ZICOM AUSTRALIA LIMITED

Appendix 4E

ASX Preliminary Final Report

30 June 2003

Name of entity:	**ZICOM AUSTRALIA Limited**
ABN:	62 009 816 871
Reporting Period:	**Year Ended 30 June 2003**
Previous corresponding period:	Year Ended 30 June 2002

Results for announcement to the market

Revenues from ordinary activities	up	102.8%	to	$24,307,109
Net Loss from ordinary activities after tax attributable to members	down	67.3%	to	($1,116,605)
Net Loss for the period attributable to members	down	67.3%	to	($1,116,605)

Preliminary Consolidated Statement of Financial Performance

for the year ended 30 June 2003

	Consolidated	
	2003 $	2002 $
Revenue from ordinary activities	24,307,109	11,987,532
Raw materials and consumables used	18,936,492	7,519,706
Employee benefits expense	4,778,776	3,039,039
Depreciation and amortisation expenses	261,183	320,104
Borrowing costs expense	102,689	151,443
Occupancy	413,611	484,105
Provision for diminution associated company	-	2,321,497
Provision for diminution in property	-	100,000
Provision for diminution controlled entities	-	-
Share of joint venture loss to 31 December 2001	-	195,492
Other expenses from ordinary activities	1,235,000	1,396,301
Loss from ordinary activities before income tax expense	**(1,420,642)**	**(3,540,155)**
Income tax expense	-	-
Loss from ordinary activities after income tax expense	**(1,420,642)**	**(3,540,155)**
Net profit (loss) attributable to outside equity interest	(304,037)	(123,312)
Loss attributable to members of Zicom Australia Limited	**(1,116,605)**	**(3,416,843)**
Total revenues, expenses, and valuation adjustments attributable to members of Zicom Australia Ltd recognised directly in equity	-	-
Total changes in equity other than those resulting from transactions with owners as owners	**(1,116,605)**	**(3,416,843)**
	Cents	Cents
Basic earnings per share (loss)	(1.47)	(4.50)

Discussion & Analysis of Statement of Financial Performance

The year in review has been an extremely disappointing one overall, with higher profits from the core mixer sales, servicing, and spares, more than offset by losses from batch plant projects and a negative return from the Cooma investment property.

Revenue doubled to $24.3m, from $12.0m the previous year. Of this increase 60% was attributed to high demand for mixers and developing a greater share of mixer servicing. The balance of the increase was mainly plant projects.
Export sales of mixer components increased 51%, however local competition in Asia and a stronger exchange rate have reduced the quantities and our content per mixer.

Margins in the mixer business have improved, whereas batch plants while positive the previous year, turned negative this year, on much higher turnover.

Costs of raw materials consumables and employee benefits have increased by 151% and 57% respectively, this has resulted from the large increase in the mixer related turnover and batch plant projects, with additional costs from the losses on batch plant projects.

Borrowing costs are down by 32% to $103k, resulting from repayments of principal on the secured loan on the Cooma property. These funds have come from the JV operations.

Occupancy has been reduced by 15% to $414k, this is due to benefits of rationalisation coming from the Joint Venture of Cesco and Forbes operations.

No changes to provisions for diminution have been deemed necessary. The valuation of our investment in associated company Zicom Private Ltd, based in Singapore is unchanged. This is due to a return to profitability after several years of losses and an improved outlook.
The Cooma property has not been revalued since the provision was revised in June 2002, this asset is listed for sale at a price greater than our carrying value.

The group Net Loss attributable to members was $1,117k, an improvement on the previous year loss of $3,417k which included a large provision for diminution, $2,321k.

Preliminary Consolidated Statement of Financial Position
as at 30 June 2003

	Consolidated 2003 $	Consolidated 2002 $
Current Assets		
Cash	456,140	133,653
Receivables	2,516,721	3,278,286
Inventories	1,881,401	1,854,918
Investments	1,768,881	1,886,990
Other	40,343	2,839
Total Current Assets	6,663,486	7,156,686
Non-Current Assets		
Investments	-	-
Property, plant and equipment	888,537	893,556
Intangibles	-	1
Total Non-Current Assets	888,537	893,557
Total Assets	7,552,023	8,050,243
Current Liabilities		
Payables	6,300,384	5,127,447
Interest bearing liabilities	585,000	901,348
Provisions	140,709	99,379
Total Current Liabilities	7,026,093	6,128,174
Non-Current Liabilities		
Provisions	61,532	37,030
Total Non-Current Liabilities	61,532	37,030
Total Liabilities	7,087,625	6,165,204
Net Assets	**464,398**	**1,885,039**
Equity		
Parent entity interest		
Contributed equity	19,144,898	19,144,898
Reserves	613,558	613,558
Retained losses	(19,403,838)	(18,287,233)
Total parent entity interest	354,618	1,471,223
Outside equity interests in controlled entities	109,780	413,816
Total Equity	**464,398**	**1,885,039**

Discussion & Analysis of Statement of Financial Position

The major factor impacting on the statement of financial position has been the large losses on batch plant projects. These projects were largely completed during the year, with the last requiring some commissioning during July and August 2003.
To finance the losses a short term loan was arranged during August 2003, and further funding and strategic options are being investigated with the help of an external financial advisor.

