



ZICOM GROUP LIMITED

Appendix 4D

For the half-year ended

31 December 2018

For personal use only

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Name of entity: ZICOM GROUP LIMITED

ABN: 62 009 816 871

Reporting Period: Half-Year Ended 31 December 2018

Previous corresponding period: Half-Year Ended 31 December 2017

Results for announcement to the market

Revenues from ordinary activities	up	34% to	S\$53,061,000
Net profit from ordinary activities after tax attributable to members	up	194% to	S\$3,415,000
Net profit for the period attributable to members	up	194% to	S\$3,415,000

Dividends

	Amount per security	Unfranked amount per security
Interim dividend	–	–

Net tangible assets per security

	December 31, 2018	June 30, 2018
Net tangible assets per ordinary share	Singapore cents 27.70	Singapore cents 25.31

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

<input type="checkbox"/>	The accounts have been audited	<input checked="" type="checkbox"/>	The accounts have been subject to review
<input type="checkbox"/>	The accounts are in the process of being audited or subject to review.	<input type="checkbox"/>	The accounts have not yet been audited or reviewed.

This half yearly report is to be read in conjunction with the half year financial report and the most recent annual financial report.

Signed



GL Sim
Chairman

Date: 28 February 2019

For personal use only



ZICOM GROUP LIMITED

Half-Year Financial Report

For the period ended

31 December 2018

For personal use only

ZICOM GROUP LIMITED
ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Contents

Corporate Information	1
Report of the Directors	2
Auditor’s Independence Declaration	6
Consolidated Statement of Comprehensive Income	7
Consolidated Balance Sheet	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	12
Notes to the Consolidated Financial Statements	14
Directors’ Declaration	28
Independent Review Report	29

For personal use only

ZICOM GROUP LIMITED
ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Corporate Information

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

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

Directors

Giok Lak Sim	(Executive Chairman)
Kok Yew Sim	(Executive Director, Group CEO)
Kok Hwee Sim	(Non-Executive Director)
Frank Leong Yee Yew	(Independent. Retired 15 November 2018)
Yian Poh Lim	(Independent)
Ian Robert Millard	(Independent)
Shaw Pao Sze	(Independent)

Joint Company Secretaries

Jenny Lim Bee Chun
Igor Sushko

Registered Office

38 Goodman Place
Murarrie QLD 4172, Australia
Telephone: +61 7 3908 6088
Facsimile: +61 7 3390 6898
Website: www.zicomgroup.com

Auditors

Ernst & Young
111 Eagle Street
Brisbane, QLD 4000
Australia

Solicitors

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

Share Registry

Link Market Services Limited
Level 21, 10 Eagle Street
Brisbane, QLD 4000
Australia
Facsimile: +61 2 9287 0309

Bankers

Australia
Westpac Banking Corporation

Singapore
United Overseas Bank Limited
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
DBS Bank Ltd
Westpac Banking Corporation

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

China
Industrial and Commercial Bank of China Limited
China Construction Bank Corporation

Philippines
BDO Unibank, Inc.

ZICOM GROUP LIMITED
ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Report of the Directors

Your directors present the consolidated financial report for the half-year ended 31 December 2018.

Directors

The following persons held office as directors of Zicom Group Limited at the date of this report and for the whole of the period since 1 July 2018:

Giok Lak Sim	(Executive Chairman)
Kok Yew Sim	(Executive Director, Group CEO)
Kok Hwee Sim	(Non-Executive Director)
Yian Poh Lim	(Independent)
Ian Robert Millard	(Independent)
Shaw Pao Sze	(Independent)

Review of Operations

The Group's consolidated revenue from continuing operations for the half year is S\$53.06m as compared with S\$39.49m in the previous year corresponding period, an increase by 34.36%. The Group's half year consolidated net profit after tax attributable to members to 31 December 2018 is S\$3.42m as compared with a consolidated net loss of S\$3.62m in the previous year corresponding period, an increase in profit of 194.48%.

On 30 November 2018, the Group demerged the entire investments in medical technology under a separate legal entity ZIG Ventures Limited (ZIG) and distributed the shares in ZIG to all the Company's shareholders in specie in proportion to their shareholdings in the Company at no additional consideration. The losses incurred by these discontinued operations from the Group for this half year amounted to S\$1.31m. Post demerger, the Group will no longer be required to bear any of such losses.

As part of the restructuring, the Group undertook a revaluation of its landed properties to reflect their present values. The last revaluation was done more than 15 years ago. The net surplus from this revaluation amounted to S\$13.55m. The revaluation surplus has been credited to reserve to increase the Group's net asset value by a similar amount. This results in an accretive value of 6.47 Australian cents (6.24 Singapore cents) for each share in the company. The revaluation was carried out by accredited independent professional appraisers.

