ZICOM AUSTRALIA LIMITED

Appendix 4D

For the six months ended

31 December 2004

ZICOM AUSTRALIA LIMITED
ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2004

Name of entity: **ZICOM AUSTRALIA Limited**

ABN: 62 009 816 871

Reporting Period: **Six Months Ended 31 December 2004**

Previous corresponding period: Six Months Ended 31 December 2003

Results for announcement to the market

Revenues from ordinary activities	down	7.6% to	$11,478,473
Net Profit from ordinary activities after tax attributable to members	up	129.4% to	$480,359
Net Profit for the period attributable to members	up	129.4% to	$480,359

Net tangible assets per security

	Dec 31, 2004	Dec 31, 2003
Net tangible asset backing per ordinary share	0.95 cents	0.33 cents

No dividend will be proposed for the period to 31 December 2004.

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:** 25 February 2005

Chairman

ZICOM AUSTRALIA LIMITED

Half Year Financial Report

For the six months ended

31 December 2004

ZICOM AUSTRALIA LIMITED
ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2004

Contents

Report of the Directors

Your directors present their report on the consolidated accounts for the half-year ended 31 December 2004.

Directors
The following persons held office as directors of Zicom Australia Limited at the date of this report and unless otherwise noted, for the whole of the period since 1 July 2004:

Mr P J Davidson	(Non-executive Chairman) retired 22 November 2004
Mr R E Keevers	(Non-executive Chairman) appointed 22 November 2004
Mr K J Crombie	(Non-executive)
Mr B H Cheak	(Non-executive)
Mr G L Sim	(Non-executive)

Review of Operations

- The consolidated business achieved a profit after tax of $480,359 in the half-year, a 129% increase over the corresponding period.
- Revenue decreased by 7.6% to $11.48m.
- Basic earnings per share increased from 0.3¢ to 0.6¢ over the corresponding period.
- No dividends will be declared while the company is improving its financial position.

Mixer Operations
Revenue from the sale of new mixers was down compared to the previous corresponding period but the margins were improved. The order book for the remainder of the year is encouraging. The expansion of our service and maintenance department continues in Brisbane, Melbourne and Sydney although a shortage of skilled labour is hampering this growth.
Exports improved marginally despite the rising A$ but still represent only 2.5% of sales revenue.

Significant Changes in State of Affairs
The results were affected by the following significant item:
Part of the investment in Zicom Private Ltd was disposed of during the half-year, the secured debt and all other balances with ZPL were repaid/collected. The balance of the investment was sold at book value during January 2005.

Auditor's Independence Declaration
A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 accompanies this report.

Matters Subsequent to the End of the Financial Year
The balance of the investment in ZPL was sold at book value during January 2005.

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

R E Keevers

R E Keevers
Chairman
Brisbane
25 February 2005

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The Directors
Zicom Australia Limited
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HEMMANT QLD 4174

Auditor's Independence Declaration

As lead engagement partner for the review of the half-year financial report of Zicom Australia Limited for the half-year ended 31 December 2004, I declare that, to the best of my knowledge and belief, there have been:

i. no contraventions of the independence requirements of the Corporations Act 2001 in relation to the review; and
ii. no contraventions of any applicable code of professional conduct in relation to the review.

JOHNSTON RORKE
Chartered Accountants

RCN WALKER
Partner

Brisbane, Queensland
25 February 2005

Statement of Financial Performance
for the half-year ended 31 December 2004

	Note	Consolidated 31-Dec-04 $	31-Dec-03 $
Revenue from operating activities		10,790,204	11,781,974
Revenue from outside the operating activities			
Proceeds on disposal of assets		684,944	580,000
Other		3,325	55,970
		11,478,473	12,417,944
Expenses from ordinary activities			
Changes in inventories		(31,504)	(6,175)
Materials and goods used		7,493,293	8,494,841
Employee, contract labour and related costs		1,739,494	1,969,861
Depreciation and amortisation		152,958	185,598
Premises rental and outgoings		232,091	240,829
Carrying value of investment in Zicom Pte Ltd sold		680,171	-
Carrying value of investment property sold		-	444,274
Disposal costs relating to investment property sold		-	25,000
Consulting fees - financial advisory	3	-	60,103
Provision for diminution in value			
Shares in related corporation	3	38,690	100,000
Borrowing costs		106,307	76,173
Other expenses		586,614	618,064
Profit from ordinary activities before income tax expense		**480,359**	**209,376**
Income tax expense		-	-
Profit from ordinary activities after income tax expense	3	**480,359**	**209,376**
Net profit attributable to outside equity interest		-	-
Net profit attributable to members of Zicom Australia Limited		**480,359**	**209,376**
		Cents	Cents
Basic earnings per share		0.6	0.3
Diluted earnings per share		0.6	0.3