Cash holdings have increased to $456k, this represents late June receipts for mixer and project sales.
Receivables have reduced by $762k, reflecting improved credit terms for our capital equipment sales and batch plant claims.
Inventories are largely unchanged.
Investments include two assets previously classified as non current. These are the investment property at Cooma, which has been listed for sale at a price in excess of our carrying value, there has been market interest at this level. The directors expect the asset to be sold in the first half of FY04.
The other asset is an investment in the associated company Zicom Private Ltd. Investigations are underway to realise the part that is not subject to a guarantee over a group debt to Zicom Private Ltd for purchases during the period 2000 to 2001.
Comparatives for both these assets have also been shown in the current assets section.

Property plant and equipment represents operational equipment including vehicles at written down values. Depreciation was higher than net additions, resulting in slightly lower net book value.

Payables have increased from $5,127k to $6,300k. This includes operational creditors, amounts owing to directors and related parties. The increase can be attributed to the higher level of activity and the batch plant projects finished close to June 2003.
Interest bearing liabilities represent the bank commercial bill facility secured on the Cooma property, this has been reduced by monthly installments from $901k to $585k.
Current provisions of $141k represent warranty and employee entitlements in accordance with AASB 1028.
Non Current provision of $62k relates to employee long service leave.

Overall net assets have declined by $1,421k which represents the Net Loss before minority interests.

Preliminary Consolidated Statement of Cash Flows

for the year ended 30 June 2003

	Consolidated	
	2003	2002
	$	$
Cash flows from operating activities		
Receipts from customers	27,269,273	11,515,269
Payments to suppliers and employees	(26,434,855)	(11,035,945)
Interest received	25,581	7,081
Borrowing costs	(102,689)	(81,478)
Net operating cash flows	757,310	404,927
Cash flows from investing activities		
Payment for purchases of property, plant and equipment	(224,852)	(55,049)
Proceeds from sale of property, plant and equipment	20,000	143,636
Cash acquired on acquisition of subsidiary	-	104,648
Payment for the purchase of equity investment	-	(725,953)
Loans to controlled entities	-	-
Repayment of loans by controlled entities	-	-
Proceeds from Sale of Investments	86,377	-
Repayment of loans by other entities	-	19,714
Net investing cash flows	(118,475)	(513,004)
Cash flows from financing activities		
Proceeds from borrowing from related entities	505	195,214
Repayment of borrowings from related entities	(505)	-
Repayment of borrowings to other entities	(316,348)	(78,904)
Net financing cash flows	(316,348)	116,310
Net increase / (decrease) in cash held	**322,487**	**8,233**
Cash at beginning of the financial year	133,653	125,420
Cash at the end of the financial year	**456,140**	**133,653**

Discussion & Analysis of Statement of Cash Flows

Cash receipts from operating activities rose to $27.3m from $11.5m the previous year. These are provided by sales of transit concrete mixers, batch plants, associated servicing and spare parts. Also included is rental income from the Cooma property.

Payments to suppliers and employees of $26.4m include the following types of expenditures:

- Materials and fabricated products used in the manufacture of our products;
- Wages and salaries paid to our employees;
- Costs of engaging casual labour through external labour providers;
- Government taxes;
- Transport costs to deliver to our customers and agents;
- Costs to lease premises;
- Telecommunication costs including links with our branches;
- Other overhead costs including insurance.

Net cash provided by operating cash flows increased by $352k to $757k.

Cash flows from investing activities included purchases of equipment and vehicles for $225k, less disposals of vehicles and shares held in Zicom Private Ltd. These 100,000 shares were exchanged for a reduction in the group's debt to Zicom Private Ltd. They were sold at a price above book value. Net total investing outflows were $118k.

Cash outflows from financing activities totalled $316k, mainly comprising the debt reduction in the bank bill secured on the Cooma property. Previous year was a net inflow of $116k, including borrowings from related and external entities.

Overall cash holdings increased by $322k to $456k.

This financial report relates to the consolidated entity comprising Zicom Australia Ltd and the entities it controlled at the end of or during the year ended 30 June 2003.

The accounting policies adopted are consistent with those of the previous year.

