

# ZICOM GROUP LIMITED ABN 62 009 816 871

Annual Report - 30 June 2008

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## Contents

Report of the Directors	2
Auditor's Independence Declaration	14
Corporate Governance Statement	16
Income Statement	21
Balance Sheet	22
Statements of Changes In Equity	23
Statements of Cash Flows	25
Notes to the Financial Statements	27
Directors' Declaration	82
Independent Audit Report	83

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

Zicom Group Limited  
38 Goodman Place  
Murarrie, QLD 4172

## Zicom Group Limited

### Directors' Report 2008

Your directors present their report on the consolidated accounts of Zicom Group Limited for the year ended 30 June 2008.

#### Directors

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

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

Mr R E Keevers resigned as a director on 27 September 2007. Mr HS Tang resigned as a director on 21 Nov 2007. Mr KH Sim, his alternate director and Mr A G Palmer were appointed directors on 21 November 2007. Mr Sim is the group's Corporate Development Director.

#### Principal activities

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

#### Consolidated Results

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

Consolidated Results	Change (%)	Year Ended 30 June 2008		Year ended 30 June 2007	
		S\$ m	A\$ m	S\$ m	A\$ m
Revenue	+ 33.41	127.34	98.82	95.45	78.04
Earnings before interest, tax, depreciation, & amortization (EBITDA)	+ 13.28	13.90	10.79	12.27	10.03
Net profits after tax (NPAT)	+ 12.11	8.70	6.75	7.76	6.34

#### Dividends

Total dividends per share declared during the year were Australian 0.8 cents. These were paid as interim dividend of Australian 0.4 cents per share during the year and final dividend of Australian 0.4 cents per share on 3 October 2008. The total dividends paid amounted to A\$1,603,176 (S\$1,961,190).

#### Review of operations

The group's results show a satisfactory improvement over the previous year. This is notwithstanding that the second half of the financial year experienced an unprecedented sharp increase in energy costs and material prices that has been compounded by the USA sub-prime crisis.

The group increased its consolidated revenue by 33.41% from S\$95.45m (A\$78.04m) to S\$127.34m (A\$98.82m) and increased its consolidated net profits after tax by 12.11% from S\$7.76m (A\$6.34m) to S\$8.70m (A\$6.75m). Earnings per share improved from Singapore 4.31 cents (Australian 3.50 cents) in the corresponding previous year to Singapore 4.60 cents (Australian 3.53 cents). The currency rate during the year was A\$1 to S\$1.289 (2007: A\$1 to S\$1.223).

During the year, the group experienced growth in all its major business segments.

## Zicom Group Limited

### Directors' Report 2008

The following is an analysis of the segmental revenue:-

Revenue by Business Segments	Change (%)	Year ended 30 June 08		Year ended 30 June 07	
		S\$ m	A\$ m	S\$ m	A\$ m
Offshore Marine, Oil & Gas	+ 10.33	44.02	34.15	39.90	32.62
Construction	+ 61.44	65.85	51.10	40.79	33.35
Precision Engineering & Automation	+ 26.80	12.68	9.84	10.00	8.18
Industrial & Mobile Equipment	+ 1.17	2.97	2.30	2.92	2.38

The group's revenue in deck machinery included in the offshore marine, oil and gas sector was affected by capacity constraints of its customers who are mainly shipyards as well as delayed shipments from its suppliers of key components. Awards for projects from the oil and gas sector were also delayed resulting in the bulk of orders being received recently. These have resulted in a significant amount of these orders being pushed back for delivery in 2009. Demand on the offshore marine, oil and gas sector has been sharp and rapid in the last few years driven by sharp rises in oil prices. This has caused capacity constraints in shipbuilding and equipment manufacturers most of whom have been expanding their capacities. We expect the situation to improve.

The continuous high oil prices continue to attract increased exploration and production activities in deeper seas. The search for oil in deeper seas involves considerable increase in new and bigger offshore support vessels for which the group supplies heavy duty deck machinery. Gestation periods for investments in the oil and gas sectors are long and consequently, we will continue to see demand in these sectors to be on-going for many years ahead. Our market positioning on gas metering systems has strengthened, since first embarking on the business 4 years ago, the initial years primarily to gain customers' recognition. As customers' recognition gains momentum we are confident of increased orders. We continue to increase our foray into new markets to broaden our market and increase our revenue in this sector.

Orders from the offshore marine, oil and gas sector continue to be robust and we are confident that these are sustainable.

Demand for our construction equipment has been strong during the year. This is mainly driven by the resource boom in Australia and growth in the Asian economies. The Singapore government's drive to re-position its country's growth strategy involved the construction of two major integrated resort developments and several infrastructure developments and en-bloc commercial and residential re-developments. These developments have driven demand for foundation equipment and concrete mixers which make up our construction segment. Although the current world financial crisis is expected to impact against the construction sector, we are confident that the developments in these countries are well funded and are not expected to slacken.

