<u><u>4.86</u></u>	<u><u>4.60</u></u>		

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Zicom Group Limited

Balance Sheets as at 30 June 2009

(In Singapore dollars)

	Note	Consolidated		Parent Entity	
		2009 S\$	2008 S\$	2009 S\$	2008 S\$
<b>Non-current assets</b>					
Property, plant and equipment	8	28,416,540	20,977,015	1	1
Intangible assets	9	6,953,783	7,490,548	–	–
Deferred tax assets	5	354,803	460,461	–	–
Investment in subsidiaries	10	–	–	47,981,385	45,594,830
Other receivables	11	–	–	990,757	976,153
Others	12	50,521	50,521	–	–
		<u>35,775,647</u>	<u>28,978,545</u>	<u>48,972,143</u>	<u>46,570,984</u>
<b>Current assets</b>					
Cash and bank balances		9,980,917	14,514,421	3,506	47,468
Inventories	13	20,405,003	19,936,202	–	–
Trade and other receivables	14	38,991,222	44,806,255	1,736,935	545,285
Prepayments		277,762	312,338	–	8,127
Unrealised gain on derivatives		211,842	–	–	–
Assets held for sale		–	66,075	–	–
		<u>69,866,746</u>	<u>79,635,291</u>	<u>1,740,441</u>	<u>600,880</u>
<b>TOTAL ASSETS</b>		<u>105,642,393</u>	<u>108,613,836</u>	<u>50,712,584</u>	<u>47,171,864</u>
<b>Current liabilities</b>					
Payables	16	29,930,743	35,557,158	1,037,436	617,259
Interest-bearing liabilities	17	7,838,670	17,303,462	–	–
Provisions	18	881,919	602,549	–	–
Provision for taxation		2,287,287	1,711,286	–	–
Unearned income		149,621	711,416	–	–
		<u>41,088,240</u>	<u>55,885,871</u>	<u>1,037,436</u>	<u>617,259</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>28,778,506</u>	<u>23,749,420</u>	<u>703,005</u>	<u>(16,379)</u>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	17	6,061,146	2,571,283	–	–
Deferred tax liabilities	5	956,572	647,743	–	–
Provisions	18	127,968	122,045	–	–
Payables	19	–	364,430	–	–
		<u>7,145,686</u>	<u>3,705,501</u>	<u>–</u>	<u>–</u>
<b>TOTAL LIABILITIES</b>		<u>48,233,926</u>	<u>59,591,372</u>	<u>1,037,436</u>	<u>617,259</u>
<b>NET ASSETS</b>		<u>57,408,467</u>	<u>49,022,464</u>	<u>49,675,148</u>	<u>46,554,605</u>
<b>Equity attributable to equity holders of the Company</b>					
Contributed equity	20	36,470,263	33,218,847	70,478,463	67,227,047
Reserves		(587,894)	109,904	647,246	812,489
Accumulated profit/(losses)		21,304,053	13,608,515	(21,450,561)	(21,484,931)
		<u>57,186,422</u>	<u>46,937,266</u>	<u>49,675,148</u>	<u>46,554,605</u>
<b>Minority interests</b>		<u>222,045</u>	<u>2,085,198</u>	<u>–</u>	<u>–</u>
<b>Total equity</b>		<u>57,408,467</u>	<u>49,022,464</u>	<u>49,675,148</u>	<u>46,554,605</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>105,642,393</u>	<u>108,613,836</u>	<u>50,712,584</u>	<u>47,171,864</u>



## Zicom Group Limited

### Statements of Changes in Equity for the financial year ended 30 June 2009

(In Singapore dollars)

	Note	Attributable to equity holders of the Company					Minority interests	Total equity
		Share capital	Foreign currency translation reserve	Share based payments reserve	Accumulated profits	Total		
		S\$	(a) S\$	(b) S\$	S\$	S\$		
<b>CONSOLIDATED</b>								
Balance at 1.7.2007		27,322,493	262,368	10,605	6,353,888	33,949,354	1,717,292	35,666,646
Foreign currency translation adjustment		–	(173,652)	–	–	(173,652)	–	(173,652)
Profit for the year		–	–	–	8,701,376	8,701,376	367,906	9,069,282
Total recognised income and expenses for the year		–	(173,652)	–	8,701,376	8,527,724	367,906	8,895,630
Share issued, net of expense	20	5,896,354	–	–	–	5,896,354	–	5,896,354
Dividends paid to ordinary shares	7	–	–	–	(1,446,749)	(1,446,749)	–	(1,446,749)
Cost of share-based payments		–	–	10,583	–	10,583	–	10,583
<b>Balance at 30.6.2008</b>		<b>33,218,847</b>	<b>88,716</b>	<b>21,188</b>	<b>13,608,515</b>	<b>46,937,266</b>	<b>2,085,198</b>	<b>49,022,464</b>
Foreign currency translation adjustment		–	(808,102)	–	–	(808,102)	–	(808,102)
Profit for the year		–	–	–	10,037,516	10,037,516	126,061	10,163,577
Total recognised income and expenses for the year		–	(808,102)	–	10,037,516	9,229,414	126,061	9,355,475
Share issued, net of expense	20	3,251,416	–	–	–	3,251,416	–	3,251,416
Cost of share-based payments		–	–	110,304	–	110,304	–	110,304
Acquisition of minority interests		–	–	–	(740,272)	(740,272)	(1,989,214)	(2,729,486)
Dividends paid to ordinary shares	7	–	–	–	(1,601,706)	(1,601,706)	–	(1,601,706)
<b>Balance at 30.06.2009</b>		<b>36,470,263</b>	<b>(719,386)</b>	<b>131,492</b>	<b>21,304,053</b>	<b>57,186,422</b>	<b>222,045</b>	<b>57,408,467</b>

- (a) 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.
- (b) The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

## Zicom Group Limited

### Statements of Changes in Equity for the financial year ended 30 June 2009

(In Singapore dollars)

Attributable to equity holders of the Company							
	Note	Share capital	Capital Reserves	Foreign currency translation reserve	Share based payments reserve	Accumulated profits/(losses)	Total equity
		S\$	S\$	S\$	S\$	S\$	S\$
<b>PARENT ENTITY</b>							
Balance at 1.7.2007		61,330,693	688,553	24,885	20,191	(21,885,034)	40,179,288
Foreign currency translation adjustment		-	-	68,277	-	-	68,277
Profit for the year		-	-	-	-	1,846,852	1,846,852
<hr/>							
Total recognised income and expenses for the year		-	-	68,277	-	1,846,852	1,915,129
Issue of new ordinary shares, net of expenses	20	5,896,354	-	-	-	-	5,896,354
Dividends paid or provided for	7	-	-	-	-	(1,446,749)	(1,446,749)
Cost of share-based payments		-	-	-	10,583	-	10,583
<hr/>							
<b>Balance at 30.6.2008</b>		<b>67,227,047</b>	<b>688,553</b>	<b>93,162</b>	<b>30,774</b>	<b>(21,484,931)</b>	<b>46,554,605</b>
<hr/>							
Foreign currency translation adjustment		-	-	(275,547)	-	-	(275,547)
Profit for the year		-	-	-	-	1,636,076	1,636,076
<hr/>							
Total recognised income and expenses for the year		-	-	(275,547)	-	1,636,076	1,360,529
Issue of new ordinary shares, net of expenses	20	3,251,416	-	-	-	-	3,251,416
Dividends paid or provided for	7	-	-	-	-	(1,601,706)	(1,601,706)
Cost of share-based payments		-	-	-	110,304	-	110,304
<hr/>							
<b>Balance at 30.6.2009</b>		<b>70,478,463</b>	<b>688,553</b>	<b>(182,385)</b>	<b>141,078</b>	<b>(21,450,561)</b>	<b>49,675,148</b>

## Zicom Group Limited

### Cash Flow Statements for the year ended 30 June 2009

(In Singapore dollars)

	Note	Consolidated		Parent Entity	
		2009 S\$	2008 S\$	2009 S\$	2008 S\$
<b>Cash flows from operating activities :</b>					
Operating profit before taxation		12,334,342	10,782,272	1,636,076	1,846,852
Adjustments for :					
Depreciation of property, plant and equipment		2,516,130	1,791,103	-	-
Amortisation of intangible assets		273,977	339,298	-	-
Bad debts written off		23,695	27,450	-	-
Doubtful debts written back		(28,320)	(10,524)	-	-
Allowance for doubtful debts		756,220	37,596	-	-
Allowance for inventory obsolescence		84,153	12,886	-	-
Inventories written off		190,608	55,670	-	-
Interest expenses		920,372	985,011	-	17
Interest income		(114,777)	(234,071)	(139,283)	(143,182)
Dividend income		-	-	(1,415,042)	(1,414,819)
Property, plant and equipment written off		22,251	43,428	-	-
Gain on disposal of property, plant and equipment, net		(634,570)	(207,420)	-	-
Impairment of property, plant and equipment		-	62,795	-	-
Provision for diminution in value		-	-	2,028,928	(714,934)
Provision for reinstatement cost		42,501	-	-	-
Cost of share-based payments		110,304	10,583	110,304	10,583
Currency realignment		(426,891)	(10,695)	(190,939)	68,277
<b>Operating profit before reinvestment in working capital</b>		<b>16,069,995</b>	<b>13,685,382</b>	<b>(578,884)</b>	<b>(347,206)</b>
Increase in stocks and work-in-progress		(1,466,908)	(7,184,158)	-	-
(Increase)/decrease in projects-in-progress		(1,349,870)	2,762,281	-	-
Decrease /(increase) in debtors		8,155,408	(13,397,791)	(623,112)	(146,121)
(Decrease)/increase in creditors		(14,406,804)	12,212,065	(151,996)	50,310
<b>Cash generated from/(used in) Operations</b>		<b>7,001,821</b>	<b>8,077,779</b>	<b>(1,353,992)</b>	<b>(443,017)</b>
Interest received		114,956	334,278	139,283	143,182
Interest paid		(949,441)	(930,425)	-	(17)
Income taxes paid		(1,180,868)	(1,680,790)	-	-
<b>Net cash provided by/(used in) operating activities</b>		<b>4,986,468</b>	<b>5,800,842</b>	<b>(1,214,709)</b>	<b>(299,852)</b>

## Zicom Group Limited

### Cash Flow Statements for the year ended 30 June 2009

(In Singapore dollars)