Statement of Financial Position

as at 31 December 2004

		Consolidated	
		31-Dec-04	30-Jun-04
	Note	$	$
Current Assets			
Cash assets		100,663	108,282
Receivables		3,283,356	2,700,289
Inventories		1,861,381	1,829,877
Other financial assets		226,220	945,081
Other		115,750	91,439
Total Current Assets		5,587,370	5,674,968
Non-Current Assets			
Property, plant and equipment		697,262	795,619
Intangible assets		334,502	354,179
Other		23,660	59,151
Total Non-Current Assets		1,055,424	1,208,949
Total Assets		6,642,794	6,883,917
Current Liabilities			
Payables		2,894,899	3,261,870
Interest bearing liabilities		1,892,251	2,256,466
Provisions		298,085	274,404
Other		325,797	308,931
Total Current Liabilities		5,411,032	6,101,671
Non-Current Liabilities			
Interest bearing liabilities		37,497	44,750
Provisions		56,007	79,597
Total Non-Current Liabilities		93,504	124,347
Total Liabilities		5,504,536	6,226,018
Net Assets		**1,138,258**	**657,899**
Equity			
Contributed equity	4	19,313,648	19,313,648
Reserves		613,558	613,558
Accumulated losses		(18,788,948)	(19,269,307)
Total Equity		**1,138,258**	**657,899**

Statement of Cash Flows
for the half-year ended 31 December 2004

	Consolidated	
	31-Dec-04	31-Dec-03
	$	$
Cash flows from operating activities		
Receipts from customers	11,287,979	13,497,180
Payments to suppliers and employees	(11,468,013)	(13,890,016)
Interest received	1,874	8,174
Borrowing costs	(106,307)	(76,173)
Net operating cash inflows/ (outflows)	(284,467)	(460,835)
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(37,459)	(17,492)
Proceeds from sale of property, plant and equipment	4,773	-
Proceeds from sale of investments	680,171	-
Net investing cash inflows/ (outflows)	647,485	(17,492)
Cash flows from financing activities		
Proceeds from borrowings	10,408,804	986,963
Repayment of borrowings	(10,779,441)	(318,087)
Net financing cash inflows/ (outflows)	(370,637)	668,876
Net increase / (decrease) in cash held	(7,619)	190,549
Cash at beginning of the reporting period	108,282	456,140
Cash at the end of the reporting period	**100,663**	**646,689**

Notes to the Consolidated Financial Statements

Note 1 Basis of Preparation of Half-Year Financial Report

This general purpose financial report for the interim half-year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Zicom Australia Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the most recent annual financial report.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current half-year.

Ongoing Operations

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the period, the consolidated group experienced a profit from ordinary activities of $480,359.

The Mixer operation has operated profitably all year and continues to do so. Financial projections prepared by the consolidated group forecast a continuing profitable financial performance. Our financial projections indicate that there will be sufficient cash reserves available within the consolidated group to fund the capital and working capital needs of the consolidated group for the 12 months following the date of this financial report.

The directors acknowledge that the continuing improved financial performance of the business, and hence the consolidated group, is dependent upon the continuing financial support of its financiers and the group achieving profitable results. The directors believe that there are reasonable grounds for the consolidated group to adopt the going concern basis in the preparation of this financial report.

If the consolidated group does not continue to receive financial support from its financiers or if it is unable to substantially achieve the projected financial performance, there is uncertainty as to whether the consolidated group will continue as a going concern. In this situation, the consolidated group may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated group not continue as a going concern.

International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS (AIFRS). The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required will be made, retrospectively, against opening retained earnings as at 1 July 2004.

At the date of this report, the directors of Zicom Australia Limited have not yet finalised a high level assessment of the impact of adopting the AIFRS. However, the directors are monitoring the developments and the potential impact it will have, and expect to complete an impact study and commence a plan to prepare the consolidated entity to be IFRS compliant in the near future.

Notes to the Consolidated Financial Statements

While no decision has yet been made as to the policy alternatives to be applied, or the extent to which it will affect the consolidated entity, the following areas have been identified as being the key accounting policy differences expected to arise on transitioning to AIFRS.