Our precision and automation sector has succeeded in climbing up the value chain. The successful alliances with world renowned international original equipment manufacturers in the USA and Europe have resulted in us being awarded repeat orders to manufacture turnkey automated production lines and equipment such as epoxy dispensing machines and biotech and medical equipment components contributing to our growth in this sector. The group acquired the remaining 49% shares in Sys-Mac Automation Engineering Pte Ltd (SMAE) on 1 July 2008, making it a wholly owned subsidiary, and increased its paid up capital by S\$2m to strengthen SMAE to grow in this sector. SMAE has relocated its operations to new premises in Singapore doubling its production space. The relocation not only increases its production capacity but positions it to obtain ISO 13485 accreditation that qualifies it to manufacture full equipment for the biotech and medical industry. SMAE is currently ISO 9001 accredited.

The industrial and mobile equipment sector is made up of sales of our core expertise services to various industries. This activity is generally sustainable but is dependent on our manpower capacity to satisfy the demand for such services.

The average profit margin before tax is lower than that of the preceding corresponding year primarily due to different revenue mix. The percentage of revenue of the offshore marine, oil and gas was 35.07% (2007: 42.62%), construction was 52.46 % (2007: 43.58%), precision engineering and automation was 10.10% (2007: 10.68%) and industrial and mobile equipment was 2.37 % (2007: 3.12%). Notwithstanding the sharp rises in energy and material prices during the year, profit margins in all the segments have been generally maintained.

#### Confirmed Orders

At as 1 July 2008, the group's confirmed orders totalled S\$103.38 m (2007: S\$84.5m) These orders amount to 82.36% (2007: 90.27 %) of the revenue for the year just ended.

## Zicom Group Limited

### Directors' Report 2008

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An analysis of the confirmed orders is as follows :

	Delivery Scheduled For	
	FY2008	FY2009
	S\$m	S\$m
Offshore marine, oil & gas	69.15	24.83
Construction	6.76	-
Precision Engineering & Automation	2.20	-
Industrial & Mobile Equipment	0.44	-
	<u>78.55</u>	<u>24.83</u>

#### Significant changes in state of affairs

*27 November 2007*

The group completed a share placement to institutional investors for a total of 13,158,900 shares at A\$0.38 each, raising net proceeds of S\$5,896,354 (A\$4,677,996).

*6 June 2008*

The group's registered office was relocated to 38 Goodman Place, Murarrie, Queensland 4172.

*22 August 2008*

The group completed a rights issue of A\$0.20 cents for every share out of 20 held by shareholders. The rights were 83.38% taken up with a shortfall of 16.62 % raising net proceeds of A\$1,581,687 (S\$1,937,566 ). The company decided not to place out the shortfall of 1,616,885 shares (A\$323,337.00) to the public as the amount is not significant to the company and so as not to dilute existing shareholdings. The proceeds for the rights issue were intended to strengthen the company's position to take on any investment and acquisition opportunities that may arise. The group has ended the year 30 June 2008 with cash and bank balances of S\$14.51m.

*28 August 2008*

The group's shareholders approved the following resolutions :-

- acquisition of remaining 49% in Sys-Mac Automation Engineering Pte Ltd, effective 1 July 2008
- grant of 425,000 share options to directors and related parties at an exercise price A\$0.28 per share option.

#### Recent developments and expected results of operations

The group has a direct presence in Australia, Singapore, Thailand, China, and Indonesia. It continues to look into investment and acquisition opportunities in these countries as well as other countries to expand its business or to improve on its productivity and capacity.

The fundamentals of our group's businesses remain positive. Although the worsening financial crisis triggered off initially by the USA sub-prime crisis is expected to continue to confront the world economy with unprecedented challenges, we are confident of minimum impact as the fundamentals of the industries that we are engaged remain strong and these industries are not directly exposed.

#### *Positioning For Growth*

During the year, we have completed some of our expansion plans which position us to maintain our growth.

Our factory for heavy duty deck machinery in Singapore was completed in May 2008. This has increased our production output in deck machinery and improved our productivity.

Our wholly-owned subsidiary, Sys-Mac Automation Engineering Pte Ltd has relocated to new premises with expanded production space. We will continue to climb up the value chain and seek accreditation for ISO 13485 to expand into manufacturing of biotech and medical equipment to broaden our existing revenue base.

Our Thai factory that has obtained Thailand Board of Investment incentives has commenced construction and is targeted to be operational in the fourth quarter of the 2009 financial year as the manufacturing hub for our concrete mixers so as to achieve competitive manufacturing cost. A precision engineering centre will also be set up in the same premise to manufacture machined components for the group as well as to service the industry in general in Thailand.