Towards the end of this half year, the Group secured some large orders for gas processing plant raising the total orders received to 31 December 2018 to S\$112m (31 December 2017: S\$17.3m). The Group's restructuring and strong recovery in its businesses are expected to strengthen the Group's potentials to return to profitability.

The Group's cash and bank balances are at S\$10.49m (30 June 2018: S\$9.74m). The Group's net gearing is at 21.56% (30 June 2018: 13.46%). The Group has increased its gearing to strengthen its working capital for increase in business requirements.

The slump in the offshore marine sector remains and is expected to last another 2 years. The Group is undertaking a transformation in the business direction. However this is expected to take a period of at least 12 months to reap results although the pace of transformation is gradually gaining traction. Fortunately, demand for gas has been strong and is expected to remain so, thus giving rise to increased demand for our gas processing plants and equipment. Overall we are hopeful that the increase in demand for our gas processing equipment will compensate for the slack in demand for offshore marine equipment and bring about positive results.

The precision engineering & technologies sector has had a good recovery. A strong recovery in the semiconductor market gave rise to an increased demand for fine pitch chip bonding machines. Barring no deterioration in the global geopolitical situation resulting in a trade war, we expect demand for our machines to hold and with strengthened demand for our automation services, this sector remains promising.

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

The construction equipment market has performed satisfactorily. We expect demand to be maintained in the near future.

The global economy has entered into a new age mainly driven by new disruptive and digital technologies. The situation is compounded by unprecedented geopolitical factors that are beyond our control. In meeting these challenges, the Group is focused to transform itself by revamping its business directions and strengthening its capability. It will continue to make changes to align with the new age economy.

As announced earlier the Group has decided on a board renewal and succession policy. As part of this policy, Mr Frank Leong retired as an independent director on 15 November 2018. Mr G L Sim stepped down as the Group MD on 2 January 2019 succeeded by Mr Kok Yew Sim over a phased-in transition period of 3 years. Mr G L Sim remains as Executive Chairman. Mr G L Sim has reduced his salary by 30% from 1 January 2019.

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

Key Financials	Change (%)	6 months ended 31 Dec 18 (S\$ million)	6 months ended 31 Dec 17 (S\$ million)
Revenue from continuing operations	+ 34.36	53.06	39.49
Net profit/(loss) after tax attributable to equity holders of the Parent	+ 194.48%	3.42	(3.62)

During the half year, the average exchange rate for the A\$ against the S\$ was A\$1.00 to S\$0.9894. As at 31 December 2018, the exchange rate was A\$1.00 to S\$0.9643 (30 June 2018: A\$1 to S\$1.0076).

Segmental Revenue

The following is an analysis of the segmental revenue:-

Segmental Revenue from Continuing Operations	Change (%)	6 months ended 31 Dec 18 (S\$ million)	6 months ended 31 Dec 17 (S\$ million)
Offshore Marine, Oil & Gas Machinery	+ 88.85	4.91	2.60
Construction Equipment	- 1.62	21.82	22.18
Precision Engineering & Technologies	+ 83.41	25.31	13.80
Industrial & Mobile Hydraulics	+ 12.09	1.02	0.91

Offshore Marine, Oil & Gas Machinery

Revenue for offshore marine, oil and gas machinery increased by 88.85% in the half year as compared with the previous year corresponding period.

The increase is mainly due to demand in gas processing equipment. The offshore marine market remains in a slump and is expected to remain so for the next 2 years. Demand for gas processing equipment is strong and we are hopeful this will compensate for the slack in demand for offshore marine equipment. New significant orders for gas processing equipment have been received with promises of profit. However the actual benefits are expected to be realized over a period of 18-24 months.

Construction Equipment

Demand for concrete mixers has remained strong and profitable during the half year. However demand for sales and rental of foundation equipment weakened thus resulting in a decrease in total revenue for this sector by 1.62%. The foundation equipment business remains marginally profitable.

We expect this sector to maintain its revenue and remain profitable.

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Precision Engineering & Technologies

Revenue for precision engineering and technologies increased significantly by 83.41% in the half year as compared with the previous year corresponding period. The increase in revenue was mainly driven by increased demand in our fine pitch flip chip bonders driven by a strong semiconductor market. Barring no deterioration in the global trade situation, we expect this sector to maintain a positive outlook.

Industrial & Mobile Hydraulics

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

Foreign Exchange Exposure

The Group generally prices its sales in foreign currencies on forward rates to ensure our margins were maintained. The net exchange loss from continuing operations during the current half year is S\$73,000 (31 Dec 2017: S\$221,000).