	Note	Consolidated		Parent Entity	
		2009 S\$	2008 S\$	2009 S\$	2008 S\$
<b>Cash flows from investing activities :</b>					
Purchase of property, plant and equipment	8(b)	(5,730,750)	(7,319,668)	-	-
Proceeds from disposal of property, plant and equipment	8(c)	2,281,405	1,838,589	-	-
Proceeds from disposal of assets held for sale		66,075	-	-	-
Increase in software development		(360,444)	-	-	-
Increase in development expenditure		(30,553)	(279,378)	-	-
Acquisition of minority interests		(1,398,831)	-	-	-
Increase in investment in joint venture		-	(30,000)	-	-
Dividend received		-	-	1,995,042	1,414,819
Increase in investment in controlled entity		-	-	(1,055,900)	(5,081,210)
<b>Net cash (used in)/ provided by investing activities</b>		<b>(5,173,098)</b>	<b>(5,790,457)</b>	<b>939,142</b>	<b>(3,666,391)</b>
<b>Cash flows from financing activities :</b>					
Loans from controlled entities		-	-	583,000	35,738
Loans to controlled entities		-	-	(1,049,400)	(780,975)
Repayment of loans by controlled entity		-	-	378,950	125,132
Net increase/(decrease) in amount due to directors		18,630	(36,998)	-	-
(Repayment of)/proceeds from bank borrowings		(3,427,789)	3,360,235	-	-
Dividends paid on ordinary shares by the Company		(1,601,706)	(1,446,749)	(1,601,706)	(1,446,749)
Dividends paid to minority shareholders		-	(49,000)	-	-
Proceeds from rights issue		1,920,761	-	1,920,761	-
Placement proceeds of new ordinary shares		-	5,896,354	-	5,896,354
Repayment of hire purchase creditors		(1,379,316)	(1,513,862)	-	-
Decrease in fixed deposit-pledged		-	11,409	-	-
<b>Net cash ( used in)/ provided by financing activities</b>		<b>(4,469,420)</b>	<b>6,221,389</b>	<b>231,605</b>	<b>3,829,500</b>
Net (decrease)/ increase in cash and cash equivalents		(4,656,050)	6,231,774	(43,962)	(136,743)
Cash and cash equivalents at beginning of year	21	14,244,808	8,013,034	47,468	184,211
<b>Cash and cash equivalents at end of year</b>	21	<b>9,588,758</b>	<b>14,244,808</b>	<b>3,506</b>	<b>47,468</b>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 1. Corporate information

This financial report of Zicom Group Limited (the “Company” or “Parent Entity”) and its subsidiaries for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 30 September 2009.

Zicom Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange Limited.

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 requirement of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. 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.

##### 2.2 Statement of compliance

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

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 2009. The directors of the Group have yet to finalise their assessment of the impact of these new and amended standards and interpretations. These are outlined below:

- AASB 8 and AASB 2007-3 Operating Segments and consequential amendments to other Australian Accounting Standards
- AASB 1039 Concise Reporting
- AASB 101 (Revised), AASB 2007-8 and AASB 2007-10 Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards
- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations
- AASB 3 (Revised) Business Combinations
- AASB 127 Consolidated and Separate Financial Statements
- AASB 2008 – 3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127
- AASB 2008 -5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2008 - 6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2008 -7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- AASB 2009 – 2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]
- AASB 2009 – 4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]
- AASB 2009 - 5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]
- AASB 2009 - 7 Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]
- AASB 2009 - 8, AASB 2009 - 6 and AASB 2009 - 7 Amendments to IFRS 2

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 2.3 Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.14(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

#### *Transaction with minority interests*

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

#### 2.4 Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 2.5 Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

For management purposes, the Group is organised into four main operating business which is the basis on which the Group reports its primary segment information.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses. Segment capital expenditure is the total costs incurred during the year to acquire segment assets that are expected to be used for more than one year.

#### 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.

##### (b) *Foreign currency transactions*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet 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 transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the foreign operation.

##### (c) *Foreign currency translation*

The results and financial position of foreign operations are translated into SGD using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 2.7 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow the Group and the revenue can be reliably measured.

##### *Sale of goods*

Revenue on sale of goods are recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, which generally coincides with delivery and acceptance of the goods sold.

##### *Services rendered*

Revenue from services rendered are recognised upon performance of the services.

##### *Revenue recognised on projects*

Revenue on contract jobs are recognised on 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.

##### *Interest income*

Interest income is recognised using the effective interest method.

##### *Dividends*

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

##### *Rental income*

Rental income is accounted for on a straight-line basis over the lease terms on ongoing leases. 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 income is recognised on an accrual basis.

#### 2.8 Taxation

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

Current 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 by the balance sheet date.

##### (b) *Deferred tax*

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

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

- Where the deferred tax 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;
- In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.



## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 2.8 Taxation (cont'd)

The carrying amount of deferred tax asset is reviewed at each balance sheet 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 balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 balance sheet date.

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

##### (c) Goods and Services Tax

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

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

#### 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 such indication exists, or when annual impairment testing for an asset (i.e. goodwill acquired in a business combination) is required, the Group makes an estimate of 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. 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 of continuing operations are recognised in the income statement as 'impairment losses'.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised 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 estimates 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 the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 2.10 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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 directly in equity is recognised in the income statement.

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

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or are acquired principally for the purpose of selling it in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the income statement. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

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

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- cash and short term deposits;
- trade and other receivables, including amounts due from holding companies, subsidiaries and related parties.

#### 2.11 Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in the income statement when the liabilities are derecognised and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other amounts payable, payables to related parties and interest-bearing loans and borrowings.

#### 2.12 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 2.12 Impairment of financial assets (cont'd)

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. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

#### 2.13 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.

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

Freehold land has 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 properties	over remaining period of the lease expiring years 2039 to 2043
Machinery	10 years
Office furniture and equipment	5 years
Motor vehicles	5 years
Computers	1 year

Building in-progress and machinery under installation included in property, plant and equipment 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 to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

#### 2.14 Intangible assets

##### (a) *Goodwill*

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

2.14 Intangible assets (cont'd)

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 the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of 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 operations disposed of and the portion of the cash-generating unit retained.

(b) *Other intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful 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.

Intangible assets with indefinite useful lives or not yet available for use 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. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

(i) Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditure on an individual project is recognised 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 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. Deferred development costs are not amortised as it is not yet available for use or sale.

(ii) Club membership

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

(iii) Customer list

Customer lists acquired in business combinations have finite useful lives and are amortised on a straight-line basis over 3 to 5 years.

(iv) Computer software

Computer software acquired separately is measured initially at cost. Following initial acquisition, computer software is stated at cost less accumulated amortisation and impairment losses, if any. These costs will be amortised using the straight line method over its estimated useful life of 5 years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortisation period and method is reviewed at least annually. Since the computer software is not ready for use as at 30 June 2009, no amortisation was charged during the current financial year.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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#### 2.15 Joint venture

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The Group's investment in joint venture is recorded at cost and adjusted to recognise the Group's share of the net assets of the joint venture at date of acquisition.

The Group's share of the results of joint venture is equity accounted for in the Group's financial statements from the date of acquisition.

#### 2.16 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 that form an integral part of the Group's cash management.

#### 2.17 Inventories

Inventories including raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out and includes carriage inwards, handling charges and direct expenses. In the case of work-in-progress, the cost is substantially made up of materials, direct labour and factory overheads.

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

#### 2.18 Construction 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 balance sheet date, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by the proportion that the costs incurred to date bear to 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.

Only costs that reflect services performed are included in the estimated total costs of the contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### 2.19 Provisions

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

Provisions are reviewed at each balance sheet 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, where 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.

Provision for warranty is recognised for all products under warranty at the balance sheet date based on experience of the level of repairs and returns. The warranty provision represents the best estimate of the Group's contractual obligations at the balance sheet date. The majority of the costs is expected to be incurred over the applicable warranty periods.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 2.20 Borrowing costs

Borrowing costs are recognised in the income statement as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use.

#### 2.21 Leases

##### *As lessee*

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased property, plant and equipment. 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 directly to the income statement. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

##### *As lessor*

Leases where the Group transfers substantially all the risks and benefits incidental to ownership of the lease item is accounted for in accordance with the Group's policy for outright sales. Cost incurred in connection with negotiating and arranging the finance lease is 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 cost incurred in negotiating an operating lease are added to the carrying amount of leased and recognised over the lease term on the same bases as rental income.

#### 2.22 Employee benefits

##### (a) Wages and salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised as accruals for employee benefits in respect of employees' services up to the reporting date and measured at the amounts expected to be paid when liabilities are settled. Liabilities for non accumulating leave are recognised when the leave is taken and measured at the rates paid or payable.

##### (b) Long service leave

The liability for long service leave, applicable to Australian subsidiaries, is 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 with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### (c) Superannuation

Contributions are made by the Group, for its Australian subsidiaries, to employee accumulation superannuation funds and are charged as expenses when they become payable.

The Group's companies in Singapore make contributions to the state pension scheme, the Central Provident Fund ("CPF"). CPF is a defined contribution scheme. Contributions to this scheme are recognised as compensation expenses in the same year as the employment that give rise to the contribution.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

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.

##### (d) Employee share option plan

Employees of the Group receive remuneration in the form of share options as consideration for service rendered. The cost of these equity-settled transactions with employees is measured by reference to fair value of the options at the date on which the options are granted. This cost is recognised in the income statement, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expenses 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 the income statement for a period represents the movement in cumulative expense recognised as at beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

#### 2.23 Derivative financial instruments

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date.

Any gains or losses arising from changes in fair value on derivative financial instruments are taken to the income statement for the year.

#### 2.24 Government grants

Government grants are recognised at their fair value 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 in the income statement over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is deducted against the cost of the asset to arrive at the carrying amount of the asset.

#### 2.25 Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### 2.26 Earnings per share

##### (a) Basic earnings per share

Basic earnings per share is determined by dividing net profit attributable to members of the company by the weighted average number of ordinary shares outstanding during the year.

##### (b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of the interest and other financing costs associated with dilutive potential ordinary shares and weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 2.27 Critical accounting estimates and judgments

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

##### (a) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### (i) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 34 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the balance sheet date is disclosed in Note 8 to the financial statements.

##### (ii) 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 indefinite life intangibles 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. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 9 to the financial statements.

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

The Group assesses at each balance sheet date 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 balance sheet date is disclosed in note 22 to the financial statements.

##### (b) *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

##### Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and deferred tax liabilities at 30 June 2009 was S\$2,287,287 (2008: S\$1,711,286) and S\$956,572 (2008: S\$647,743) respectively. The Group also has deferred tax assets of S\$354,803 (2008: S\$460,461) as at 30 June 2009.



## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 3. Segment information

##### *Business segments*

The following tables present revenue and profit information regarding business segments for the years ended 30 June 2009 and 2008.