In Australia, we have consolidated our assembly and servicing activities into one location at the Brisbane Head Office. We are now directly present in New South Wales and Victoria, positioning us to offer an integrated supply and seamless service support for our customers. This integrated structure strengthens us to expand our total fleet maintenance services to our customers allowing them to focus on their core activity in the production and supply of concrete to the industry.

## Zicom Group Limited

### Directors' Report 2008

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Our wholly-owned subsidiary Foundation Associates Engineering Pte Ltd (FAE) whose main activities are in the sale and rental of foundation equipment to the onshore and offshore construction industry, has recently successfully penetrated the market for the fabrication of sub-sea offshore structures for offshore diving and remotely operated underwater vehicles such as robots used for underwater maintenance and sub-sea construction development and underwater survey inspection services.

#### *Enhancing Competitiveness*

The main thrusts of the above initiatives and investments are aimed to expand our capacity, increase our productivity and to strengthen our competitiveness. In addition the Group continue to focus on consolidating and globalizing our material procurements and our manufacturing to maximize cost savings thereby continuously improving our competitiveness.

#### **Prospects**

The group's business fundamentals remain positive. The group is confident of navigating the challenges ahead. Barring no further escalation of the current world financial crisis resulting in any direct impact against the industries that we are engaged in, your directors are confident that the group's business will continue to grow and be profitable.

#### **Cash Balances**

The company's financial position remains strong and ended the year with cash and bank balances totalling S\$14.51m. On 22 August 2008, the group completed its rights issue raising net proceeds of A\$1,581,687 (S\$1,937,566) to further strengthen our financial position.

#### **Environmental regulations**

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

No significant material environmental incidents occurred during the year.

#### **Information on Directors**

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

##### **Chairman and Group Managing Director**

#### *Experience and Expertise*

Appointed to the Board on 5 April 1995. Chairman and Managing Director of Zicom Group Limited and Executive Chairman of all its subsidiaries. Experienced in public accounting, corporate development, financial and industrial management as well as international trade.

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

None

#### *Special responsibilities*

Executive Chairman of all subsidiaries  
Member of Remuneration and Nomination Committee

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

66,536,802 ordinary shares

**Zicom Group Limited**

**Directors' Report 2008**

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

*Experience and expertise*

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

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

Non-executive director of Finbar Group Limited

Non-executive director of CH Offshore Ltd

Non-executive director of Scomi Marine Bhd

Non-executive director of Environmental Solutions International Ltd (under administration)

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

*Special responsibilities*

Member of Remuneration and Nomination Committee

*Relevant interests in shares and options*

1,687,000 ordinary shares and 50,000 options

**Yian Poh Lim**

**Independent Director**

*Experience and expertise*

Appointed to the Board on 24 July 2006. Extensive international banking experience spanning 21 years and has run his own financial consultancy company for the past 14 years. Honorary advisor to the Administrative Committee of the Jia Xing Economic Development Zone, China since 2000. Member of the Singapore Institute of Directors.

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

None

*Special responsibilities*

Chairman of Remuneration and Nomination Committee

Member of Audit Committee

*Relevant interests in shares and options*

413,000 ordinary shares and 50,000 options

**Zicom Group Limited**

**Directors' Report 2008**

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**Frank Leong Yee Yew**

**Independent Director**

*Experience and expertise*

Appointed to the Board on 24 July 2006. Extensive experience in auditing, financial management and corporate secretarial work, having practised as a partner in an audit firm and worked as a company secretary, finance manager and financial controller in a leading property development company and involved in acquisitions and major developments.

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

None

*Special responsibilities*

Member of Audit Committee

*Relevant interests in shares and options*

183,750 ordinary shares and 50,000 options

**Ian Robert Millard**

**Independent Director**

*Experience and expertise*

Appointed to the Board on 23 November 2006. Extensive experience in public accounting and corporate secretarial work. Fellow of the institute of Chartered Accountants with 30 years as a partner in major accounting firms in Queensland.

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

None

*Special responsibilities*

Chairman of Audit Committee

*Relevant interests in shares and options*

517,250 ordinary shares and 50,000 options

**Arthur Gregory Palmer**

**Independent Director**

*Experience and expertise*

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

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

None

*Special responsibilities*

None

*Relevant interests in shares and options*

50,000 ordinary shares and 25,000 options

## Zicom Group Limited

### Directors' Report 2008

#### **Kok Hwee Sim**

#### **Corporate Development Director**

#### *Experience and expertise*

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

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

None

#### *Special responsibilities*

Group corporate development

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

197,706 ordinary shares and 100,000 options

#### **Changes in Directors**

During the year Mr Richard Keevers resigned from the board. Mr A G Palmer was elected on 21 November 2007. Mr H S Tang resigned from the board on 21 November 2007 to focus on his role as Joint Managing Director of the group's biggest subsidiary, Zicom Private Limited, and his alternate, Mr Kok Hwee Sim, was appointed an executive director, in his place, holding the position of Corporate Development Director.