Financial Position

The Group's financial position remains strong:-

Classification	Increase/(Decrease) S\$ million	As at 31 Dec 18 S\$ million	As at 30 Jun 18 S\$ million
Net assets	(1.41)	68.14	69.55
Net working capital	(1.75)	20.98	22.73
Cash in hand and at bank	0.75	10.49	9.74

The Group's net assets were reduced by S\$17.21m representing the net book value of the technology investments that were demerged on 30 November 2018 and were increased by a surplus of S\$13.55m arising from revaluation of its landed properties.

Cash Policy & Gearing Ratio

As at 31 December 2018, the Group's gearing ratio is 21.56% (30 June 2018: 13.46%).

The Group has increased its gearing to increase its working capital to fund the increase in businesses.

Return Per Share

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

Classification	Increase Singapore Cents	6 months ended 31 Dec 18 Singapore Cents	6 months ended 31 Dec 17 Singapore Cents
Earnings/(loss) per share for continuing operations	2.97	2.16	(0.81)

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

Classification	Increase Singapore Cents	As at 31 Dec 18 Singapore Cents	As at 30 Jun 18 Singapore Cents
Net tangible assets per share	2.39	27.70	25.31

ZICOM GROUP LIMITED
ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Confirmed Orders

We have a total of S\$112m (31 Dec 2017: S\$17.3m) outstanding confirmed orders in hand as at 31 December 2018. A breakdown of these outstanding orders secured is as follows:-

	S\$ m
Offshore Marine, Oil & Gas Machinery	97.9
Construction Equipment	6.4
Precision Engineering & Technologies	7.3
Industrial & Mobile Hydraulics	0.4
Total	<u>112.0</u>

Of the above, S\$25m are scheduled for delivery in the second half of this financial year and S\$87m are scheduled to be delivered in the financial year 2020.

Prospects

Recognising that prospects for the Group will remain challenging, the Group has restructured to narrow its focus so as to better strengthen its capability to align with the prevailing challenges. With the positive half year's results bolstered by increased orders ahead, the Board is hopeful of a better outlook for its businesses. We are hopeful of a return to profitability for the Group and to be able to resume payment of dividends in the near future.

Dividends

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

Auditor Independence

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

Rounding of Amounts

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

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



GL Sim
Chairman

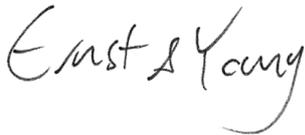
28 February 2019

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

As lead auditor for the review of Zicom Group Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Tom du Preez
Partner
28 February 2019

For personal use only

ZICOM GROUP LIMITED
 ABN 62 009 816 871
 HALF-YEAR REPORT – 31 DECEMBER 2018

Consolidated Statement of Comprehensive Income
 for the half-year ended 31 December 2018

	Note	31-Dec-18 S\$'000	31-Dec-17 S\$'000
Continuing operations			
Revenue from contracts with customers	4	50,433	–
Sale of goods		–	33,762
Rendering of services		–	2,398
Revenue recognised on projects		–	2,011
Rental income		2,628	1,322
		<u>53,061</u>	<u>39,493</u>
Revenue		53,061	39,493
Other income	4	2,780	615
		55,841	40,108
Cost of materials		(24,182)	(20,767)
Employee, contract labour and related costs		(15,368)	(13,803)
Depreciation and amortisation		(2,508)	(2,302)
Property related expenses		(1,248)	(1,234)
Other operating expenses		(7,744)	(3,688)
Finance costs		(402)	(123)
Share of results of associates		102	–
		<u>4,491</u>	<u>(1,809)</u>
Profit/(loss) before taxation		4,491	(1,809)
Tax benefit	5	189	46
		4,680	(1,763)
Profit/(loss) from continuing operations, net of tax		4,680	(1,763)
Discontinued operations			
Loss from discontinued operations, net of tax	6	(1,305)	(1,927)
Profit/(loss) for the period, net of tax		<u>3,375</u>	<u>(3,690)</u>
Other comprehensive income			
Items that will not be reclassified to profit and loss:			
Net surplus on revaluation of land and buildings		13,547	–
		<u>13,547</u>	<u>–</u>
Items that may be subsequently reclassified to profit and loss:			
Share of other comprehensive income of associates		38	32
Foreign currency translation on consolidation		(287)	(72)
		<u>(249)</u>	<u>(40)</u>
Other comprehensive income/(loss), net of tax		13,298	(40)
Total comprehensive income/(loss)		<u>16,673</u>	<u>(3,730)</u>
Attributable to:			
Equity holders of the Parent			
Profit/(loss) from continuing operations, net of tax		4,697	(1,753)
Loss from discontinued operations, net of tax		(1,282)	(1,867)
Profit/(loss) for the period attributable to equity holders of the Parent		<u>3,415</u>	<u>(3,620)</u>

