ZICOM AUSTRALIA LIMITED

Appendix 4E

ASX Preliminary Final Report

30 June 2004

Name of entity:	**ZICOM AUSTRALIA Limited**
ABN:	62 009 816 871
Reporting Period:	**Year Ended 30 June 2004**
Previous corresponding period:	Year Ended 30 June 2003

Results for announcement to the market

Revenues from ordinary activities	Down 3% to	$23,585,903
Net Profit from ordinary activities after tax attributable to members	% not meaningful due to previous year loss	$164,531
Net Profit for the period attributable to members	% not meaningful due to previous year loss	$164,531

Preliminary Consolidated Statement of Financial Performance

for the year ended 30 June 2004

	Refer note	Consolidated 2004 $	2003 $
Revenue from ordinary activities		23,585,903	24,307,109
Raw materials and consumables used		16,692,988	18,936,492
Employee benefits expense		3,830,044	4,778,776
Depreciation and amortisation expenses		354,901	261,183
Borrowing costs expense		201,419	102,689
Occupancy		479,717	413,611
Provision for diminution associated company		40,000	-
Other expenses from ordinary activities		1,737,987	1,235,000
Profit (loss) from ordinary activities before income tax expense		**248,847**	**(1,420,642)**
Income tax expense		-	-
Profit (loss) from ordinary activities after income tax expense		**248,847**	**(1,420,642)**
Net profit (loss) attributable to outside equity interest		84,316	(304,037)
Profit (loss) attributable to members of Zicom Australia Limited		**164,531**	**(1,116,605)**
Total changes in equity other than those resulting from transactions with owners as owners		**164,531**	**(1,116,605)**
		Cents	Cents
Basic earnings per share		0.002	(1.470)

Discussion & Analysis of Statement of Financial Performance

The year in review has been notable for:

- Core business sales increased 17% over previous year.
- Purchase of the minority interest in the Cesco Forbes Joint Venture.
- Cooma investment property sold above book value.
- Closure of the batch plant division.
- Resignation of Managing Director and appointment of successor towards the end of the year

Total revenue decreased to $23.6m, from $24.3m the previous year. After excluding batch plant sales from the previous year, this equates to an increase of $4.0m in core business. New mixer sales, servicing and spare parts sales increased by 20% over the previous year.

Export sales of mixers and components decreased by 65% over the previous year and 116% over the last two years. The industry conditions in Asia remain flat, and our export strategy is under review.

Margins in the mixer business were steadily eroded over the year as costs increased. This has been partially addressed with a price review in July 2004 and we are continuing to seek the most cost effective options.

Costs of raw material consumables and employee benefits decreased by 11% and 22% respectively, resulting from the closure of the batch plant division.

Borrowing costs rose by 97% to $201k. Interest was incurred on three loans:

- Secured loan on the Cooma property which was repaid in Jan 04 on settlement of the sale.
- Zicom Private Ltd for a previous trade debt converted in previous years to an interest bearing loan.
- Revolving facility established 31st December 2003.

Occupancy costs have increased by 16% to $480k; the increase is due in part to a full year in 2004, compared to a part year for our service facility in 2003. All leases are subject to increases up to a maximum of 6%.

The change to the valuation of our investment in the associated Singapore based company, Zicom Private Ltd, accounts for the exchange rate movement. Over the year the Australian dollar strengthened to the Singapore dollar and the calculated (unrealized) exchange loss was reduced by the favorable exchange movement in Singapore dollar denominated liabilities. The net loss was approximately $16k.

The group Net Profit attributable to members was $165k, an improvement on the previous year loss of $(1,117)k which included losses from batch plant projects. The share to minority interests of $84k represents previous years' losses allocated to a minority shareholder in a subsidiary company, that had not been recouped and which are now borne by Zicom Australia Ltd. The subsidiary has now been deregistered.

Preliminary Consolidated Statement of Financial Position
as at 30 June 2004

	Consolidated	
	2004	2003
	$	$
Current Assets		
Cash	108,282	456,140
Receivables	2,700,289	2,516,721
Inventories	1,664,877	1,881,401
Investments	945,081	1,768,460
Other	91,439	40,343
Total Current Assets	5,509,968	6,663,065
Non-Current Assets		
Investments	-	-
Property, plant and equipment	795,619	888,958
Intangibles	354,179	-
Other	59,151	-
Total Non-Current Assets	1,208,949	888,958
Total Assets	6,718,917	7,552,023
Current Liabilities		
Payables	3,925,435	6,300,384
Interest bearing liabilities	1,637,651	585,000
Provisions	274,404	140,709
Other	113,931	-
Total Current Liabilities	5,951,421	7,026,093
Non-Current Liabilities		
Provisions	79,597	61,532
Total Non-Current Liabilities	79,597	61,532
Total Liabilities	6,031,018	7,087,625
Net Assets	**687,899**	**464,398**
Equity		
Contributed equity	19,313,648	19,144,898
Reserves	613,558	613,558
Accumulated losses	(19,239,307)	(19,403,838)
Total parent entity interest	687,899	354,618
Outside equity interests in controlled entities		109,780
Total Equity	**687,899**	**464,398**