	Offshore marine, oil and gas S\$	Construction S\$	Precision engineering and automation S\$	Industrial and mobile equipment S\$	Consolidated S\$
<b>Year ended 30 June 2009</b>					
<b>Revenue</b>					
Sales to external customers	77,709,370	44,730,181	7,672,774	2,699,567	132,811,892
Other revenue	59,015	1,089,727	13,740	17	1,162,499
Inter-segment sales	87,861	244,761	473,737	259,008	1,065,367
Total segment revenue	77,856,246	46,064,669	8,160,251	2,958,592	135,039,758
Inter-segment elimination					(1,065,367)
Unallocated revenue					39,779
Interest income					114,777
<b>Total consolidated revenue</b>					<b>134,128,947</b>
<b>Result</b>					
Segment results	24,238,631	810,624	(483,899)	918,785	25,484,141
Other revenue					39,779
Unallocated expenses					(12,383,983)
Profit before tax and finance cost					13,139,937
Finance costs					(920,372)
Interest income					114,777
<b>Profit before income tax expense</b>					<b>12,334,342</b>
Income tax expense					(2,170,765)
<b>Net profit after tax expense</b>					<b>10,163,577</b>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 3. Segment information (cont'd)

	Offshore marine, oil and gas S\$	Construction S\$	Precision engineering and automation S\$	Industrial and mobile equipment S\$	Consolidated S\$
<b>Year ended 30 June 2009</b>					
<b>Assets and liabilities</b>					
Segment assets	43,757,428	40,294,014	10,236,192	3,510,814	97,798,448
Investment in joint venture					50,001
Unallocated assets					7,793,944
Total assets					105,642,393
Segment liabilities	18,907,790	5,954,125	1,494,113	921,376	27,277,404
Unallocated liabilities					20,956,522
Total liabilities					48,233,926
<b>Other segment information</b>					
Capital expenditure	1,090,740	9,866,043	179,273	19,033	11,155,089
Depreciation and amortisation	398,206	1,383,413	708,631	18,093	2,508,343
Other non-cash expenses	727,130	205,347	11,637	–	944,114

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 3. Segment information (cont'd)

	Offshore marine, oil and gas S\$	Construction S\$	Precision engineering and automation S\$	Industrial and mobile equipment S\$	Consolidated S\$
<b>Year ended 30 June 2008</b>					
<b>Revenue</b>					
Sales to external customers	44,017,178	65,847,731	12,681,124	2,970,099	125,516,132
Other revenue	811,411	703,733	47,416	123	1,562,683
Inter-segment sales	1,103,483	96,693	285,528	793,333	2,279,037
Total segment revenue	45,932,072	66,648,157	13,014,068	3,763,555	129,357,852
Inter-segment elimination					(2,279,037)
Unallocated revenue					261,914
<b>Total consolidated revenue</b>					<b>127,340,729</b>
<b>Result</b>					
Segment results	11,986,695	6,587,288	934,880	889,357	20,398,220
Other revenue					27,843
Unallocated expenses					(8,892,851)
Profit before tax and finance cost					11,533,212
Finance costs					(985,011)
Interest income					234,071
<b>Profit before income tax expense</b>					<b>10,782,272</b>
Income tax expense					(1,712,990)
<b>Net profit after tax expense</b>					<b>9,069,282</b>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 3. Segment information (cont'd)

	Offshore marine, oil and gas S\$	Construction S\$	Precision engineering and automation S\$	Industrial and mobile equipment S\$	Consolidated S\$
<b>Year ended 30 June 2008</b>					
<b>Assets and liabilities</b>					
Segment assets	36,162,837	46,902,592	10,978,473	3,489,353	97,533,255
Investment in joint venture					50,001
Unallocated assets					11,030,580
Total assets					108,613,836
Segment liabilities	19,244,644	13,379,896	1,396,212	585,645	34,606,397
Unallocated liabilities					24,984,975
Total liabilities					59,591,372
<b>Other segment information</b>					
Capital expenditure	4,649,895	5,277,681	1,077,612	16,698	11,021,886
Depreciation and amortisation	119,333	1,188,248	588,465	17,754	1,913,800
Impairment losses	–	–	62,795	–	62,795
Other non-cash expenses	31,113	89,845	–	1,913	122,871

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 3. Segment information (cont'd)

##### *Geographical segments*

The Group's geographical segments are determined based on location of Group's assets.

The following table presents revenue and certain assets information regarding geographical segments for the years ended 30 June 2009 and 2008.

##### **Year ended 30 June 2009**

<b>Revenue</b>	<b>Australia S\$</b>	<b>Malaysia S\$</b>	<b>Singapore S\$</b>	<b>China S\$</b>	<b>United States S\$</b>	<b>Others S\$</b>	<b>Total S\$</b>
Sales to external customers	22,146,270	28,542,988	43,353,871	13,855,552	10,481,293	14,431,918	132,811,892
Other revenue from external customers	25,192	147,835	729,718	331,152	2,675	80,483	1,317,055
							<u>134,128,947</u>
<b>Other segment information</b>							
Segment assets	11,943,692	62,809	78,502,598	1,546,368	–	13,030,669	105,086,136
Investment in joint venture							50,001
Unallocated assets							<u>506,256</u>
							<u>105,642,393</u>
Capital expenditure	<u>346,671</u>	–	<u>5,573,936</u>	<u>17,499</u>	–	<u>5,687,991</u>	<u>11,626,097</u>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 3. Segment information (cont'd)

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

##### Year ended 30 June 2008

	Australia S\$	Malaysia S\$	Singapore S\$	China S\$	United States S\$	Others S\$	Total S\$
<b>Revenue</b>							
Sales to external customers	32,220,241	18,568,712	50,846,806	8,773,226	3,339,630	11,767,517	125,516,132
Other revenue from external customers	98,114	57,102	325,898	1,205,667	–	137,816	<u>1,824,597</u>
							<u>127,340,729</u>
<b>Other segment information</b>							
Segment assets	20,219,176	74,239	77,110,951	1,874,104	–	8,290,654	107,569,124
Investment in joint venture							50,001
Unallocated assets							<u>994,711</u>
							<u>108,613,836</u>
Capital expenditure	<u>1,095,501</u>	–	<u>6,751,793</u>	<u>38,497</u>	–	<u>3,136,095</u>	<u>11,021,886</u>

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## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 4. Revenue, income and expenses

##### (i) Revenue

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Sales of goods	77,334,052	90,794,329	–	–
Rendering of services	6,583,855	8,603,386	–	–
Rental revenue	2,373,036	2,928,945	–	–
Revenue recognised on projects	46,520,949	23,189,472	–	–
	<u>132,811,892</u>	<u>125,516,132</u>	<u>–</u>	<u>–</u>

##### (ii) Other operating income

Interest income	114,777	234,071	139,285	143,182
Commission income	270,803	953,317	–	–
Net gain on disposal of property, plant and equipment	634,570	207,420	–	–
Dividend income on quoted equity investment	100	110	–	–
Service rendered	142,802	47,385	–	–
Bad debts recovered	–	25,866	–	–
Other revenue	154,003	356,428	18,068	92,783
Dividends received	–	–	1,995,042	1,414,819
	<u>1,317,055</u>	<u>1,824,597</u>	<u>2,152,395</u>	<u>1,650,784</u>

##### (iii) Other operating expenses

Included in other operating expenses are the following:

Allowance for inventory obsolescence	84,153	12,886	–	–
Allowance for doubtful debts - trade	727,900	27,072	–	–
Bad debts written off	23,695	27,450	–	–
Foreign exchange (gain)/loss	(108,598)	59,146	13,202	(2,505)
Provision for warranties, net	462,500	234,212	–	–
Impairment loss for property, plant and equipment	–	62,795	–	–
Property, plant and equipment written off	22,252	43,428	–	–
Inventories written off	190,608	55,670	–	–

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 5. Tax expense

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Current income tax				
- Current income tax charge	1,943,459	1,473,961	-	-
- Adjustments in respect of previous years	(186,591)	(27,187)	-	-
Deferred income tax				
- Relating to the origination and reversal of temporary differences	324,447	266,216	-	-
- Adjustment in respect of previous years	89,450	-	-	-
	<u>2,170,765</u>	<u>1,712,990</u>	<u>-</u>	<u>-</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		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Profit before taxation	12,334,342	10,782,272	1,636,076	1,846,852
Tax expense :				
Tax at the domestic rates applicable to profits in the countries where the group operates	2,104,322	2,096,103	(490,823)	554,056
Revenue deduction claimed for non qualifying assets	(25,499)	-	-	-
Release of deferred tax liability on intangible assets	(64,284)	(90,437)	-	-
Non-deductible expenses	183,741	131,489	-	-
Non-taxable income	(519,880)	(168,779)	(598,513)	(638,926)
Partial tax exemption	(127,965)	(136,512)	-	-
Deferred tax asset not recognised	972,726	37,373	107,690	84,870
Utilisation of deferred tax asset previously not recognised	(232,721)	(111,109)	-	-
Overprovision in prior years	(97,141)	(27,187)	-	-
Change in tax rate	(15,981)	-	-	-
Others	(6,553)	(17,951)	-	-
Tax expense	<u>2,170,765</u>	<u>1,712,990</u>	<u>-</u>	<u>-</u>

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17% for the year of Assessment 2010 onwards from 18% for the year of Assessment 2009. The effect of the reduction is disclosed above.

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



## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 5. Tax expense (cont'd)

Deferred taxation as at 30 June relates to the following:

	Consolidated balance Sheet		Consolidated income statement		Parent entity balance sheet	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$	2009 S\$	2008 S\$
<b>Deferred tax liabilities</b>						
Differences in depreciation	(804,948)	(316,914)	488,034	71,909	–	–
Intangible assets	(265,698)	(370,838)	(65,073)	(62,338)	–	–
Accrual for unconsumed leave	40,470	40,009	(461)	(26,009)	–	–
Unutilised capital allowances	66,640	–	(66,640)	–	–	–
Others	6,964	–	(6,964)	–	–	–
	<u>(956,572)</u>	<u>(647,743)</u>			<u>–</u>	<u>–</u>
<b>Deferred tax assets</b>						
Unutilised tax losses	349,803	453,485	63,025	250,002	–	–
Unutilised capital allowances	–	–	–	1,477	–	–
Accrual for unconsumed leave	5,554	7,208	1,654	26,741	–	–
Differences in depreciation	(1,592)	(232)	1,360	(18,219)	–	–
Allowance for doubtful debts	–	–	–	22,653	–	–
Others	1,038	–	(1,038)	–	–	–
	<u>354,803</u>	<u>460,461</u>	<u>413,897</u>	<u>266,216</u>	<u>–</u>	<u>–</u>



## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 7. Dividends

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Dividends declared:				
- Final unfranked dividend for 2007: 0.20 Australian cents per share	-	465,656	-	465,656
- Interim unfranked dividend for 2008: 0.40 Australian cents per share	-	981,093	-	981,093
- Final unfranked dividend for 2008: 0.40 Australian cents per share	972,160	-	972,160	-
- Interim unfranked dividend for 2009: 0.30 Australian cents per share	629,546	-	629,546	-
	<u>1,601,706</u>	<u>1,446,749</u>	<u>1,601,706</u>	<u>1,446,749</u>
Dividends not recognised as a liability as at 30 June:				
- Final unfranked dividend for 2008 : 0.40 Australian cents per share	-	980,097	-	980,097
- Final unfranked dividend for 2009 : 0.30 Australian cents per share	<u>770,892</u>	<u>-</u>	<u>770,892</u>	<u>-</u>

After the balance sheet date, the final dividends for 2009 were approved by the board of directors. These amounts have not been accounted for in 2009 but will be accounted for in 2010.