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

ZICOM GROUP LIMITED
 ABN 62 009 816 871
 HALF-YEAR REPORT – 31 DECEMBER 2018

Consolidated Statement of Comprehensive Income (cont'd)

for the half-year ended 31 December 2018

	Note	31-Dec-18 S\$'000	31-Dec-17 S\$'000
Attributable to:			
Non-controlling interests			
Loss from continuing operations, net of tax		(17)	(10)
Loss from discontinued operations, net of tax		(23)	(60)
Loss for the period attributable to non-controlling interests		<u>(40)</u>	<u>(70)</u>
Total comprehensive income/(loss) attributable to:			
Equity holders of the Parent		16,713	(3,660)
Non-controlling interests		(40)	(70)
Total comprehensive income/(loss)		<u>16,673</u>	<u>(3,730)</u>
Earnings per share for continuing operations (cents)			
Basic profit/(loss) from continuing operations attributable to equity holders of the Parent	7	2.16	(0.81)
Diluted profit/(loss) from continuing operations attributable to equity holders of the Parent	7	2.16	(0.81)
Earnings per share for discontinued operations (cents)			
Basic loss from discontinued operations attributable to equity holders of the Parent	7	(0.59)	(0.86)
Diluted loss from discontinued operations attributable to equity holders of the Parent	7	(0.59)	(0.86)
Earnings per share (cents)			
Basic profit/(loss) for the period attributable to equity holders of the Parent	7	1.57	(1.67)
Diluted profit/(loss) for the period attributable to equity holders of the Parent	7	1.57	(1.67)

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

ZICOM GROUP LIMITED
 ABN 62 009 816 871
 HALF-YEAR REPORT – 31 DECEMBER 2018

Consolidated Balance Sheet

as at 31 December 2018

	Note	31-Dec-18 S\$'000	30-Jun-18 S\$'000
Non-current assets			
Property, plant and equipment		37,442	21,301
Intangible assets		7,727	14,602
Deferred tax assets		3,029	3,054
Convertible loans to an associate		–	1,131
Investments in associates	10	3,501	8,798
		51,699	48,886
Current assets			
Cash and bank balances	8	10,494	9,739
Inventories		29,721	28,007
Trade and other receivables		23,299	21,802
Contract assets		3,646	–
Gross amount due from customers for contract work		–	4,227
Prepayments		537	398
		67,697	64,173
TOTAL ASSETS		119,396	113,059
Current liabilities			
Trade and other payables		19,823	19,122
Contract liabilities		437	–
Gross amount due to customers for contract work		–	1,844
Interest-bearing liabilities	11	24,595	18,407
Provisions		1,672	1,882
Provision for taxation		190	192
		46,717	41,447
NET CURRENT ASSETS		20,980	22,726
Non-current liabilities			
Interest-bearing liabilities	11	532	664
Deferred tax liabilities		3,561	983
Provisions		446	414
		4,539	2,061
TOTAL LIABILITIES		51,256	43,508
NET ASSETS		68,140	69,551
Equity attributable to equity holders of the Parent			
Share capital	12	21,100	38,314
Reserves		11,336	(1,562)
Retained earnings		35,449	32,581
		67,885	69,333
Non-controlling interests		255	218
TOTAL EQUITY		68,140	69,551
TOTAL LIABILITIES AND EQUITY		119,396	113,059

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

ZICOM GROUP LIMITED
 ABN 62 009 816 871
 HALF-YEAR REPORT – 31 DECEMBER 2018

Consolidated Statement of Changes in Equity
 for the half-year ended 31 December 2018

Note	Attributable to equity holders of the Parent							Non-controlling interests	Total equity
	Share capital	Share capital – exercise of share options	Asset revaluation surplus	Foreign currency translation reserve	Share-based payments reserve	Retained earnings	Total		
	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
Balance at 1.7.2018 - as previously reported	37,842	472	–	(1,907)	345	32,581	69,333	218	69,551
Effect of adoption of AASB 15	–	–	–	–	–	(468)	(468)	–	(468)
Balance at 1.7.2018 – as restated	37,842	472	–	(1,907)	345	32,113	68,865	218	69,083
Profit for the period	–	–	–	–	–	3,415	3,415	(40)	3,375
Other comprehensive income									
Net surplus on revaluation of land and buildings	–	–	13,547	–	–	–	13,547	–	13,547
Foreign currency translation	–	–	–	(249)	–	–	(249)	–	(249)
Total comprehensive income for the period	–	–	13,547	(249)	–	3,415	16,713	(40)	16,673
Share-based payments	–	–	–	–	23	–	23	–	23
Forfeiture of employee share options	–	–	–	–	(4)	4	–	–	–
Transfer of depreciation for buildings	–	–	(201)	–	–	201	–	–	–
Acquisition of non-controlling interests	–	–	–	–	–	(284)	(284)	284	–
Share capital reduction	12	(17,214)	–	–	–	–	(17,214)	–	(17,214)
Disposal of a subsidiary	–	–	–	–	–	–	–	(11)	(11)
Discontinued operations	–	–	–	–	(218)	–	(218)	(196)	(414)
Balance at 31.12.2018	20,628	472	13,346	(2,156)	146	35,449	67,885	255	68,140