Discussion & Analysis of Statement of Financial Position

The major changes to the group's financial position during the year were:

- The establishment of a revolving finance facility.
- Purchase of the minority interest in the Cesco Forbes Joint Venture.
- Cooma investment property sold and the secured loan repaid.
- The short term loan arranged during August 2003 to finance the batch plant losses, has been repaid.

Cash holdings have reduced to $108k; surplus funds are repaid to the revolving loan rather than kept in the bank.

Receivables have increased by $184k, but the credit terms have improved, taking into account the higher value of sales.

Investments include one asset previously classified as non current. This is an investment in the associated company Zicom Private Ltd. Part of this investment was realized during the year as a component of the settlement in the purchase of the minority interest. Investigations are underway to realise the balance, some of which is subject to a guarantee over a group debt to Zicom Private Ltd for purchases during the period 2000 to 2001. On sale, the debts owing to Zicom Private Ltd will be repaid from the proceeds. It is expected there will be a cash surplus that will be used in the operations. Comparatives for this asset and the Cooma property have also been shown in the current assets section.

Property, plant and equipment represent operational equipment including vehicles at written down values. Additions include some plant purchased from the minority shareholder. This plant had previously been provided for use by the Joint Venture. Depreciation was higher than net additions, resulting in lower net book value.

Payables have reduced from $6,300k to $3,925k. This includes operational creditors, amounts owing to directors and related parties. The reduction can be attributed to the establishment of the revolving loan facility and the repayment of the batch plant project liabilities.

Interest bearing liabilities represent the revolving loan facility secured on the business assets, and the outstanding balance to Zicom Private Ltd. The secured loan on the Cooma property has been repaid.

Current provisions of $274k represent warranty and employee entitlements in accordance with AASB 1028.

Other current liabilities represent amounts billed for unearned income.

Non Current provision of $80k relates to employee long service leave.

Overall net assets have increased by $224k which represents the Net Profit before minority interests plus the value of shares issued to the directors in part payment of outstanding fees, less minority interests purchased.

Preliminary Consolidated Statement of Cash Flows
for the year ended 30 June 2004

	Refer note	Consolidated 2004 $	2003 $
Cash flows from operating activities			
Receipts from customers		25,067,953	27,269,273
Payments to suppliers and employees		(26,200,663)	(26,434,855)
Interest received		9,253	25,580
Borrowing costs		(260,570)	(102,689)
Net operating cash flows		(1,384,027)	757,309
Cash flows from investing activities			
Payment for purchases of property, plant and equipment		(93,181)	(224,852)
Proceeds from sale of property, plant and equipment		580,362	20,000
Payment for the purchase of minority interest & associated assets		(446,667)	-
Proceeds from Sale of Investments		-	86,377
Net investing cash flows		40,514	(118,475)
Cash flows from financing activities			
Proceeds from borrowing from related entities		-	505
Repayment of borrowings from related entities		-	(505)
Repayment of borrowings to other entities		(11,203,300)	(316,348)
Proceeds from Term Loan		200,000	-
Proceeds from Revolving Finance Facility		11,998,956	-
Net financing cash flows		995,656	(316,348)
Net increase / (decrease) in cash held		**(347,857)**	**322,486**
Cash at beginning of the financial year		456,139	133,653
Cash at the end of the financial year		**108,282**	**456,139**

Discussion & Analysis of Statement of Cash Flows

Cash receipts from operating activities decreased to $25.1m from $27.3m the previous year and came from sales of transit concrete mixers, batch plants (ceased August 2003), associated servicing and spare parts. Also included is rental income from the Cooma property until sold in December 2003.

Payments to suppliers and employees of $26.2m were at similar levels to 2003. This reflects the clearance of batch plant creditors from the previous year. Included are 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 decreased to negative $1,384k.

Cash flows from investment activities included:

- Sale of the investment property at Cooma for $580k,
- Purchases of equipment and vehicles for $93k,
- Purchase of the minority shareholding in Cesco Forbes Group. This was settled with cash and with part transfer of our investment in Zicom Private Ltd.

Net total investing inflows were $41k.

Cash inflows from financing activities totalled $996k, comprising:

- Net proceeds of revolving finance facility and term loan.
- Less repayment of secured debt on sale of Cooma property.

Overall cash holdings decreased by $348k to $108k.