#### **Company Secretaries**

The joint Company Secretaries are Mr Michael Lawrence Mee and Ms Jenny Lim replacing Mrs Ann Marie Saunders and Mr Ian Millard. Mrs Ann Marie Saunders resigned on 6 June 2008. Mr Ian Millard who remains a director and Chairman of the Audit Committee, retired as the other Joint Secretary on the same date.

Mr Mee is an executive director of Cesco Australia Limited and holds a Bachelors degree in Business Accounting from the Queensland University of Technology. Ms Jenny Lim is the group's Financial Controller and is a Fellow of the Association of Chartered Certified Accountants, UK.

#### **Meetings of directors**

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2008, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of Committees			
			Audit		Nomination & Remuneration	
	A	B	A	B	A	B
Giok Lak Sim	9	9	-	-	3	3
Boon Heng Cheak	7	9	-	-	2	3
Frank Leong Yee Yew	8	9	3	4	-	-
Yian Poh Lim	8	9	4	4	3	3
Ian R Millard	9	9	4	4	-	-
Arthur G Palmer	4	4	-	-	-	-
Kok Hwee Sim*	8	9	-	-	-	-
Hung Seah Tang	3	5	-	-	-	-
Richard E Keevers	0	1	-	-	-	-

\* = Alternate to Hung Seah Tang up to 21 November 2007.

A = Number of meetings attended

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

## Zicom Group Limited

### Directors' Report 2008

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#### **Insurance or indemnification of officers**

During the financial year, Zicom Group Limited paid a premium of A\$12,368 to insure the directors and officers of the reporting entity.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against directors or officers in their capacities as officers of the reporting entity.

The policy also provides for certain statutory fines incurred by the reporting entity or officers, and protection for claims made alleging a breach of professional duty arising out of an act, error or omission of the officers of the reporting entity.

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

Messrs Frank Leong and Ian Millard retire by rotation and being eligible, offer themselves for re-election.

Mr A G Palmer and Mr K H Sim were appointed directors on 21 November 2007, after the last Annual General Meeting. In accordance with the constitution, Messrs A G Palmer and K H Sim retire as directors at the Annual General Meeting and, being eligible, offer themselves for re-election.

#### **Remuneration report (Audited)**

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Service Agreements
- C Details of remuneration

#### **A Principles used to determine the nature and amount of remuneration**

A combined Remuneration and Nomination Committee has been formed. The members of the Nomination and Remuneration Committee comprise of Mr Y P Lim as Chairman, with Mr John Cheak and Mr G L Sim as members. Mr R E Keevers was a member of the Remuneration and Nomination Committee and had resigned on 27 September 2007. The Nomination and Remuneration Committee had approved the Service Agreement of the group managing director Mr G L Sim and this was subsequently ratified by the full board.

The key principle of Zicom Group Limited's remuneration policy is to ensure remuneration is set at levels that will attract, motivate, reward and retain personnel to improve business results, having regard to the company's financial performance and financial position.

#### *Non-executive directors*

Remuneration of non-executive directors is determined by the directors within the maximum amount approved by the shareholders. Each non-executive director receives a base fee of A\$30,000 for being a director of the Group. An additional fee of A\$2,000 is also paid for each Board committee of which a non-executive director sits and A\$5,000 if the director is a Chair of a Board Committee. The payment of additional fees for serving on committee recognises the additional time commitment, and responsibilities of the non-executive directors who serve on one or more sub committees.

#### *Senior Executives pay*

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

- Base pay and benefits;
- Short term incentives;
- Other remuneration such as superannuation, salary sacrifice for provision of motor vehicle;
- Participation in the Executive Share Option Plan.

#### *Base pay*

The level of base pay is set so as to provide a level of remuneration which is appropriate to the position and is competitive in the market. The level of remuneration is reviewed annually to ensure the senior executive's pay is competitive with the market. A senior executive's pay is also reviewed on promotion.

#### *Benefits*

Senior Executives receive benefits including health insurance, disability insurance and car allowances.

## Zicom Group Limited

### Directors' Report 2008

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#### *Short term incentives*

The objective of short term incentives is to reward the senior executives of the group with performance bonus tied to a minimum profit threshold of the group companies. Such bonuses are paid within 90 days after the year end and completion of audit.