Zicom Group Limited

Notes to the Financial Statements

(In Singapore dollars)

8. Property, plant and equipment

Consolidated	Freehold land	Leasehold properties	Building	Building-in-progress	Machinery under installation	Plant and equipment	Renovation	Motor vehicles	Total
Cost	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
At 1.7.2007	533,769	6,698,091	357,365	896,005	–	13,274,501	400,148	1,600,540	23,760,419
Currency realignment	(85,966)	(14,881)	(57,555)	–	–	(64,735)	–	(27,740)	(250,877)
Acquisition of business (note 28)	–	–	–	–	–	199,135	–	243,388	442,523
Additions	1,817,612	3,256,964	–	657,691	–	3,962,472	551,494	333,130	10,579,363
Disposals	–	–	–	–	–	(2,491,386)	–	(158,061)	(2,649,447)
Write-off	–	–	–	–	–	(61,119)	(68,836)	–	(129,955)
Classified as held for sale	–	–	–	–	–	(78,631)	(158,560)	–	(237,191)
Reclassification	–	849,997	–	(896,005)	–	46,008	–	–	–
<b>At 30.6.2008</b>	<b>2,265,415</b>	<b>10,790,171</b>	<b>299,810</b>	<b>657,691</b>	<b>–</b>	<b>14,786,245</b>	<b>724,246</b>	<b>1,991,257</b>	<b>31,514,835</b>
Currency realignment	103,658	3,547	13,718	30,094	–	(389,006)	–	(55,899)	(293,888)
Additions	–	56,320	–	3,956,673	1,672,196	5,330,420	556,224	54,264	11,626,097
Disposals	(15,531)	(441,730)	–	–	–	(2,706,923)	–	(35,520)	(3,199,704)
Reclassification	–	–	–	–	–	10,450	(10,450)	–	–
Write-off	–	–	–	–	–	(56,574)	–	(16,338)	(72,912)
<b>At 30.6.2009</b>	<b>2,353,542</b>	<b>10,408,308</b>	<b>313,528</b>	<b>4,644,458</b>	<b>1,672,196</b>	<b>16,974,612</b>	<b>1,270,020</b>	<b>1,937,764</b>	<b>39,574,428</b>
Accumulated depreciation and impairment									
At 1.7.2007	–	1,892,375	161,774	–	–	6,793,176	180,147	1,024,889	10,052,361
Currency realignment	–	(10,520)	(27,864)	–	–	(32,038)	–	(22,096)	(92,518)
Acquisition of business	–	–	–	–	–	–	–	–	–
Charge for 2008	–	156,821	16,810	–	–	1,234,281	96,293	286,898	1,791,103
Disposals	–	–	–	–	–	(945,864)	–	(72,414)	(1,018,278)
Impairment loss	–	–	–	–	–	15,384	47,411	–	62,795
Write off	–	–	–	–	–	(29,502)	(57,025)	–	(86,527)
Classified as held for sale	–	–	–	–	–	(62,552)	(108,564)	–	(171,116)
<b>At 30.6.2008</b>	<b>–</b>	<b>2,038,676</b>	<b>150,720</b>	<b>–</b>	<b>–</b>	<b>6,972,885</b>	<b>158,262</b>	<b>1,217,277</b>	<b>10,537,820</b>
Currency realignment	–	2,616	7,060	–	–	(285,084)	1,828	(18,952)	(292,532)
Charge for 2009	–	267,346	15,513	–	–	1,714,498	308,067	210,706	2,516,130
Disposals	–	–	–	–	–	(1,517,348)	–	(35,521)	(1,552,869)
Reclassification	–	–	–	–	–	1,823	(1,823)	–	–
Write off	–	–	–	–	–	(34,323)	–	(16,338)	(50,661)
<b>At 30.6.2009</b>	<b>–</b>	<b>2,308,638</b>	<b>173,293</b>	<b>–</b>	<b>–</b>	<b>6,852,451</b>	<b>466,334</b>	<b>1,357,172</b>	<b>11,157,888</b>
<b>Net carrying value</b>									
<b>At 30.6.2009</b>	<b>2,353,542</b>	<b>8,099,670</b>	<b>140,235</b>	<b>4,644,458</b>	<b>1,672,196</b>	<b>10,122,161</b>	<b>803,686</b>	<b>580,592</b>	<b>28,416,540</b>
<b>At 30.6.2008</b>	<b>2,265,415</b>	<b>8,751,495</b>	<b>149,090</b>	<b>657,691</b>	<b>–</b>	<b>7,813,360</b>	<b>565,984</b>	<b>773,980</b>	<b>20,977,015</b>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

##### Parent Entity

	<b>Plant and equipment</b>
<b>Cost</b>	S\$
At 1.7.2008	3,001
Currency realignment	-
At 30.6.2008 and 30.6.2009	<u>3,001</u>
<b>Accumulated depreciation</b>	
At 1.7.2008	3,000
Currency realignment	-
At 30.6.2008 and 30.6.2009	<u>3,000</u>
<b>Net carrying value</b>	
<b>At 30.6.2009</b>	<u>1</u>
<b>At 30.6.2008</b>	<u>1</u>

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

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	S\$	S\$	S\$	S\$
Motor vehicle	134,474	265,651	-	-
Plant and equipment	2,583,193	2,563,720	-	-
	<u>2,717,667</u>	<u>2,829,371</u>	<u>-</u>	<u>-</u>

(b) During the year, the Group acquired property, plant and equipment with an aggregate cost of S\$11,626,097 (2008: S\$11,021,886) of which S\$3,735,438 (2008: S\$2,181,512) and S\$1,427,700 (2008: S\$1,520,706) were acquired by means of factory loans and hire purchase financing respectively. Cash payments of S\$5,730,750 (2008: S\$7,319,668) were made to purchase property, plant and equipment. The balance of S\$732,209 (2008: S\$ nil) 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\$1,646,835 (2008: S\$1,631,169). Sales proceeds amounting to S\$2,281,405 (2008: S\$1,838,589) 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\$22,251 (2008: S\$43,428).

(e) The net book value of property, plant and equipment pledged as security are as follows :

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	S\$	S\$	S\$	S\$
Mortgage of leasehold properties	5,669,759	6,240,799	-	-
Mortgage of freehold land and building	2,493,777	2,414,505	-	-
Mortgage of building in progress	4,644,458	657,691	-	-
	<u>12,807,994</u>	<u>9,312,995</u>	<u>-</u>	<u>-</u>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 9. Intangible assets

<i>Group</i>	Customer list	Developed technology	Goodwill	Trade mark	Development expenditure	Club membership	Computer Software	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
At 1 July 2007	935,917	1,185,944	5,523,271	–	–	12,114	–	7,657,246
Additions	–	–	–	256,048	279,378	–	–	535,426
Currency realignment	(397)	(1,415)	693	(738)	–	(1,951)	–	(3,808)
At 30 June 2008	935,520	1,184,529	5,523,964	255,310	279,378	10,163	–	8,188,864
Additions	–	–	–	–	30,553	–	360,444	390,997
Disposal	–	–	–	(255,310)	–	–	–	(255,310)
Currency realignment	(33,872)	(99,676)	(265,392)	–	–	465	–	(398,475)
At 30 June 2009	901,648	1,084,853	5,258,572	–	309,931	10,628	360,444	7,926,076
Accumulated amortisation :								
At 1 July 2007	198,388	160,630	–	–	–	–	–	359,018
Amortisation	170,059	169,239	–	–	–	–	–	339,298
At 30 June 2008	368,447	329,869	–	–	–	–	–	698,316
Amortisation	131,524	142,453	–	–	–	–	–	273,977
At 30 June 2009	499,971	472,322	–	–	–	–	–	972,293
Net carrying value :								
<b>At 30 June 2009</b>	<b>401,677</b>	<b>612,531</b>	<b>5,258,572</b>	<b>–</b>	<b>309,931</b>	<b>10,628</b>	<b>360,444</b>	<b>6,953,783</b>
<b>At 30 June 2008</b>	<b>567,073</b>	<b>854,660</b>	<b>5,523,964</b>	<b>255,310</b>	<b>279,378</b>	<b>10,163</b>	<b>–</b>	<b>7,490,548</b>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 9. Intangible assets (cont'd)

	Customer list	Developed technology
Average remaining Amortisation period (years) - 2009	<u>3</u>	<u>4</u>
Average remaining Amortisation period (years) - 2008	<u>4</u>	<u>5</u>

#### Impairment tests for goodwill

In accordance with AASB 3, the carrying value of the Group's goodwill on acquisition as at 30 June 2009 was assessed for impairment.

Group	As at	As at	Basis on which recoverable values are determined	Growth rate per annum	Discount rate per annum	
	30.6.2009	30.6.2008			2009	2008
	S\$	S\$		%	%	%
<i>Carrying value of capitalised goodwill based on cash generating units</i>						
Sys-mac Automation Engineering Pte Ltd	2,974,271	2,974,271	Value-in-use	5% to 10%	13%	11%
Zicom Group Limited	<u>2,283,263</u>	<u>2,548,656</u>	Value-in-use	3%	16%	14%
	<u>5,257,534</u>	<u>5,522,927</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 cashflow projections based on financial budgets approved by management covering a one-year period. Management determined budgeted gross margin in the financial budgets based on past performance and its expectation of market development. Cash flows beyond the one-year period are extrapolated using the growth rates stated above.

No impairment loss was required for the financial years ended 30 June 2009 and 2008 for the goodwill assessed as their recoverable values were in excess of their carrying values.