Intangible Assets – Goodwill
Under Australian Accounting Standard AASB3 Business Combinations, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over 10 years. This change in policy may result in increased volatility in the profit and loss, where impairment losses are likely to occur.

Revenue
Under Australian Accounting Standard AASB118 Revenue, recognition of revenue from sale of goods will only occur when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods; and only provided the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods.

This may result in a change to the current accounting policy under which revenue is recognised once control is considered to have passed. A change may lead to revenue being recorded later than under the existing policy, as the tests in the new standard may not be met until a later point in time.

Equity-based compensation benefits
Under Australian Accounting Standard AASB2 Share based Payment, equity-based compensation to directors, employees and others will be recognised as an expense in respect of services received.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

Impairment of assets
The consolidated entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. Under the Australian Accounting Standard AASB136 Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. Where applicable, value in use will be determined on a discounted cash flow basis. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

Income tax
Under Australian Accounting Standard AASB112 Income Taxes, there is a requirement that the consolidated entity adopt a balance sheet approach to income tax accounting rather than the current income statement approach. Additionally, the tests for the recognition of deferred tax assets, such as future income tax benefits, will be based on where realisation of the benefit is 'probable' rather than where realisation of the benefit can be regarded as being assured beyond any reasonable doubt or virtually certain. The consolidated entity does not currently recognise deferred tax assets as these are not considered virtually certain. Adoption of the new standard may result in recognition of deferred tax assets earlier than under the current standard.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to AIFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact on the transition to AIFRS on the consolidated entity's financial position and reported results. Zicom Australia Limited will continue to communicate IFRS related matters in accordance with Australian reporting standards as they become known to the company.

Notes to the Consolidated Financial Statements

Note 2 Segment Information

Half-year 2004

Primary Reporting – Business Segments	Investments	Engineered Products & Services	Unallocated	Consolidated
	$	$	$	$
Sales to customers outside the consolidated entity	-	10,790,204	-	10,790,204
Other revenue	-	8,098	680,171	688,269
Total revenue	-	10,798,302	680,171	11,478,473
Segment result	-	679,292	(198,933)	480,359

The consolidated entity predominantly operates within Australia.

Half-year 2003

Primary Reporting – Business Segments	Investments	Engineered Products & Services	Unallocated	Consolidated
	$	$	$	$
Sales to customers outside the consolidated entity	-	11,781,974	-	11,781,974
Other revenue	612,720	15,076	8,174	635,970
Total revenue	612,720	11,797,050	8,174	12,417,944
Segment result	(40,349)	440,088	(190,363)	209,376

The investment segment activity comprised rental of tenanted commercial property. The property was disposed of during the 30 June 2004 financial year.

Notes to the Consolidated Financial Statements

Note 3 Profit from Ordinary Activities

Profit from ordinary activities after related income tax expense includes the following items of revenue and expense which, together with other disclosures in this report, are relevant in explaining the financial performance for the half-year:

	Half-Year	
	2004	2003
	$	$
Revenue - proceeds on disposal of shares in Zicom Pte Ltd	680,171	-
Expense - carrying amount of shares disposed	(680,171)	-
Profit on sale	-	-
Consulting fee – financial advisory (previously described as Consulting fee – strategic review).	-	60,103
Revenue - proceeds on disposal of freehold land and buildings and associated equipment	-	580,000
Expense - carrying amount of assets disposed	-	(444,274)
- disposal costs	-	(25,000)
Profit on sale	-	110,726
Zicom Pte Ltd		
Provision for diminution in value of investment	38,690*	100,000

* Shares in Zicom Pte Ltd were sold during the half-year at $1 Singapore per share which was equivalent to the carrying value. The provision for diminution in the value of the investment relates to the movement in exchange rate between the Singapore dollar and Australian dollar between 1 July 2004 and the date of sale.

Note 4 Equity Securities Issued

Share Capital

	Half-year		Half-year	
	2004	2003	2004	2003
	Shares	Shares	$	$
Opening balance	84,296,256	75,858,756	19,313,648	19,144,898
Issue of shares to directors in payment of outstanding directors fees	-	8,437,500	-	168,750
Closing balance	84,296,256	84,296,256	19,313,648	19,313,648

Notes

An employee share option plan has been implemented; a total of 1,890,000 options were granted at an exercise price of 2¢ per share. These options can only be exercised each year in December by eligible employees. During December 2004 applications to exercise 112,500 were received, these will be considered for allotment at the first Board meeting in 2005. Up to the end of the half year 350,000 options have been forfeited by employees leaving their employment. Options remaining, total 1,427,500.