ZICOM GROUP LIMITED
 ABN 62 009 816 871
 HALF-YEAR REPORT – 31 DECEMBER 2018

Consolidated Statement of Changes in Equity (cont'd)

for the half-year ended 31 December 2018

Note	Attributable to equity holders of the Parent							Non-controlling interests	Total equity
	Share capital	Share capital – exercise of share options	Asset revaluation surplus	Foreign currency translation reserve	Share-based payments reserve	Retained earnings	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1.7.2017	37,842	472	–	(1,701)	200	43,444	80,257	212	80,469
Loss for the period	–	–	–	–	–	(3,620)	(3,620)	(70)	(3,690)
Other comprehensive loss	–	–	–	(40)	–	–	(40)	–	(40)
Total comprehensive loss for the period	–	–	–	(40)	–	(3,620)	(3,660)	(70)	(3,730)
Share-based payments	–	–	–	–	120	–	120	–	120
Forfeiture of employee share options	–	–	–	–	(1)	1	–	–	–
Acquisition of subsidiary companies	–	–	–	–	–	–	–	275	275
Balance at 31.12.2017	37,842	472	–	(1,741)	319	39,825	76,717	417	77,134

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Consolidated Statement of Cash Flows
 for the half-year ended 31 December 2018

	Note	31 Dec 2018 S\$'000	31 Dec 2017 S\$'000
Cash flows from operating activities :			
Profit/(loss) before taxation from continuing operations		4,491	(1,809)
Loss before taxation from discontinued operations	6	(1,309)	(1,932)
Operating profit/(loss) before taxation		3,182	(3,741)
Adjustments for :			
Depreciation of property, plant and equipment		2,219	1,992
Amortisation of intangible assets		513	570
Property, plant and equipment written off	4	1	46
Allowance for doubtful debts, net	4	1,065	194
Bad debts written off	4	96	–
Provision for inventory obsolescence	4	22	34
Inventories written off	4	23	71
Finance costs		406	180
Interest income		(48)	(49)
Gain on disposal of property, plant and equipment, net		(7)	(53)
Intangible assets written off	4	71	45
Trade and other payables written back	4	–	(8)
Share-based payments		23	120
Provisions made, net		406	96
Gain on disposal of a subsidiary	4	(1,629)	–
Gain on demerger	4	(977)	–
Share of results of associates		453	494
Unrealised foreign exchange differences		(103)	(48)
Operating profit/(loss) before reinvestment in working capital		5,716	(57)
Increase in stocks and work-in-progress		(3,977)	(3,151)
(Increase)/decrease in projects-in-progress		(1,294)	2,253
Increase in debtors		(3,665)	(3,321)
Increase/(decrease) in creditors		7,842	(1,300)
Cash generated from/(used in) operations		4,622	(5,576)
Interest received		24	34
Interest paid		(410)	(193)
Income taxes paid		(182)	(183)
Net cash provided by/(used in) operating activities		4,054	(5,918)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,274)	(1,906)
Proceeds from disposal of property, plant and equipment		13	57
Increase in computer software		(6)	(11)
Increase in patented technology		(10)	(27)
Increase in development expenditure		(426)	(433)
Investments in associates	10	(222)	(676)
Acquisition of subsidiaries		–	(145)
Net cash outflow on demerger	6	(2,109)	–
Net cash outflow on disposal of a subsidiary	9	(7)	–
Net cash used in investing activities		(5,041)	(3,141)

For personal use only

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Consolidated Statement of Cash Flows (Cont'd)
 for the half-year ended 31 December 2018

	Note	31 Dec 2018	31 Dec 2017
		S\$'000	S\$'000
Cash flows from financing activities			
Proceeds from bank borrowings		3,600	7,300
Repayments of bank borrowings		(1,361)	(4,100)
Repayment of hire purchase creditors		(197)	(237)
		2,042	2,963
Net cash generated from financing activities			
		2,042	2,963
Net increase/(decrease) in cash and cash equivalents		1,055	(6,096)
Effect of exchange rate changes on cash and cash equivalents		(128)	(39)
Cash and cash equivalents at beginning of period		8,956	18,239
		8,956	18,239
Cash and cash equivalents at end of period	8	9,883	12,104