#### 10. Investment in subsidiaries

	Parent Entity	
	2009	2008
	S\$	S\$
Investment in controlled entities, at cost	53,523,877	51,137,322
Less :Impairment loss	<u>(5,542,492)</u>	<u>(5,542,492)</u>
	<u>47,981,385</u>	<u>45,594,830</u>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

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

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

The details of controlled entities are as follows:

Name of Company	Country of incorporation/ formation	Carrying value of Parent Entity Investment		Percentage of equity held by the Group	
		2009 S\$	2008 S\$	2009 %	2008 %
<b>Held by the Company:</b>					
Cesco Australia Limited	Australia	3,806,759	2,750,859	100	100
Zicom Holdings Pte Ltd	Singapore	44,174,626	42,843,971	100	100
<b>Controlled entities held by subsidiary companies:</b>					
Cesco Davcron Engineering Pty Ltd	Australia	–	–	100	100
Zicom Pte Ltd	Singapore	–	–	100	100
Zicom Equipment Pte Ltd	Singapore	–	–	100	100
Foundation Associates Engineering Pte Ltd	Singapore	–	–	100	100
Sys-Mac Automation Engineering Pte Ltd	Singapore	–	–	100	51
Foundation & Associate Pte Ltd	Singapore	–	–	100	100
Innoteam Pte Ltd	Singapore	–	–	100	100
Foundation Construction Pte Ltd	Singapore	–	–	100	100
MTA-Sysmac Automation Pte Ltd	Singapore	–	–	51	26
PT Sys-Mac Indonesia	Indonesia	–	–	100	51
Zicom Cesco Engineering Co. Ltd	Thailand	–	–	100	100
Zicom Cesco Thai Co. Ltd	Thailand	–	–	100	100
Zicom Thai Hydraulics Co. Ltd	Thailand	–	–	100	100
Cesco Kemajuan Sdn Bhd	Malaysia	–	–	100	100
Cesco Systems & Engineering Sdn Bhd	Malaysia	–	–	100	100
Hangzhou Cesco Machinery Co Ltd	China	–	–	100	100
		<u>47,981,385</u>	<u>45,594,830</u>		

Entity subject to class order relief

Pursuant to the Class Order 98/1418, relief has been granted to Cesco Australia Limited from the *Corporation Act 2001* requirements for preparation, audit and lodgement of their financial reports.

As a condition for the Class Order, Cesco Australia Limited entered into a Deed of Cross Guarantee on 15 May 2008. The effect of the deed is that Zicom Group Limited has guaranteed to pay any deficiency in the event of winding up of Cesco Australia Limited or if Cesco Australia Limited does not meet its obligations under the terms of overdraft, loans, leases or other liabilities subject to the guarantee. Cesco Australia Limited also has given a similar guarantee in the event that Zicom Group Limited 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.



## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

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

##### Consolidated Income Statement

	Closed Group	
	2009	2008
	S\$	S\$
(Loss)/ profit from continuing activities before taxation	(895,498)	1,080,478
Income tax expense	–	–
Net (loss)/ profit for the year	(895,498)	1,080,478
Accumulated losses at the beginning	(22,291,406)	(21,925,135)
Dividends provided for or paid	(1,601,706)	(1,446,749)
Accumulated losses at the end	(24,788,610)	(22,291,406)

##### Consolidated Balance Sheet

	Closed Group	
	2009	2008
	S\$	S\$
<b>Non-current assets</b>		
Property, plant and equipment	1,244,540	1,454,456
Intangible assets	412,976	716,287
Investment in subsidiaries	44,174,626	42,843,971
	45,832,142	45,014,714
<b>Current assets</b>		
Cash and bank balances	313,064	836,209
Inventories	3,470,154	5,726,670
Trade and other receivables	4,544,018	8,687,434
	8,327,236	15,250,313
<b>Current liabilities</b>		
Payables	4,382,562	7,337,626
Interest-bearing liabilities	2,329,780	5,489,113
Provisions	191,948	224,333
Unearned income	133,155	711,416
	7,037,445	13,762,488
<b>NET CURRENT ASSETS</b>	1,289,791	1,487,825
<b>Non-current liabilities</b>		
Interest-bearing liabilities	752,078	11,798
Provisions	85,467	122,045
Payables	–	364,430
	837,545	498,273
<b>NET ASSETS</b>	46,284,388	46,004,266
<b>Equity attributable to equity holders of the Company</b>		
Contributed equity	70,478,468	67,227,047
Reserves	594,530	1,068,625
Accumulated losses	(24,788,610)	(22,291,406)
<b>Total equity</b>	46,284,388	46,004,266

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 11. Non-current assets - Other receivables

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Loan to controlled entity	-	-	990,757	976,153

For terms and condition, please refer to note 24.

#### 12. Non-Current Assets – Others

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Interest in joint venture (unquoted, at cost)	50,001	50,001	-	-
Quoted equity investments	520	520	-	-
	<u>50,521</u>	<u>50,521</u>	<u>-</u>	<u>-</u>

##### (a) Interest in joint venture

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
		30.6.2009 S\$	30.6.2008 S\$	30.6.2009 %	30.6.2008 %
SP-Zicom Pte Ltd (Singapore)	Register trademarks and patents and to commercialise the inventions (Dormant)	50,001	50,001	50%	50%

##### (b) The summarised financial information of the joint venture are as follows :

	Consolidated	
	2009 S\$	2008 S\$
<b>Assets and liabilities :</b>		
Current assets	6,773	10,881
Current liabilities	<u>(8,113)</u>	<u>-</u>
<b>Results :</b>		
Revenue	<u>-</u>	<u>-</u>
Expenses	<u>12,221</u>	<u>29,817</u>

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## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 13. Inventories

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Raw materials, at net realisable value	3,059,778	4,665,080	–	–
Raw materials, at cost	814,450	447,859	–	–
Work-in-progress, at cost	3,811,187	2,776,754	–	–
Trading stocks, at cost	12,251,748	11,596,108	–	–
Trading stocks, at net realisable value	51,073	–	–	–
Stocks-in-transit, at cost	416,767	450,401	–	–
Total inventories at lower of cost and net realisable value	20,405,003	19,936,202	–	–

Inventories recognised as cost of sales for the year ended 30 June 2009 totalled S\$97,317,350 (2008: S\$96,233,087) for the Group and \$nil (2008: \$nil) for the Company.

#### 14. Current Assets - Receivables

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Trade receivables (a)	25,412,357	33,066,416	–	–
Allowance for impairment loss (b)	(814,187)	(304,416)	–	–
	24,598,170	32,762,000	–	–
Lease receivable (c)	379,163	–	–	–
Advance payments to suppliers	1,111,327	1,067,226	–	–
Amount due from customers for contract work (note 15)	11,740,735	8,371,830	–	–
Deposits	107,706	130,068	–	–
Related party receivables (d) :				
- Related parties	4,885	4,273	–	–
- Controlled entities	–	–	732,740	37,418
- Loan to controlled entity	–	–	991,108	357,924
Accrued interest receivable	–	100,206	–	–
Tax recoverable	28,801	28,801	–	–
Other receivables	1,020,435	2,341,851	13,087	149,943
	38,991,222	44,806,255	1,736,935	545,285

(a) Please refer to note 22 for the ageing analysis of trade receivables past due but not impaired.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 14. Current Assets – Receivables (cont'd)

(b) Allowance for impairment loss

Trade and other receivables are non-interest bearing and are generally due upon invoiced or on 30 days term. An allowance for impairment loss is recognised when there is objective evidence that trade receivable is impaired.

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

	Group Individually impaired	
	2009	2008
	S\$	S\$
Trade receivables - nominal amounts	2,662,435	334,495
Less : allowance for impairment	<u>(814,187)</u>	<u>(304,416)</u>
	<u>1,848,248</u>	<u>30,079</u>
Movement in allowance accounts :		
As at 1 July	304,416	419,947
Charge for the year	756,220	37,596
Written off	(217,064)	(135,696)
Write-back	(28,320)	(10,524)
Currency realignment	<u>(1,065)</u>	<u>(6,907)</u>
As at 30 June	<u>814,187</u>	<u>304,416</u>

(c) Lease receivables relate to amounts receivable under finance leases as certain subsidiary company leases foundation equipments to third parties. Future minimum lease payments receivable together with the present value of the net minimum lease payments receivable are as follows:

	Minimum lease payments receivable	Present value of receivable	Minimum lease payments receivable	Present value of receivable
	2009	2009	2008	2008
	\$	\$	\$	\$
<b>Group</b>				
Due within 1 year	318,908	303,709	-	-
After 1 year but not more than 5 years	<u>60,255</u>	<u>58,988</u>	-	-
Total minimum lease payments	379,163	362,697	-	-
Less : Amount representing finance charges	<u>(16,466)</u>	-	-	-
	<u>362,697</u>	<u>362,697</u>	<u>-</u>	<u>-</u>

(d) For related party receivables, please refer to note 24 for terms and conditions.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Contract costs incurred to date	19,557,422	18,630,201	–	–
Recognised profits to date	7,336,403	4,568,279	–	–
	26,893,825	23,198,480	–	–
Progress billings	(25,983,541)	(23,638,065)	–	–
Amount due from/(to) customers for contract work, net	910,284	(439,585)	–	–
Gross amount due from customers for contract work	11,740,735	8,371,830	–	–
Gross amount due to customers for contract work	(10,830,451)	(8,811,415)	–	–
	910,284	(439,585)	–	–

Revenue recognised on projects is disclosed in note 4.

#### 16. Current Liabilities - Payables

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Trade payables and other accruals (a)	19,079,498	26,708,785	89,333	138,591
Amount due to customers for contract work (note 15)	10,830,451	8,811,415	–	–
Owing to related parties (b)	2,694	36,958	–	–
Owing to controlled entities (b)	–	–	948,103	478,668
Other payables	18,100	–	–	–
	29,930,743	35,557,158	1,037,436	617,259

(a) Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90-day terms.