#### *B Service Agreements*

##### Group Managing Director

The group managing director, Mr G L Sim is directly employed by Zicom Holdings Private Limited (ZHPL) and has entered into a 5 years' service agreement with ZHPL with effect from 1 July 2006. The group and Mr Sim are required to give each other at least 6 months notice in the termination of the service agreement. Under the terms of his service agreement, Mr Sim is also appointed as the ZGL group managing director as well as the Executive Chairman of all the operating subsidiaries. On 23 November 2006, Mr Sim was also appointed the Chairman of ZGL. Mr Sim is paid a monthly salary and a car allowance. Mr Sim is entitled to a performance bonus not exceeding 5% of the pre-tax profits of ZHPL upon achieving agreed minimum profit targets. ZHPL's profits exceeded the target for the financial year just ended and Mr Sim will be paid bonus accordingly. Mr Sim is not paid any salary or fees by ZGL, CAL or any other group companies. In the event CAL's pre-tax results achieve minimum profit target, Mr Sim is paid a bonus not exceeding 5% of CAL's profits. During the year just ended, Mr Sim was not paid any bonus by CAL as the profit target was not achieved.

##### Other Senior Executives

All senior executives have rolling contracts. The company and the senior executives, with the exception of Mr James Vaughan, are required to give each other 6 months' notice to terminate the service contracts. Mr James Vaughan and the company are required to give each other two months' notice to terminate the service contract. The senior executives are entitled to a monthly salary and a car allowance. The senior executives are paid a performance bonus on their respective companies achieving agreed minimum profit targets.

##### *Zicom Group Limited Employee Share and Option Plan*

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

A person is eligible to participate in the plan if he or she is a director or an employee of a group company. The board may at any time make invitations to eligible employees to participate in the Plan. The invitation will specify the total number of options each eligible employee may acquire, the exercise price, period and exercise conditions. All options shall lapse upon the expiry of the exercise period as determined by the board or 10 years after grant of option whichever is earlier.

If an eligible participant ceases to be employed by any member of the group his or her options shall lapse. In the event an eligible participant who, by reason of death, or physical or mental incapacity or such other reasons as the Board may approve, ceases to be an eligible participant before the participant has exercised all Plan Options, then those options shall continue to be capable of being exercised in accordance with the Plan Rules.

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

Up to the end of the financial year just ended, 2,975,000 share options have been granted. At a shareholders' meeting on 28 August 2008, 425,000 share options were approved to be granted to directors and related parties.

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

##### *Company Performance*

The board recommends that the directors' fees for the financial year ending 30 June 2009 be fixed at a maximum sum of A\$180,000 at the same level as the previous year.

The company has continued to improve on its profits for the year just ended improving earning per share from Singapore 4.31 cents to Singapore 4.60 cents. Total net assets have increased from S\$35.67m from the previous year to S\$49.02m. Net tangible asset per share increased from Singapore 14.63 cents from the previous year to Singapore 20.28 cents. Total dividends per share declared during the year were Australian 0.8 cents. These were paid as interim dividend of Australian 0.4 cents per share during the year and final dividend of Australian 0.4 cents per share on 3 October 2008.

The group's share traded to a peak of A\$0.55 prior to the blow-out of the current financial crisis in the beginning of calendar year 2008. Market sentiments have since depressed our share value which in the opinion of the board does not reflect our share's intrinsic value. The closing share price on 1 July 07 and 30 June 2008 were A\$0.33 and A\$0.20 respectively.

**Zicom Group Limited**

**Directors' Report 2008**

**C Details of remuneration (audited)**

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosure*) of Zicom Group Limited for the year ended 30 June 2008 and 2007 are set out in the following tables:

**2008**

Name	Cash Salary and Fees		Short Term Cash		Short Term Non-monetary benefits		Other short-term employee		Post employment benefit		Share-based payment		Total	% performance related
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$		
<i>Non-executive Directors</i>														
BH Cheak	41,280	-	-	-	-	-	-	-	-	-	-	-	41,280	-
YP Lim	47,730	-	-	-	-	-	-	-	-	-	-	-	47,730	-
F Leong	41,280	-	-	-	-	-	-	-	-	-	-	-	41,280	-
I R Millard	53,016	-	-	-	-	-	-	-	-	-	-	-	53,016	-
A G Palmer (appointed on 21 21 Nov 2007)	38,700	-	-	-	-	-	-	-	-	-	-	-	38,700	-
R E Keeverts (resigned 27 Sep 2007)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Sub-total non-executive directors</b>	<b>222,006</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>222,006</b>	
<i>Executive Directors</i>														
GL Sim - Chairman	432,000	454,383	-	24,000	-	2,938	-	24,000	2,938	-	-	-	913,321	49.8
KH Sim (appointed on 21 Nov 2007)	115,035	45,000	-	11,400	-	8,174	-	11,400	8,174	-	-	-	179,609	-
<b>Sub-total executive directors</b>	<b>547,035</b>	<b>499,383</b>	<b>-</b>	<b>35,400</b>	<b>-</b>	<b>11,112</b>	<b>-</b>	<b>35,400</b>	<b>11,112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,092,930</b>	
<i>Other key management personnel</i>														
JL Sim <sup>(1)</sup>	241,897	305,359	-	19,800	-	8,038	-	19,800	8,038	-	712	-	575,094	53.1
GH Teoh <sup>(2)</sup>	175,500	174,207	2,114	13,450	-	10,191	-	13,450	10,191	-	356	-	375,462	46.4
J V Vaughan <sup>(3)</sup>	228,828	-	45,595	21,548	-	20,875	-	21,548	20,875	-	356	-	316,846	-
HS Tang <sup>(4)</sup>	188,346	90,600	-	13,800	-	5,743	-	13,800	5,743	-	356	-	298,489	-
J Koon Sim	178,615	49,948	7,450	12,183	-	10,898	-	12,183	10,898	-	-	-	259,094	19.3
<b>Total</b>	<b>1,782,227</b>	<b>1,119,497</b>	<b>55,159</b>	<b>116,181</b>	<b>-</b>	<b>66,857</b>	<b>-</b>	<b>116,181</b>	<b>66,857</b>	<b>-</b>	<b>1,780</b>	<b>-</b>	<b>3,141,701</b>	