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

For personal use only

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Notes to the Consolidated Financial Statements

Note 1 Corporate Information

The financial report of Zicom Group Limited (the “Company” or “Parent Entity”) and its subsidiaries (collectively, the “Group” or “consolidated entity”) for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 28 February 2019. Zicom Group Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

Note 2 Summary of significant accounting policies

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

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

AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. The new standard establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer. AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted AASB 15 using the modified retrospective method of adoption with the date of initial application of 1 July 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard only to contracts that are not completed as at 1 July 2018.

The cumulative effect of initially applying with AASB 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under AASB 118 and AASB 111 and other interpretations.

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

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

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

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

The above adjustments relate to a single contract which was partially completed in the financial year 2017 but was put on hold. As enforceable right to receive payment for performance completed to date was not evidenced in the contract with customer, revenue cannot be recorded as the recognition criteria within the standard are not deemed to be met. No revenue was recognised in respect of this project in the financial year 2018 and up to the half year ended 31 December 2018. Accordingly, there is no material impact to the financial statement line items on the statement of comprehensive income or the Group's operating, investing and financing cash flows.

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

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

For personal use only

ZICOM GROUP LIMITED
ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

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

AASB 9 Financial Instruments

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

The Group applied AASB 9 prospectively, with an initial application date of 1 July 2018. The Group has not restated the comparative information, which continues to be reported under AASB 139. The Group has determined the adoption of AASB 9 has impacted the classification of financial instruments at 1 July 2018 as follows:

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

Impairment

AASB 9 requires an expected credit loss (ECL) model to be applied to all financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

For contract assets and trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the asset's original effective interest rate.

The Group considers a financial asset in default when contractual payments are significantly delayed from historical payment patterns. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. As at 1 July 2018, the Group reviewed and assessed the existing financial assets for impairment with no material impact noted. Trade and other receivables and contract assets which the Group measures at amortised cost are short term and the change to a forward-looking ECL approach did not have a material impact on the amounts recognised in the financial statements.

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

Note 3 Segment information

Identification of reportable segments

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

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

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Note 3 Segment information (cont'd)

Unallocated revenue and expenses

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

Segment results

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

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Note 3 Segment information (cont'd)

Segment results

	Offshore marine, oil & gas machinery S\$'000	Construction equipment S\$'000	Precision engineering & technologies S\$'000	Industrial & mobile hydraulics S\$'000	Consolidated S\$'000
Half-year ended 31 Dec 2017					
Revenue					
Sales to external customers	2,601	20,861	13,802	907	38,171
Rental income	–	1,322	–	–	1,322
Other income	1	44	501	–	546
Intersegment sales	–	2	–	111	113
Total segment revenue	2,602	22,229	14,303	1,018	40,152
Intersegment elimination					(113)
Unallocated revenue					35
Interest Income					34
Total consolidated revenue					40,108
Results					
Segment results	(2,128)	1,742	(914)	210	(1,090)
Unallocated revenue					35
Unallocated expenses					(665)
Loss before tax and finance costs					(1,720)
Finance costs					(123)
Interest income					34
Loss before taxation from continuing operations					(1,809)
Tax benefit					46
Loss after taxation from continuing operations					(1,763)

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Note 4 Revenue, income and expenses

	Consolidated	
	31-Dec-18	31-Dec-17
	S\$'000	S\$'000
<i>(i) Revenue from contracts with customers</i>		
<i>Transferred at a point in time</i>		
Sale of goods	40,533	–
<i>Transferred over time</i>		
Rendering of services	2,597	–
Revenue recognised on projects	7,303	–
	50,433	–
<i>(ii) Other operating income</i>		
Interest income	24	34
Gain on disposal of property, plant and equipment	4	53
Trade and other payables written back	–	8
Sale of machinery previously written off	–	24
Services rendered	102	66
Government grants	31	423
Gain on disposal of a subsidiary	1,629	–
Gain on demerger of subsidiaries and associates	977	–
Other revenue	13	7
	2,780	615
<i>(iii) Other expenses included the following</i>		
Provision for product warranties, net	350	(6)
Foreign exchange loss, net	73	221
Allowance for doubtful debts, net	1,065	194
Bad debts written off	96	–
Provision for inventory obsolescence	22	34
Property, plant and equipment written off	1	46
Intangible assets written off	71	45
Inventories written off	23	71

Note 5 Income tax

The major components of income tax benefit for the half-year ended 31 December 2018 and 31 December 2017 are:

	Consolidated	
	31-Dec-18	31-Dec-17
	S\$'000	S\$'000
<i>Current income tax</i>		
Current income tax charge	(182)	(382)
Adjustments in respect of previous years	3	78
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	340	128
Adjustments in respect of previous years	28	222
	189	46
Tax benefit	189	46

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Note 6 Discontinued operations

On 30 November 2018, the Group completed the capital reduction exercise by distributing and transferring all the issued ordinary shares in its wholly-owned subsidiary, ZIG Ventures Private Limited (“ZIG”), on a pro-rata basis to the shareholders of the Company, resulting in the demerger of ZIG and its subsidiaries from the Group. The gain on demerger of \$977,000 which arose from the disposals of Biobot Surgical Pte Ltd and Curiox Biosystems Pte Ltd and the derecognition of non-controlling interest has been recognised in profit or loss. The consolidated results of ZIG for the period up to the demerger are presented below:

	31-Dec-18	31-Dec-17
	S\$'000	S\$'000
Revenue	1,066	890
Expenses	(1,816)	(2,248)
Loss from operations	(750)	(1,358)
Finance costs	(4)	(80)
Share of results of associates	(555)	(494)
Loss before taxation from discontinued operations	(1,309)	(1,932)
Tax benefit	4	5
Loss from discontinued operations, net of tax	<u>(1,305)</u>	<u>(1,927)</u>

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

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

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Note 7 Earnings per share

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

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

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

	31-Dec-18	31-Dec-17
	S\$'000	S\$'000
(a) Profit/(loss) attributable to equity holders of the Parent		
Continuing operations	4,697	(1,753)
Discontinued operations	<u>(1,282)</u>	<u>(1,867)</u>
Profit/(loss) attributable to equity holders of the Parent	<u>3,415</u>	<u>(3,620)</u>
		No. of ordinary shares (Thousands)
(b) Weighted average number of ordinary shares for basic and diluted earnings per share	<u>217,141</u>	<u>217,141</u>

There were 2,610,000 (2017: 2,665,000) share options excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period presented.

Note 8 Cash and cash equivalents

	Consolidated	
	31-Dec-18	30-Jun-18
	S\$'000	S\$'000
Cash at bank and in hand	10,411	9,465
Short-term deposits	<u>83</u>	<u>274</u>
Cash and bank balances	<u>10,494</u>	<u>9,739</u>
For the purpose of cash flow statements, cash and cash equivalents comprise the following:		
Cash and short-term deposits	10,494	9,739
Bank overdrafts	<u>(611)</u>	<u>(783)</u>
	<u>9,883</u>	<u>8,956</u>

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Note 9 Investments in subsidiaries

(a) SAEdge Vision Solutions Pte Ltd (“SAEdge”)

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

On 31 August 2018, Sys-Mac completed the disposal of its 99% equity interest in SAEdge to Emage Vision Pte Ltd (“EV”) for a consideration of S\$3,473,000, satisfied by the allotment of 43,336 EV voting shares to Sys-Mac, representing an equity interest of 16.29% in EV. The gain on disposal of SAEdge amounted to \$1,629,000.

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

	S\$’000
Intangible assets	1,357
Deferred tax asset	152
Trade and other receivables	28
Inventories	511
Cash and cash equivalents	7
	2,055
Trade and other payables	(200)
	1,855
Carrying value of net assets	1,855
Non-controlling interests	(11)
	1,844
Total consideration	–
Cash and cash equivalents of the subsidiary	(7)
Net cash outflow on disposal of a subsidiary	(7)

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

(b) Biobot Surgical Pte Ltd (“Biobot”)

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

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

For personal use only

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Note 10 Investments in associates

(a) Investment details

		31-Dec-18	30-Jun-18
		S\$'000	S\$'000
Held through subsidiaries	Principal place of business		
Curiox Biosystems Pte Ltd	Singapore	–	5,107
HistoIndex Pte Ltd	Singapore	–	871
Endofotonics Pte Ltd	Singapore	–	706
BELKIN Laser Ltd	Israel	–	1,196
Pellucid Networks Pte Ltd	Singapore	–	918
Emage Vision Pte Ltd	Singapore	3,501	–
		<u>3,501</u>	<u>8,798</u>

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

	31-Dec-18	30-Jun-18
	S\$'000	S\$'000
At beginning of period	8,798	9,448
Additional investment	222	676
Share of results after income tax	(555)	(1,273)
Share of other comprehensive income	(2)	2
Unrealised profits	167	(55)
Disposal of investments upon demerger	(8,630)	–
At end of period	<u>–</u>	<u>8,798</u>