(b) Related parties / controlled entities

Included in amounts owing to controlled entities is S\$583,000 (2008: nil) which is interest-bearing at 5% per annum. For other terms and conditions, please refer to note 24.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 17. Interest Bearing Liabilities

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
<i>Current</i>				
Bank overdraft (a)	387,902	265,542	–	–
Bills payable (b)	4,123,785	10,221,240	–	–
Factory loan (c)	574,283	464,027	–	–
Machinery loan (d)	357,430	–	–	–
Invoice Finance Facility (e)	1,521,023	5,451,725	–	–
Lease liabilities (note 27)	874,247	900,928	–	–
	<u>7,838,670</u>	<u>17,303,462</u>	<u>–</u>	<u>–</u>
<i>Non-Current</i>				
Factory loan (c)	3,695,920	1,901,672	–	–
Machinery loan (d)	1,620,550	–	–	–
Lease liabilities (note 27)	744,676	669,611	–	–
	<u>6,061,146</u>	<u>2,571,283</u>	<u>–</u>	<u>–</u>

Details of the secured borrowings are as follows:

- (a) Overdraft of S\$105,656 (2008: S\$160,764) which bears interest at 8.15% (2008: 9.2%) per annum are secured by a mortgage of the subsidiary company's freehold land and building at 95/15 Moo 1 Tumbon Bankaow, Ampur Panthong, Chonburi Province, Thailand.

The balance of S\$282,246 (2008: nil) which bears floating interest rate from 9.51% to 12.3% (2008: nil) per annum are secured by a fixed and floating charge over all the assets of Cesco Australia Limited ("CAL").

- (b) Bill payable amounting to S\$3,767,919 (2008: S\$10,221,240) with an average maturity of 1-3 months (2008: 3-4 months) bears interest at 2.43% to 8.15% (2008: 2.85% to 6.85%) per annum. As at 30 June 2009, S\$40,154 (2008: nil) of these bills payables were secured by a mortgage of the subsidiary company's freehold land and building at 95/15 Moo 1 Tumbon Bankaow, Ampur Panthong, Chonburi Province, Thailand whilst the remaining bills payable were secured by a corporate guarantee given by Zicom Holdings Pte Ltd ("ZHPL"). As at 30 June 2008, all bills payable were secured by a corporate guarantee given by ZHPL.

The remaining bills payable of S\$355,866 (2008: nil) with an average maturity of 3-6 months (2008: nil) bear interest from 3.48% to 6.76% (2008: nil) per annum and are secured by a fixed and floating charge over all the assets of CAL.

- (c) Factory loans amounting to S\$55,656 (2008: S\$296,681) which is made up of current and long-term portions of S\$55,656 (2008: S\$239,087) and S\$nil (2008: S\$57,594) respectively is repayable over the remaining 3 monthly instalments at an interest rate of 5.25% (2008: 5.25%) per annum. It is secured by a legal mortgage on the ZHPL's leasehold property No.5 Tuas Avenue 1, Singapore.

Factory loans amounting to S\$1,873,080 (2008: S\$2,069,018) which is made up of current and long-term portions of S\$195,079 (2008: S\$224,940) and S\$1,678,001 (2008: S\$1,844,078) respectively is repayable over 120 monthly instalments at an interest rate of 4.375% (2008: 4.125%) per annum. It is secured by a legal mortgage on ZHPL's leasehold property at No. 9 Tuas Avenue 9 Singapore 639198 and a corporate guarantee from the Company.

The remaining factory loan amounting to S\$2,341,467 (2008: nil) which is made up of current and non-current portions of S\$323,548 and S\$2,017,919 respectively is repayable over 72 monthly instalments at an interest rate of 4.15% (2008: nil) per annum. It is secured by a legal mortgage of the subsidiary company's freehold land and factory under construction at G895 and G897 at Amata Nakorn Industrial Estate, Chonburi, Thailand and a corporate guarantee from ZHPL.

- (d) Machinery loan amounting to S\$1,064,304 (2008: nil) which is made up of current and non-current portions of S\$195,832 and S\$868,472 respectively is repayable over 54 monthly instalments. The machinery loan bears interest at 4.15% per annum and is secured by a legal mortgage on the subsidiary company's freehold land and factory under construction at G895 and G897 at Amata Nakorn Industrial Estate, Chonburi, Thailand and a corporate guarantee from ZHPL.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 17. Interest Bearing Liabilities (cont'd)

The remaining machinery loan amounting to S\$913,676 which consists of current and long-term portions of S\$161,598 (2008: nil) and S\$752,078 (2008: nil) bears interest at fixed rate between 8.62% and 9.5% (2008: nil) per annum. This facility is secured by a fixed and floating charge over all the assets of CAL.

- (e) The Invoice Finance Facility which bears floating interest rate at 4.98% to 9.17% (2008: 6.90% to 9.10%) is secured by a fixed and floating charge over all the assets of CAL.
- (f) Financing facilities available  
As at 30 June 2009, the Group had available S\$52,250,000 (2008: S\$32,223,772) of undrawn committed borrowing facilities.

#### 18. Provisions

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
<i>Current</i>				
Product warranties	717,617	462,251	-	-
Employee benefits – long service leave	164,302	140,298	-	-
	<u>881,919</u>	<u>602,549</u>	<u>-</u>	<u>-</u>
<i>Non-Current</i>				
Employee benefits – long service leave	85,467	122,045	-	-
Make good	42,501	-	-	-
	<u>127,968</u>	<u>122,045</u>	<u>-</u>	<u>-</u>

Movements in provision for warranties was as follows :

At beginning of year	462,251	581,576	-	-
Allowance for the year	625,108	327,673	-	-
Write back of allowance	(168,486)	(97,559)	-	-
Write off against allowance	(189,624)	(348,006)	-	-
Currency realignment	(11,632)	(1,433)	-	-
	<u>717,617</u>	<u>462,251</u>	<u>-</u>	<u>-</u>

Warranty expense written-off directly to income statement (note 4)

	<u>5,878</u>	<u>4,098</u>	<u>-</u>	<u>-</u>
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Movements in provision for long service leave was as follows :

At beginning of year	262,343	229,192	-	-
Allowance for the year	21,241	43,380	-	-
Write off against allowance	(7,526)	(5,651)	-	-
Write back of allowance	-	(4,968)	-	-
Currency realignment	(26,289)	390	-	-
	<u>249,769</u>	<u>262,343</u>	<u>-</u>	<u>-</u>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 18. Provisions (cont'd)

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Movements in make good provision was as follows :				
At beginning of year	–	–	–	–
Allowance for the year	42,501	–	–	–
At end of year	42,501	–	–	–

In accordance with the lease agreement, the Group must restore a certain subsidiary company's leased premise in Singapore to its original condition at the end of the lease term in 2011.

A provision of S\$42,501 was raised during the year ended 30 June 2009 in respect of the Group's obligation to remove leasehold improvements from this leased premise and is included in the carrying amount of renovation.

Because of the long-term nature of liability, the greatest uncertainty in estimating the provision is the costs that will ultimately be incurred. The provision has been calculated using a pre-tax discount rate of 6%.

#### 19. Non-current liabilities – Payables

This amount was relating to fair value of the license fees in respect of the trade mark acquired during the preceding financial year, payable only in the financial years 2011, 2012 and 2013. As the Group has actively and successfully promoted its Cescio brand, it was agreed between both parties to terminate the Trade Mark Licence and Assignment agreement. As payments were on deferred terms, there is no significant impact to the financial statements.

#### 20. Contributed equity

##### (a) Share Capital

	Parent Entity		Consolidated	
	2009 Shares	2008 Shares	2009 S\$	2008 S\$
Ordinary fully paid shares	207,647,660	194,537,662	36,470,263	33,218,847

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	Group
	Number of ordinary shares	S\$
At 1 July 2007	181,378,762	27,322,493
Issue of shares from following share placement, net of share issue expenses (i)	13,158,900	5,896,354
At 30 June 2008	194,537,662	33,218,847
Issue of shares in connection with the acquisition of minority interests (ii)	5,000,000	1,330,655
Issue of shares under Rights issue, net of share issue expenses (iii)	8,109,998	1,920,761
At 30 June 2009	207,647,660	36,470,263



## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 20. Contributed equity (cont'd)

(i) *Share placement*

The Company completed a share placement to institutional investors on 27 November 2007 for a total of 13,158,900 shares at A\$0.38 each. The share capital of S\$5,896,354 was arrived at after deducting share issue expenses of approximately S\$406,350.

(ii) *Acquisition of minority interest*

On 1 July 2008, the Group acquired the remaining 49% equity interest in Sys-Mac Automation Engineering Pte Ltd satisfied by way of an issue of 5,000,000 shares in the Company and a cash consideration of S\$1,398,831. Sys-Mac Automation Engineering Pte Ltd became a wholly-owned subsidiary company of the Group on that date.

(iii) *Rights issue*

On 22 August 2008, the Group completed a 1 for 20 non-renounceable rights issue at A\$0.20 per share and raised A\$1,567,968 (S\$1,920,761) net of share issue expense. A total of 7,059,998 shares were allotted to shareholders and 1,050,000 shares were allotted to directors pursuant to the approval at the shareholders' meeting held on 28 August 2008. There was a shortfall of 1,616,885 shares which the Company had decided not to place out.

#### 21. Cash and cash equivalents

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

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Cash at bank and in hand	8,646,712	12,116,507	3,506	47,468
Short-term fixed deposits	1,329,948	2,393,843	–	–
	9,976,660	14,510,350	3,506	47,468
Bank overdrafts	(387,902)	(265,542)	–	–
Cash and cash equivalents	9,588,758	14,244,808	3,506	47,468
Other deposits - pledged	4,257	4,071	–	–
	9,593,015	14,248,879	3,506	47,468

The fixed deposits of S\$4,257 (2008 : S\$4,071) are pledged to banks for trading facilities.

Cash at bank balance amounting to S\$17,737 as at 30 June 2008 earned interest at floating rate based on daily bank deposit rates ranging from 6.09% to 6.76% per annum. Cash at bank balance are non-interest bearing as at 30 June 2009.

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

#### 22. 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. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

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

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 22. 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 rate.

The Group's exposure to the risk in changes in market interest rates primarily relates to debt obligations which have a floating interest rate. 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, terms of borrowings and interest rate exposure. Where appropriate, fixed rate interest instruments are negotiated to mitigate any significant rate exposure.

At the balance sheet date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	S\$	S\$	S\$	S\$
<i>Financial assets</i>				
Cash and bank balances	–	17,737	–	–
<i>Financial liabilities</i>				
Bank overdraft	387,902	–	–	–
Invoice finance facility	1,521,023	5,451,725	–	–
Factory loans	4,270,203	296,681	–	–
Machinery loans	1,064,304	–	–	–
	<u>7,243,432</u>	<u>5,748,406</u>	<u>–</u>	<u>–</u>

*Sensitivity analysis of interest rate risk*

As at 30 June 2009, if interest rates had increased/decreased by 25 basis point with all other variables held constant, post-tax profits for the consolidated entity for the financial year would be (S\$29,952)/S\$29,361 (2008: (S\$23,457)/S\$22,871) lower/higher, as a result of the higher/lower interest rates. Accordingly, the Group's equity as at year-end will be (S\$29,952)/S\$29,361 (2008: (S\$23,457)/S\$22,871) 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 dollars, Norwegian Kroner, Euros and Australian dollars.