Segment Information

Primary Reporting Business Segments	Investments		Engineered Products & Services		Corporate		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sales to customers outside the consolidated entity	-	-	22,939	24,074	-	-	22,939	24,074
Other revenue	637	80	10	142	-	11	647	233
Total revenue	637	80	22,949	24,216	-	11	23,586	24,307
Segment result	60	(27)	502	(1,206)	(398)	117	164	(1,116)
Segment assets	3	478	5,697	5,548	1,019	1,526	6,719	7,552
Segment Liabilities	2	587	5,213	5,801	816	700	6,031	7,088
Acquisitions of Plant & Equipment	-	-	231	223	-	-	231	223
Depreciation Expense	16	32	300	229	-	-	316	261
Profit / (Loss) on sale of property and equipment	136	-	(19)	14	-	-	117	14
Net Cash inflow from operating activities	(59)	176	(969)	704	(356)	(123)	(1,384)	757

Secondary Reporting Geographical Segments	Australia		Asia		Other Countries		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	$0	$0	$0	$0	$0	$0	$0	$0
Sales to customers outside the consolidated entity	22,501	23,330	327	807	101	170	22,929	24,307
Segment assets	6,607	6,243	945.00	1,309.00	-	-	7,552	7,552
Acquisitions of Plant & Equipment	223	223	-	-	-	-	223	223

The business segments of the consolidated entity have been reclassified from previous years to better reflect the business divisions.

Investments

Investments relate to the commercial property based in NSW which was sold during the financial year.

Engineered Products and Services

This segment relates to all revenue and costs associated with the manufacture and servicing of concrete mixers and other products.

Corporate

Operation of the parent company, including the investment in the overseas investment company.

Revenue

	Consolidated	
	2004	2003
	$	$
Revenue from operating activities		
Sale of goods	20,475,425	21,684,774
Services	2,463,540	2,389,729
	22,938,965	24,074,503
Revenue from outside the operating activities		
Interest received	9,253	25,580
Proceeds on sale of property, plant & equipment	580,362	20,561
Rental income	42,070	79,856
Foreign Exchange Gain	-	106,609
Other	15,253	-
	646,938	232,606
Revenue from ordinary activities (excluding share of equity accounted net loss of joint venture)	23,585,903	24,307,109

Taxation

	Consolidated	
	2004	2003
	$	$
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as followed:		
Profit (loss) from ordinary activities before income tax expense	248,847	(1,420,642)
Income tax calculated at 30% (2003: 30%)	74,654	(426,192)
Tax effect of permanent differences -		
Other sundry items	3,135	(28,866)
Income tax adjusted for permanent differences	77,789	(455,058)
Benefit of tax losses of prior years recouped	(77,789)	-
Tax losses and timing differences for the year not recognised as future income tax benefits	-	455,058
Income Tax Expense	-	-

Accumulated Losses

	Consolidated	
	2004	2003
	$	$
Accumulated Losses		
Accumulated losses at the beginning of the Financial Year	(19,403,838)	(18,287,233)
Net profit (loss) attributable to members of Zicom Australia Ltd	164,531	(1,116,605)
Dividends provided or paid	-	-
Accumulated Losses at the end of the financial year	(19,239,307)	(19,403,838)

Notes to the Statement of Cashflow

	Consolidated	
	2004	2003
	$	$
Reconciliation of Cash		
Cash at bank and on hand	108,282	456,140

Reconciliation of net cash from operating activities to profit from ordinary activities after income tax

Operating profit/ (loss) after income tax	248,847	(1,420,644)
Depreciation and amortisation	354,901	261,183
Net exchange differences	(1,581)	-
Write down of investments to recoverable amount	40,000	-
Non cash payment of oustanding directors fees, value of shares issued	168,750	-
Loss / (profit) on disposal of non-current assets	(116,147)	(19,579)
Changes in operating assets and liabilities -		
(Increase) / decrease in receivables	(134,967)	761,565
(Increase) / decrease in prepayments	(51,096)	(37,504)
(Increase) / decrease in inventories	216,524	(26,483)
Increase / (decrease) in provisions	151,760	65,832
Increase / (decrease) in creditors	(2,374,949)	1,172,940
Increase / (decrease) in other current liabilities	113,931	-
Net cash inflow/(outflow) from operating activities	(1,384,027)	757,310

Net tangible assets per security

	2004	2003
Net tangible asset backing per ordinary share	0.42 cents	0.61 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)	
	2004 %	2003 %	2004 $	2003 $	2004 $	2003 $
Joint Ventures						
Cesco Forbes Group		75		(1,215,919)		(911,939)

The remaining 25% minority holding in the Joint Venture was purchased the 01/07/03. The deed of purchase terminated the Joint Venture at that date.

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 .... **Date:**
(Director/ Company Secretary)