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

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

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

Emage Vision Pte Ltd (“EV”)	31-Dec-18	30-Jun-18
Shareholdings held: 16.29% (30 Jun 18: nil%)	S\$'000	S\$'000
At beginning of period	–	–
Investment during the period (Note 9a)	3,473	–
Share of results after income tax	102	–
Dividend received	(74)	–
At end of period	<u>3,501</u>	<u>–</u>

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

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Note 11 Interest-bearing liabilities

	Consolidated	
	31-Dec-18 S\$'000	30-Jun-18 S\$'000
<i>Current</i>		
Bank overdrafts (Note 8)	611	783
Bills payable	8,518	4,469
Revolving term loans	13,600	11,250
Term loans	176	159
Loans from a related party	1,352	1,352
Lease liabilities	338	394
	24,595	18,407
<i>Non-Current</i>		
Term loans	366	421
Lease liabilities	166	243
	532	664

Note 12 Share capital

(a) Share capital

	Parent Entity		Consolidated	
	31-Dec-18 No. of shares (Thousands)	30-Jun-18	31-Dec-18 S\$'000	30-Jun-18 S\$'000
Ordinary fully paid shares	217,141	217,141	21,100	38,314

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

(b) Movements in ordinary share capital

	Company Number of ordinary shares (Thousands)	Group S\$'000
At 1 July 2018	217,141	38,314
Share capital reduction	–	(17,214)
At 31 December 2018	217,141	21,100

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

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Note 13 Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorise fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

There were no transfers between levels during the reporting period.

(b) Fair value of assets and liabilities that are carried at fair value

As at 31 December 2018 and 30 June 2018, the Group had no assets and liabilities measured at fair value except as disclosed below.

As disclosed in note 2, the Group had, during the current period, changed its accounting policy for its land and buildings to the revaluation model. All land and buildings that was revalued was considered to be Level 3. Changes in fair value is accumulated in the revaluation surplus. Fair values are determined with reference to independent valuations which are performed by accredited independent valuers using recognised valuation techniques such as market comparison approach, cost approach and income approach. Valuations will be performed every three years. Management has verified where applicable all major inputs to the valuation and review the results with the independent valuers.

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

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

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

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

(c) Fair value of assets and liabilities by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

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

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Note 13 Fair value of assets and liabilities (cont'd)

- (d) Fair value of assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair values of non-current finance lease liabilities and bank loans bearing interest at fixed rates, which are not carried at fair value on the balance sheet, are presented in the following table. The fair value is estimated using discounted cash flow analysis using discount rate that reflects the issuer's borrowing rate at the end of the reporting period. The Group's own non-performance risk as at 31 December 2018 was assessed to be insignificant.

	31-Dec-18		30-Jun-18	
	Carrying amount S\$'000	Fair value S\$'000	Carrying amount S\$'000	Fair value S\$'000
Financial assets:				
Convertible loans to an associate	–	–	1,131	1,124
Financial liabilities:				
Term loans	366	316	421	359
Obligations under finance leases	166	153	243	230

Note 14 Related party disclosures

- a) Sales and purchases of goods and services

The following table provides the total amount of transactions which have been entered into with related parties during the half-year ended 31 December 2018 and 2017.

	31-Dec-18 S\$'000	31-Dec-17 S\$'000
Minority shareholder of a subsidiary company		
- Sales	636	286
- Purchases	32	8
Associates		
- Sales	358	163
- Interest income	24	17
- Services rendered	401	376
Other related parties		
- Sales	53	–
- Interest income	1	–
- Services rendered	47	–
- Services received	22	–
- Interest expense	34	–

For personal use only

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Note 14 Related party disclosures (cont'd)

b) Amounts due from/(to) related parties

The following table provides the balances with related parties as at 31 December 2018 and 30 June 2018.

	31-Dec-18 S\$'000	30-Jun-18 S\$'000
Related party receivables		
- Associates		
- trade	–	361
- non-trade	81	158
	<u>81</u>	<u>158</u>
- Other related parties		
- trade	318	142
- non-trade	799	–
	<u>799</u>	<u>–</u>
Related party payables		
- trade	(282)	(18)
- non-trade	(189)	(17)
- loans	(1,352)	(1,352)
	<u>(1,352)</u>	<u>(1,352)</u>

For personal use only

ZICOM GROUP LIMITED
ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2018

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



G L Sim
Chairman

Brisbane
Date: 28 February 2019

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Zicom Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2018, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

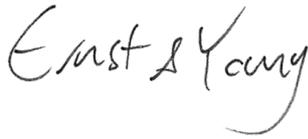
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

For personal use only

Independence

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



Ernst & Young



Tom du Preez
Partner
Brisbane
28 February 2019

For personal use only