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 forward foreign currency contracts to hedge a portion of its future foreign exchange exposure. The Group uses these currency hedging contracts purely as a hedging tool and does not take positions in currencies with a view to make speculative gains from currency movements.

In addition to transaction expense, the Group is also exposed to translation exposure arising from the consolidation of foreign currency denominated financial statements of the Group's foreign subsidiary companies.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 22. Financial instruments (cont'd)

At the balance sheet date, the Group had the following mix of financial assets and liabilities exposed to fluctuations in exchange rates:

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
<i>Financial assets</i>				
Cash and bank balances	3,465,966	2,396,988	-	-
Trade receivables	3,495,922	1,293,228	-	-
	<u>6,961,888</u>	<u>3,690,216</u>	<u>-</u>	<u>-</u>
<i>Financial liabilities</i>				
Trade payables	2,893,455	475,734	-	-
Bills payable	1,763,245	3,415,164	-	-
	<u>4,656,700</u>	<u>3,890,898</u>	<u>-</u>	<u>-</u>

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)		Equity Higher/(lower)	
	30.6.2009 S\$	30.6.2008 S\$	30.6.2009 S\$	30.6.2008 S\$
<i>Consolidated</i>				
USD				
- strengthened 1% (2008:6%)	29,912	40,698	29,912	40,698
- weakened 1% (2008:6%)	(29,912)	(40,698)	(29,912)	(40,698)
NOK				
- strengthened 8% (2008:8%)	32,568	(51,316)	32,568	(51,316)
- weakened 8% (2008: 8%)	(32,568)	51,316	(32,568)	51,316
EUROS				
- strengthened 1% (2008:5%)	(7,860)	21,669	(7,860)	21,669
- weakened 1% (2008:5%)	7,860	(21,669)	7,860	(21,669)
AUD				
- strengthened 5% (2008: 10%)	3,882	(118)	3,882	(118)
- weakened 5% (2008: 10%)	(3,882)	118	(3,882)	118
GBP				
- strengthened 3% (2008: 4%)	(17,961)	(7,633)	(17,961)	(7,633)
- weakened 3% (2008: 4%)	17,961	7,633	17,961	7,633

#### (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 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 experience of bad debts has not been significant.

At the balance sheet date, the Group and Parent Entity's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised on the balance sheets.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 22. Financial instruments (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 concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	2009		2008	
	S\$	% of total	S\$	% of total
Australia	2,627,820	10.7%	6,873,995	21.0%
Bangladesh	13,639	0.1%	533,504	1.6%
Indonesia	787,882	3.2%	1,649,697	5.0%
Malaysia	6,985,579	28.4%	5,707,568	17.4%
People's Republic of China	2,583,841	10.5%	526,854	1.6%
Singapore	9,371,552	38.0%	16,245,624	49.6%
Thailand	362,996	1.5%	557,776	1.7%
United States of America	1,633,406	6.6%	415,733	1.3%
Others	231,455	1.0%	251,249	0.8%
	<u>24,598,170</u>	<u>100%</u>	<u>32,762,000</u>	<u>100%</u>

At the balance sheet date, approximately 57.8% (2008: 43.6%) of the Group's trade receivables were due from 19 (2008: 20) major customers.

##### *Financial assets that are neither past due nor impaired*

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with reputable banks.

Included in trade receivables as at 30 June 2009, \$601,403 (2008: \$579,267) are arranged to be settled via letters of credits issued by reputable banks in countries where the customers are based.

As at 30 June 2009, the ageing analysis of trade receivables which were past due but not impaired is as follows:

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Less than 30 days	6,997,981	5,176,905	–	–
30 to 60 days	1,163,571	5,814,799	–	–
61 to 90 days	1,821,645	1,123,264	–	–
91 to 120 days	177,048	1,354,387	–	–
More than 120 days	7,034,440	8,631,690	–	–
	<u>17,194,685</u>	<u>22,101,045</u>	<u>–</u>	<u>–</u>

##### *Financial assets that are impaired*

Please refer to note 14 for details.

#### (e) Liquidity risk

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

The Group and Parent Entity ensure availability of funds through adequate amount of cash and where necessary, fund raising exercise will be conducted via rights issues, private placements or equity-related exercise.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 22. Financial instruments (cont'd)

The table below summarises the maturity profile of the Group's and Parent Entity's financial liabilities at the balance sheet date based on contractual undiscounted payments. The expected timing of actual cash flows from these financial instruments may differ.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	S\$	S\$	S\$	S\$
Financial liabilities due within				
6 months or less	30,912,141	39,331,410	89,333	617,259
6-12 months	2,630,676	2,523,368	948,103	-
2-5 years	5,303,147	1,710,554	-	-
5-10 years	1,349,250	2,290,930	-	-
	<u>40,195,214</u>	<u>45,856,262</u>	<u>1,037,436</u>	<u>617,259</u>

#### (f) Net fair values

The carrying amounts and estimated net fair values of financial assets and financial liabilities of the Group held at the balance sheet date are disclosed below. The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, liability settled in a current transaction between knowledgeable willing parties in an arm's length transaction after allowing for transaction costs.

The following methods and assumptions are used to determine the net fair value of each class of financial instrument.

#### *Financial instruments carried at fair value*

The Group has carried all foreign currency forward contracts at their fair values.

#### *Financial instruments whose carrying amounts approximate 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.

#### Non-current interest-bearing liabilities

The fair values of non-current finance lease liability and bank loans, which are not carried at fair value in the balance sheet, is presented on the following table. The fair value is estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending and borrowing arrangements.

	Carrying Amount		Fair Value	
	30.6.2009	30.6.2008	30.6.2009	30.6.2008
	S\$	S\$	S\$	S\$
<b>Financial liabilities :</b>				
Obligations under finance leases	744,676	669,611	696,869	617,719
Bank loans (non-current)	<u>5,316,470</u>	<u>1,901,672</u>	<u>4,376,152</u>	<u>1,503,647</u>

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## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 22. Financial instruments (cont'd)

##### (g) Derivative financial instruments

The Group and Company have the following derivatives outstanding as at year end :

	Group		Parent Entity	
	Notional		Notional	
	2009	2008	2009	2008
	S\$	S\$	S\$	S\$
Foreign exchange forward contracts - matures within the next 12 months	<u>4,902,933</u>	<u>1,090,565</u>	<u>-</u>	<u>-</u>

The net fair value of the foreign exchange forward contracts at 30 June are as follows :

	Group		Parent Entity	
	Assets	Liabilities	Assets	Liabilities
	S\$	S\$	S\$	S\$
<b>2009</b>				
Forward exchange contracts	<u>211,482</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>2008</b>				
Forward exchange contracts	<u>9,378</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 23. Capital Management

The Group's primary objective when managing capital is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management is constantly adjusting the capital structure to take advantage of favourable costs of capital or higher returns on assets. As the market is constantly changing and after taking into account the Group's expansion requirement, management may adjust the dividend payments to shareholders, issue new shares or sell assets to reduce debts.

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 Company and reserves. The Group's policy is to keep its gearing ratio at less than 50%. The gearing ratios as at 30 June 2009 and 2008 were as follows:

	Consolidated	
	2009	2008
	S\$	S\$
Interest bearings liabilities	13,899,816	19,874,745
Cash and cash equivalents	<u>(9,588,758)</u>	<u>(14,244,808)</u>
Net debt	<u>4,311,058</u>	<u>5,629,937</u>
Equity attributable to equity holders of the Company	57,186,422	46,937,266
Gearing ratio	8%	12%

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 24. 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

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Minority shareholder of a subsidiary company				
- Sales	45,499	263,213	-	-
- Purchases	407,158	704,485	-	-

(b) Terms and conditions of transactions with related parties

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

Unless specifically disclosed, outstanding balances at as year-end with related parties and controlled entities are unsecured, interest-free and have no fixed terms of repayment. For information regarding outstanding balance on related party trade and other receivables and payables at year-end, please refer to notes 11, 14 and 16.

(c) Directors and key management personnel

Disclosures are set out in note 25.

(d) Pursuant to the shareholders' approval obtained on 28 August 2008, 100,000 share options were granted to Mr Kok Yew Sim who is an executive director of Sys-Mac Automation Engineering Pte Ltd and son of Mr Giok Lak Sim, the Chairman and Managing Director of the Company. Accordingly, Mr Kok Yew Sim is considered a related party. Please refer to note 26 for more information on share-based payment plan.

#### 25. Key Management Personnel

(a) Details of Key Management Personnel

- (i) Directors
- |             |                                  |
|-------------|----------------------------------|
| G L Sim     | (Chairman and Managing Director) |
| K H Sim     | (Executive Director)             |
| B H Cheak   | (Independent)                    |
| Y P Lim     | (Independent)                    |
| F Leong     | (Independent)                    |
| I R Millard | (Independent)                    |
| A G Palmer  | (Independent)                    |
- (ii) Executives
- |             |
|-------------|
| J L Sim     |
| HS Tang     |
| G H Teoh    |
| J V Vaughan |
| J Koon Sim  |

(b) Compensation of key management personnel

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Short-term employee benefits	3,107,135	3,073,064	70,505	91,716
Post-employment benefits	63,660	66,857	-	-
Share-based payment	518,790	1,780	1,297	-
	<u>3,689,585</u>	<u>3,141,701</u>	<u>71,802</u>	<u>91,716</u>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 25. Key Management Personnel (cont'd)

Zicom Group Limited has applied the option under *Corporations Amendments Regulation 2006* to transfer key management personnel remuneration disclosures required by AASB 124 Related Party Disclosure paragraph Aus 25.4 to 25.7.2 to the Remuneration Report section of the Directors' report. These transfers have been audited.