Notes to the Consolidated Financial Statements

The following share options are also outstanding:

(a) Issued to external consultants; 900,000 3 year options at an exercise price of 2¢.

(b) Issued to a former managing director; 500,000 with a further annual entitlement of 500,000 for the next 3 years, at an exercise price of 2¢. The board has received independent legal advice that the entitlement to options is not valid.

Note 5 Contingent Liabilities

The directors believe there have been no material changes in contingent liabilities since the last annual reporting date.

Note 6 Non-Cash Financing and Investing Activities

In the previous corresponding period, shares were issued to directors to pay up outstanding fees (which were recognised in payables at 30 June 2003). The consolidated entity also:

- Sold the freehold land and buildings and associated plant and equipment as referred to in note 3 above – the proceeds were included in receivables at 31 December 2003.
- Acquired plant and equipment of $74,275 by means of finance lease, (31 December 2004 - $nil acquired).

In addition the parent entity acquired the 25% minority interest in Cesco Forbes Group and other assets during the previous half-year as follows:

	2003 $
Consideration	
Cash *	446,667
Shares in Zicom Pte Ltd **	325,123
	771,790

* unpaid and included in payables at 31 December 2003
** carrying value $325,123

This comprised:

Carrying value of minority interest acquired	194,096
Plant and equipment acquired	80,981
Stock and WIP acquired	82,496
Goodwill	393,532
Other	20,685
	771,790

Note 7 Matters Subsequent to the End of the Half-Year

The balance of the investment in Zicom Pte Ltd was sold at book value during January 2005, ($226,220). All receivable and payable balances with Zicom Pte Ltd have been settled. The financial effects of subsequent events were not recognised at 31 December 2004.

A claim has recently been received from a third party for personal injury damages of $700,000 sustained in an alleged accident three years ago. Cesco Australia Ltd and Zicom Australia Ltd are named as second and third respondents. The claim will be investigated, however any damages that may be awarded are likely to be satisfied by insurance cover. Accordingly the directors believe the consolidated entity is unlikely to incur any costs exceeding the insurance excess.

Directors' Declaration

In the opinion of the directors the attached financial statements and notes:

(a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
(b) give a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the *Corporations Act 2001*; and
(b) there are reasonable grounds to believe that Zicom Australia Ltd will be able to pay its debts as and when they become due and payable.

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

R E Keevers
Director

Brisbane
25 February 2005

JOHNSTON RORKE JR

Chartered Accountants

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Independent Review Report

To the Members of Zicom Australia Limited

Scope

We have reviewed the financial report being the Directors' Declaration, Consolidated Statements of Financial Performance, Financial Position and Cash Flows and Notes to the Consolidated Financial Statements of Zicom Australia Limited (the company) for the half-year ended 31 December 2004. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Qualification

On 31 October 2003 the consolidated entity finalised the agreement to purchase the remaining 25% interest in the joint venture known as Cesco Forbes Group ("CFG"), resulting in 100% ownership. The acquisition was announced on 3 November 2003 which also advised that acquisition took effect from 30 June 2003. We have not been provided with sufficient information to conclude that the acquisition of the remaining 25% interest in CFG had occurred earlier than 31 October 2003. The financial report has been prepared on the basis that the consolidated entity owned 100% of CFG since 1 July 2003. We believe the operating results for the half-year ended 31 December 2003 should have included an allowance for the outside equity interest share of CFG's profit for the four months to 31 October 2003. On this basis net profit attributable to members of Zicom Australia Limited for the half-year ended 31 December 2003 would have decreased by $97,670 after allowing for the net profit attributable to outside equity interest and intangible assets would be reduced accordingly.

Qualified Review Statement

Based on our review, which is not an audit, except for the effects on the financial report of the matter referred to in the qualification paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of Zicom Australia Limited is not in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
  (ii) complying with Accounting Standard AASB 1029: *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding Going Concern

Without further qualification to the statement above, attention is drawn to the following matter. Given the consolidated entity's current financial position and the other matters described in note 1, there is uncertainty whether the consolidated entity will be able to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

JOHNSTON RORKE
Chartered Accountants

RCN WALKER
Partner

Brisbane, Queensland
25 February 2005