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

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

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

(4) Resigned as non-executive director of the Company on 21 November 2007 to focus as joint managing director of Zicom Pte Ltd

Zicom Group Limited

Directors' Report 2008

2007	Short Term Employee Benefits				Post employment benefits		Share-based payments		% performance related %
	Cash Salary and Fees S\$	Short Term Cash S\$	Non-monetary benefits S\$	Other short-term benefits S\$	Superannuation S\$	Equity-based S\$	Total S\$		
<i>Non-executive Directors</i>									
BH Cheak	30,934	-	-	-	-	-	30,934	-	-
YP Lim	46,800	-	-	-	-	-	46,800	-	-
F Leong	34,268	-	-	-	-	-	34,268	-	-
I R Millard	50,952	-	-	-	3,239	-	54,191	-	-
HS Tang	229,215	137,750	-	13,200	4,603	-	384,768	-	-
KH Sim	97,167	63,250	-	10,800	9,945	-	181,162	-	-
RE Keevers (resigned 27 Sep 2007)*	-	-	-	-	28,573	-	28,573	-	-
KJ Crombie (resigned 23 Nov 2006)	20,010	-	-	-	-	-	20,010	-	-
<b>Sub-total non-executive directors</b>	<b>509,345</b>	<b>201,000</b>	<b>-</b>	<b>24,000</b>	<b>46,360</b>	<b>-</b>	<b>780,706</b>	<b>-</b>	<b>-</b>
<i>Executive Directors</i>									
GL Sim - Chairman	360,000	467,000	-	24,000	2,684	-	853,684	-	45.9
<b>Sub-total executive directors</b>	<b>360,000</b>	<b>467,000</b>	<b>-</b>	<b>24,000</b>	<b>2,684</b>	<b>-</b>	<b>853,684</b>	<b>-</b>	<b>-</b>
<i>Other key management personnel</i>									
JL Sim	230,870	295,000	-	18,000	6,885	-	550,755	-	33.7
J V Vaughan	183,465	16,601	26,392	17,315	17,531	-	261,304	-	-
J Koon Sim	186,133	70,000	3,579	-	21,449	-	281,161	-	16.0
GH Teoh	138,000	40,827	-	18,000	8,944	-	205,771	-	-
<b>Total</b>	<b>1,607,813</b>	<b>1,090,428</b>	<b>29,971</b>	<b>101,315</b>	<b>103,853</b>	<b>-</b>	<b>2,933,380</b>	<b>-</b>	<b>-</b>

\* RE Keevers has elected to allocate all his directors' fees to his superannuation fund.

## Zicom Group Limited

### Directors' Report

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#### Shares under option

During the year the company granted 2,975,000 options to its employees under the Zicom Group Limited Employee Share and Option Plan. In addition, in the Extraordinary General Meeting held on 28 August 2008, shareholders approved the grant of 425,000 options to the directors and related parties.

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

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

The following key management personnel were granted options during the year.

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

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

As at 30 June 2008, none of these options were vested and accordingly, none were exercised. No options were granted to directors as at 30 June 2008. There were no options granted as at 30 June 2007.

#### Shares issued on the exercise of option

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

#### Legal Proceedings

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity or to intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings.

**Zicom Group Limited**

**Directors' Report**

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**Auditor**

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

Non-audit services provided by the entity's auditor and related practices of the entity auditor, Ernst & Young, during the year include a total of S\$37,000 for the provision of tax compliance services. The directors are satisfied that the services disclosed does not compromise the external auditors' independence as the nature of the services provided do not compromise the general principles relating to auditor independence imposed by the *Corporations Act 2001*.