Segment Information

Primary Reporting Business Segments:

	Investments		Engineered Products & Services		Inter-segment Eliminations		Consolidated	
	2003 $000	2002 $000	2003 $000	2002 $000	2003 $000	2002 $000	2003 $000	2002 $000
Sales to customers outside the consolidated entity	-	-	24,074	9,889	-	-	24,074	9,889
Other revenue	97	442	2,756	3,715	(2,620)	(2,058)	233	2,099
Total revenue	97	442	26,830	13,604	(2,620)	(2,058)	24,307	11,988
Segment result	(610)	(3,170)	(507)	(1,085)	-	715	(1,117)	(3,540)
Segment assets	2,004	2,665	7,980	8,077	(2,432)	(2,692)	7,552	8,050
Segment Liabilities	1,287	1,339	6,365	5,411	(564)	(585)	7,088	6,165
Acquisitions of Plant & Equipment	-	7	223	48	-	-	223	55
Depreciation Expense	32	33	229	287	-	-	261	320
Profit / (Loss) on sale of property and equipment	-	12	14	(37)	-	-	14	(25)
Net Cash inflow from operating activities	62	(63)	695	468	-	-	757	405

Secondary Reporting Geographical Segments	Australia		Asia		Other Countries		Consolidated	
	2003 $000	2002 $000	2003 $000	2002 $000	2003 $000	2002 $000	2003 $000	2002 $000
Sales to customers outside the consolidated entity	23,330	9,132	807	513	170	244	24,307	9,889
Segment assets	7,552	8,050	-	-	-	-	7,552	8,050
Acquisitions of Plant & Equipment	223	55	-	-	-	-	223	55

Revenue

	Consolidated 2003 $	2002 $
Revenue from operating activities		
Sale of goods	21,684,774	8,727,742
Services	2,389,729	1,161,234
	24,074,503	9,888,976
Revenue from outside the operating activities		
Interest received	25,580	40,306
Proceeds on sale of property, plant & equipment	20,561	143,636
Management Fees	-	-
Expense reimbursements from joint venture (as an equity accounted investment)	-	1,791,618
Rental income	79,856	112,996
Foreign Exchange Gain	106,609	-
Other	-	10,000
	232,606	2,098,556
Revenue from ordinary activities (excluding share of equity accounted net loss of joint venture)	24,307,109	11,987,532

Taxation

	Consolidated 2003 $	2002 $
The income tax expense for the financial year differs from the amount calculated on the loss. The differences are reconciled as followed:		
Loss from ordinary activities before income tax expense	(1,420,641)	(3,540,155)
Income tax calculated at 30% (2002: 30%)	(426,192)	(1,062,046)
Tax effect of permanent differences -		
Write down of Cooma Property	-	30,000
Provision for diminution in value of shares in controlled entities	-	-
Provision for diminution in value of shares in associated entities	-	696,449
Other sundry items	(28,866)	(4,423)
Tax losses and timing differences for the year not recognised as future income tax benefits	455,058	340,020
Income Tax Expense	-	-

Retained Losses

	Consolidated 2003 $	2002 $
Retained losses at the beginning of the Financial year	(18,287,233)	(14,870,390)
Net loss attributable to members of Zicom Australia Ltd	(1,116,605)	(3,416,843)
Dividends provided or paid	-	-
Retained Losses at the end of the financial year	(19,403,838)	(18,287,233)

Notes to the Statements of Cash Flows

(a) Reconciliation of Cash

Cash at bank & on hand	456,140	133,653
	456,140	133,653

(b) Reconciliation of net cash from operating activities to loss from ordinary activities after tax

Operating loss after income tax	(1,420,644)	(3,540,155)
Depreciation and amortisation	261,183	320,104
Share of associated entity loss	-	195,492
Write down of investments to recoverable amount	-	2,421,497
GST	-	-
Loss / (profit) on disposal of non-current assets	(19,579)	25,242
Changes in operating assets and liabilities -		
(Increase) / decrease in receivables	761,565	108,459
(Increase) / decrease in prepayments	(37,504)	11,851
(Increase) / decrease in inventories	(26,483)	45,596
Increase / (decrease) in provisions	65,832	130,366
Increase / (decrease) in creditors	1,172,940	686,475
Net cash inflow/(outflow) from operating activities	757,310	404,927

Events Occurring After Reporting Date

Subsequent to a review of the batch plant operation and analysis of the last two projects, the plant division has been closed and employees terminated as redundant. No new sales for batch plant manufacture or servicing will be undertaken.

A short term finance facility of $500k was established during August to enable payment of all batch plant suppliers prior to December. The finance facility will be repayable in monthly installments over the next ten months.
Further investigations are under way with the assistance of an external financial advisor to seek longer term funding and investigate alternate capital structures better suited to the group's strategy and objectives.

Net tangible assets per security

	2003	2002
Net tangible asset backing per ordinary share	0.61 cents	2.48 cents

Detail of aggregate share of profits (losses) of associates and joint venture entities

	Percentage Holdings		Contribution to Group profit / (loss)		Aggregate share of profits/ (losses)	
	2003 %	2002 %	2003 $	2002 $	2003 $	2002 $
Joint Ventures						
Cesco Forbes Group	75	75	(1,215,919)	(493,074)	(911,939)	(565,298)

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

☐	The accounts have been audited	☐	The accounts have been subject to review
✔	The accounts are in the process of being audited or subject to review.	☐	The accounts have not yet been audited or reviewed.

Signed …Ian R Millard…………………Date: 11 September 2003
(~~Director/~~ Company Secretary)