##### (c) Shareholdings of Key Management Personnel

<b>30 June 2009</b>				
	<b>Balance as at 1 July 08</b>	<b>Granted as remuneration</b>	<b>Net changes</b>	<b>Balance as at 30 June 2009</b>
<i>Directors</i>				
G L Sim	62,892,192	–	6,341,284	69,233,476
K H Sim	197,706	–	485,294	683,000
B H Cheak	1,415,000	–	432,000	1,847,000
Y P Lim	213,000	–	200,000	413,000
F Leong	175,000	–	8,750	183,750
I R Millard	435,000	–	82,250	517,250
A G Palmer	–	–	50,000	50,000
<i>Executives</i>				
J L Sim	4,491,149	–	–	4,491,149
G H Teoh	4,487,646	–	–	4,487,646
J V Vaughan	7,000	–	–	7,000
H S Tang	2,443,116	–	122,156	2,565,272
J Koon Sim	14,240,754	–	5,000,000	19,240,754
	<b>90,997,563</b>	<b>–</b>	<b>12,721,734</b>	<b>103,719,297</b>
<b>30 June 2008</b>				
	<b>Balance as at 1 July 07 or at date of appointment</b>	<b>Granted as remuneration</b>	<b>Net changes</b>	<b>Balance as at 30 June 2008</b>
<i>Directors</i>				
G L Sim	61,903,339	–	988,853	62,892,192
K H Sim	112,706	–	85,000	197,706
B H Cheak	1,150,000	–	265,000	1,415,000
Y P Lim	100,000	–	113,000	213,000
F Leong	25,000	–	150,000	175,000
I R Millard	395,000	–	40,000	435,000
A G Palmer	–	–	–	–
<i>Executives</i>				
J L Sim	4,491,149	–	–	4,491,149
G H Teoh	4,487,646	–	–	4,487,646
J V Vaughan	40,000	–	(33,000)	7,000
H S Tang	2,721,427	–	(278,311)	2,443,116
J Koon Sim	14,132,044	–	108,710	14,240,754
	<b>89,558,311</b>	<b>–</b>	<b>1,439,252</b>	<b>90,997,563</b>



## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 25. Key Management Personnel (cont'd)

##### (d) Option holdings of Key Management Personnel

###### 30 June 2009

	Balance as at 1 July 08	Granted during the year	Balance as at 30 June 2009
<i>Directors</i>			
B H Cheak	–	50,000	50,000
Y P Lim	–	50,000	50,000
F Leong	–	50,000	50,000
I R Millard	–	50,000	50,000
A G Palmer	–	25,000	25,000
K H Sim	–	100,000	100,000
<i>Executives</i>			
J L Sim	200,000	–	200,000
HS Tang	100,000	–	100,000
G H Teoh	100,000	–	100,000
JV Vaughan	100,000	–	100,000
	<u>500,000</u>	<u>325,000</u>	<u>825,000</u>

###### 30 June 2008

	Balance as at 1 July 07	Granted during the year	Balance as at 30 June 2008
<i>Executives</i>			
J L Sim	–	200,000	200,000
H S Tang	–	100,000	100,000
G H Teoh	–	100,000	100,000
JV Vaughan	–	100,000	100,000
	<u>–</u>	<u>500,000</u>	<u>500,000</u>

The above options were granted under the Zicom Group Limited Employee Share and Option Plan which was approved by shareholders on 23 November 2006. 50% of these options will vest 24 months after the grant date while the remaining 50% of the option will vest 36 months after the grant date. Accordingly, these options are not vested as at 30 June 2009 and 30 June 2008 and hence, not exercisable. Please refer to note 26 for more information.

##### (e) There were no loans made to key management personnel by the Group during the year.

#### 26. Share-based payment plan

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

The expense recognised for employee services received during the year for equity-settled share-based payment transactions amounted to S\$110,304 (2008: S\$10,583). There have been no cancellations or modifications to the plan during the year 2009 and 2008.

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

###### *Zicom Group Limited Employee Share and Option Plan ("ESOP")*

Share options are granted to employees as an incentive to retain experience and attract talent. Under the ESOP, the exercise price of the options is A\$0.28 each and 50% of the options exercisable 24 months after the grant date and the remaining 50% are exercisable 36 months after the grant date.

Should an employee leave the company or resign from his office, any 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 5 years. There is no cash-settlement alternative.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

(c) Summary of options granted under ESOP

	2009	2008
Outstanding at beginning of the year	2,975,000	-
Granted during the year	425,000	2,975,000
Forfeited during the year	(110,000)	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at end of year	<u>3,290,000</u>	<u>2,975,000</u>

The outstanding balance as at 30 June is represented by:

- 1,432,500 (2008: 1,487,500) options over ordinary shares with an exercise price of A\$0.28 each, exercisable on or after 1 June 2010, until 31 May 2013
- 1,432,500 (2008: 1,487,500) options over ordinary shares with an exercise price of A\$0.28 each, exercisable on or after 1 June 2011, until 31 May 2013.
- 212,500 (2008: nil) options over ordinary shares with an exercise price of A\$0.28 each, exercisable on or after 28 August 2010, until 27 August 2013
- 212,500 (2008: nil) options over ordinary shares with an exercise price of A\$0.28 each, exercisable on or after 28 August 2011, until 27 August 2013

(d) Weighted average fair value

The weighted average fair value of options granted during the year was A\$0.04 (2008: A\$0.08).

(e) Option pricing model

The fair value of the equity-settled share options granted under the ESOP 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:

	2009	2008
Exercise price:	0.280	0.280
Current stock price:	0.212	0.262
Maximum option life in years:	5	5
Volatility:	37.82%	34.55%
Risk free interest rate:	6.40%	6.66%
Dividend yield:	0.00%	0.00%

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.

#### 27. Commitments

(a) Commitments

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

- (i) The Group has issued letters of credit amounting to S\$182,896 (2008: S\$2,351,353).
- (ii) The Group has issued letters of guarantee amounting to S\$6,991,822 (2008: S\$3,227,006).
- (iii) The Group has entered into foreign currency forward buy contracts amounting to S\$4,902,933 (2008: S\$1,090,565)

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 27. Commitments (cont'd)

(b) Operating lease commitments

The Group have 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 with a further option for certain leasehold properties to extend for a further 30 years. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease payments for the leases are as follows :

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Within 1 year	1,957,362	1,892,330	–	–
Within 2 - 5 years	5,345,207	5,525,630	–	–
More than 5 years	1,649,864	2,550,635	–	–
	<u>8,952,433</u>	<u>9,968,595</u>	<u>–</u>	<u>–</u>

(c) Finance lease commitments

The Group conducts a portion of its operation using leased assets. The average discount rate implicit in the leases is 3.10% (2008: 3.25%) per annum.

Future minimum lease payment under finance leases together with present value of the net minimum lease payments are as follows :

Consolidated	Minimum payments 2009	Present value of payments 2009	Minimum payments 2008	Present value of payments 2008
	S\$	S\$	S\$	S\$
Due within one year	957,290	874,247	989,265	900,928
After one year but not more than five years	809,782	744,676	761,049	669,611
Total minimum lease payments	<u>1,767,072</u>	<u>1,618,923</u>	<u>1,750,314</u>	<u>1,570,539</u>
Less : amounts representing finance charges	<u>(148,149)</u>	<u>–</u>	<u>(179,775)</u>	<u>–</u>
	<u>1,618,923</u>	<u>1,618,923</u>	<u>1,570,539</u>	<u>1,570,539</u>

(d) Capital commitments

As at 30 June 2009, the Group and Company have capital commitment in respect of property, plant and equipment amounting to S\$56,621 (2008: S\$3,897,000) and nil (2008: nil) respectively.

#### 28. Business combinations

During the preceding financial year, one of the subsidiary companies, Cesco Australia Limited (“CAL”), reactivated a dormant subsidiary, Cesco Forbes Australia Pty Ltd (“CFA”) to engage in the distribution of CAL’s products in New South Wales. CFA has changed its name to Cesco Davcron Engineering Pty Ltd (“CDE”) on 24 December 2007 and has leased the entire premise of the CAL’s previous exclusive agent in New South Wales for 5 years to carry out direct distribution of CAL’s products on 1 February 2008.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 28. Business combinations (cont'd)

The following assets were also purchased from the previous agent:

	Recognised on acquisition S\$	Carrying values S\$
Property, plant and equipment	442,523	442,523
Inventories	783,143	783,143
	<hr/>	<hr/>
Net identifiable assets	1,225,666	1,225,666
Cash paid	1,225,666	
	<hr/>	<hr/>
Goodwill arising from acquisition of business	-	
	<hr/>	

From the date of acquisition till 30 June 2008, Cesco Davcron Engineering Pty Ltd has made a net loss of S\$551,000.

#### 29. Auditors' remuneration

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

	Consolidated		Parent Entity	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$
<i>Ernst &amp; Young</i>				
- Audit or review of financial statements	323,723	338,122	70,220	80,993
<i>Other audit firms</i>				
- Audit or review of financial statements	15,333	24,820	-	-
- Other services#	48,792	325,468	7,202	288,568
	<hr/>	<hr/>	<hr/>	<hr/>
	387,848	688,410	77,422	369,561
	<hr/>	<hr/>	<hr/>	<hr/>

# Except for S\$ nil (2008: S\$58,569), all other amounts were payable to Ernst & Young Singapore relating to the secondary listing exercise as well as the provision of tax compliance services.

#### 30. Reclassification

Sales commission and sea freight amounting to \$619,826 have been reclassified from cost of materials to other operating expenses to be consistent with current year presentation.

	2008 As reclassified \$	2008 As previously reported \$
<i>Income statement</i>		
Cost of materials	80,846,061	81,465,887
Other operating expenses	10,166,219	9,546,393

## Zicom Group Limited

### Notes to the Financial Statements

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(In Singapore dollars)

#### 31. Subsequent events

Subsequent to the end of the financial year,

- a) On 24 August 2009, the board approved the issue and allotment of 1,000,000 shares each to Messrs Sim Juat Lim and Tang Hung Seah fully paid at A\$0.10 per share as part payment of their performance bonus for the year ended 30 June 2009. Such shares rank pari passu with the existing ordinary shares of the Company.
- b) On 24 August 2009, the board approved the issue of 2,000,000 shares to Mr Sim Giok Lak, fully paid at A\$0.10 per share, as part payment of his performance bonus for the year ended 30 June 2009 subject to shareholders' approval. Such shares, if allotted, rank pari passu with the existing ordinary shares of the Company.

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## 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 balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2.2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider 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 met 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### **Auditor's Opinion**

In our opinion:

1. 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 financial position of Zicom Group Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 11 to 17 of the directors' report for the year ended 30 June 2009. 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.

### **Auditor's Opinion**

In our opinion the Remuneration Report of Zicom Group Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Mike Reid  
Partner  
Brisbane  
30 September 2009

## Directors' Declaration

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

1. In the opinion of the directors:
  - a. the financial report and the additional disclosures included in the directors' report designated as audited, of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
    - i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
    - ii. complying with Accounting Standards and Corporations Regulations 2001; and
  - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
  - c. There are reasonable grounds to believe that the members of the Closed Group identified in Note 10 will be able to meet any obligations or liabilities to which they are or may subject by virtue of the Deed of Cross Guarantee.
2. 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 2009.

On behalf of the Board



GL Sim  
Chairman/Managing Director  
Brisbane  
30 September 2009