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

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



GL Sim  
Chairman/Managing Director  
Brisbane  
30 September 2008

Zicom Group Limited

**Auditors' Independence Report**

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**ERNST & YOUNG**

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Fax: +61 7 2011 3100  
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**Auditor's Independence Declaration to the Directors of Zicom Group Limited**

In relation to our audit of the financial report of Zicom Group Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Mike Reid  
Partner  
30 September 2008

## Zicom Group Limited

### Corporate Governance Statement

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#### Introduction

The Board of Directors is responsible for the Corporate Governance of Zicom Group Limited and its controlled entities (referred to in this document as “the Company”). The Directors are focused on fulfilling their responsibilities individually and as a Board to all of the Company’s stakeholders. This involves recognition of and a need to adopt principles of good corporate governance. The Board supports the guidelines on the “Principles of Good Corporate Governance and Best Practice Recommendations” established by the ASX Corporate Governance Council.

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

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

A description of the Company’s practices in complying with the principles is set out below.

#### Principle 1: Laying Solid Foundations for Management and Oversight

The role of the Board is to lead and oversee the management and direction of the Company and its controlled entities.

After appropriate consultation with executive management the Board:

- defines and sets the business objectives. It subsequently monitors performance and achievement of the Company’s objectives;
- oversees the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes and reviews executive management of the Company;
- monitors and approves business plans, financial performance and budgets, and available resources and major capital expenditure initiatives of the Company;
- maintains liaison with the Company’s auditor; and
- reports to Shareholders.

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

The recommendations of the Corporate Governance Council are that the composition of the Board be determined so as to provide the Company with a broad base of industry, business, technical, administrative and corporate skill and experience considered necessary to represent Shareholders and fulfil the business objectives of the Company.

The recommendations of best practice are that the majority of the directors and in particular the chairperson should be independent. An independent director is one who:

- does not hold an executive position;
- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or other group member, or been a director after ceasing to hold any such employment;
- is not a principal of a significant professional adviser or a significant consultant of the Company or other group member, or an employee materially associated with the service provided;
- is not a significant supplier or customer of the Company or other group member, or an officer of, or otherwise associated directly or indirectly with a significant supplier or customer;
- has no significant contractual relationship with the Company or other group member other than as a Director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director’s ability to act in the best interests of the Company.

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

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

## **Zicom Group Limited**

### **Corporate Governance Statement**

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Materiality thresholds in determining the independence of non-executive directors are:

- A relationship that accounts for more than 10% of the Director's gross income (other than director's fees paid by the company).
- Where the relationship is with a firm, company or entity, in respect of which the Director (or any associate) has more than a 20% shareholding if a private company or 2% if a listed company.

Mr G L Sim was appointed Managing Director of Zicom Group Limited commencing 1<sup>st</sup> July 2006, and Chairman of Zicom Group Limited with effect from 24<sup>th</sup> November 2006. He is a major shareholder in Zicom Group Limited through his interest in his family company, SNS Holdings Pte Ltd. Previously Mr Sim had been the major shareholder (through SNS Holdings Pte Ltd) of Zicom Holdings Pte Ltd. Mr Sim has been the Managing Director of ZHPL since founding the company and was appointed the Chairman of ZHPL on 17 August, 2007, in line with his position as the Group chairman. The Board has determined that Mr. Sim is, and was not independent.

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

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

Mr Y P Lim has no relationships or interests that would affect his role as an independent director.

Mr H S Tang is joint managing director of Zicom Private Limited, a wholly owned subsidiary of the group. Mr Tang is considered by the Board to be not independent. Mr Tang resigned from the board on the 21/11/2007.

Mr Ian R Millard has no relationships or interests that would affect his role as an independent director.

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

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

#### **Term of Office**

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

#### **Independent Professional Advice**

Directors and Board Committees have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, and this will not be unreasonably withheld.

#### **Board Committees**

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

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

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

- Mr Y P Lim (Chairman)
- Mr G L Sim
- Mr John Cheak (appointed 15/11/2007)
- Mr Richard Keevers (resigned 27/09/2007)

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

## Zicom Group Limited

### Corporate Governance Statement

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#### *Audit Committee*

The Audit Committee comprises of the following members:

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

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

- Review, assess and approve the annual report, the half year financial report and all other financial information published by the Company or released to the market.
- Review the effectiveness of the Group's internal control environment, including effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.
- Oversee the effective operation of the risk management framework.
- Recommend the appointment, removal and remuneration of the external Auditor, and review the terms of their engagement, the scope and quality of their audit and assess their performance.
- Consider the independence and competence of the external Auditor on an ongoing basis.
- Review and monitor related party transactions and assess their propriety.
- Report on matters relevant to the committee's role and responsibilities.

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

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour and business ethics on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. The Company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director or the interests of any other party in so far as it affects the activities of the Company. When applicable, directors are to act in accordance with the Corporations Act if a conflict cannot be removed or it persists. Directors would be restricted from taking part in the decision making process or discussions where that conflict does arise.

Directors are required to make disclosure of any share trading. During the year the Board adopted a revised Share Trading Policy which applies to all directors and officers of the Company.

The key principles of the Share Trading Policy are that Directors and officers are prohibited to trade while in possession of unpublished price sensitive information and for twenty-four hours after:

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

Price sensitive information is information that a reasonable person would expect to have a material affect on the price or value of the company shares. The undertaking of any trading in shares must be notified to the Company Secretary who makes disclosure to the ASX.

#### **Principal 4: Safeguard Integrity in Financial Reporting**

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

The Group Managing Director (Chief Executive Officer equivalent) and the Group Financial Controller (Chief Financial Officer equivalent) are required to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

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

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

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

## Zicom Group Limited

### Corporate Governance Statement

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

The Board's fundamental responsibility to Shareholders is to work towards meeting Company objectives so as to add value.

The Board seeks to inform Shareholders of all major developments affecting the Company by:

- Preparing half yearly and yearly financial reports;
- Making announcements in accordance with the Listing Rules and the continuous disclosure obligations;
- Hosting all of the above on the Company website;
- Annually, and more regularly if required, holding a general meeting of Shareholders and forwarding to them the annual report together with notice of meeting and proxy form.

The annual general meeting enables Shareholders to receive reports and participate in the meeting by attendance or by written communication. The Board seeks to inform all Shareholders so they can be fully informed annually for the appointment of Directors and so as to enable them to have discussion at the Annual General Meeting with the Directors and/or the Auditor of the Company who is invited to the Annual General Meeting.

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

The Board is conscious of the need to continually maintain systems of risk management and controls in order to manage all of the assets and affairs of the Company.

The Group Managing Director (Chief Executive Officer equivalent) and the Group Financial Controller (Chief Financial Officer equivalent) state to the Board in writing that:

- the statement given in accordance with Recommendations 4.1 and 7.2 is founded on a sound system of risk management and internal compliance and control which implements the Board's policies;
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

#### **Principle 8: Encourage Enhanced Performance**

The Remuneration and Nomination Committee have the responsibility of reviewing the performance of the Board and key executives of the Group. Performance is reviewed against the discussed and agreed objectives of the Company and the effectiveness in carrying out those objectives.

#### **Principle 9: Remunerate Fairly and Responsibly**

Details of the remuneration for Directors and Key Management Personnel can be found in the Directors Report within the Annual Report.

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

The other Directors do not receive any performance based remuneration and do not have contracts with the Company that give them any form of certain tenure. One third of the Directors retire annually and are free to seek re-election by Shareholders.

Each member of the Board has committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

A maximum amount of remuneration for non-executive Directors is fixed by Shareholders in general meeting and can be varied in the same manner. In determining the allocation (if any) the Board must take account of the time demands on the Directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.

The Directors with the exception of Mr G L Sim were granted options after it was approved by the shareholders in an Extraordinary General Meeting on 28 August 2008. The Board considers that there should be an appropriate mix of remuneration comprising cash and securities for all Directors to link the remuneration of the Directors to the financial performance of the Company. The Directors consider this remuneration policy to be a sensible and balanced policy which aligns the interests of shareholders and all Directors.

## Zicom Group Limited

### Corporate Governance Statement

#### Principle 10: Recognise the Legitimate Interests of Stakeholders

The Company recognises its responsibilities extend beyond Shareholders to customers, consumers, regulators and the broader community. The Company is committed to providing detail, accuracy in that detail and meeting principles of equity and fairness in all of its dealings.

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

Recommendation Number	Departure from Recommendation	Explanation for Departure
1.1	There is no formalisation of the separation of functions between the Board and Management.	Throughout the reporting period the Board consisted of a majority of non-executive Directors. Practices followed are consistent with the Principle.
2.2	The Chairperson is not an independent director.	The Chairperson and Managing Director positions are held by the same non-independent director. The Board has chosen a director who has significant experience in the business who will lead the Company in the best interests of the shareholders.
2.3	The Chairperson and Managing Director positions are held by the same non-independent director.	The Board has agreed on the responsibilities and division between Chairman and Managing Director.
5.1	There are no written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements.	Although there are no written policies in place, the responsibility for compliance with the ASX Listing Rules is handled by the Board, in conjunction with the Company Secretary.
6.1	The Company has no formally designed or disclosed communication strategy with Shareholders.	The Board is conscious of the need to keep Shareholders and markets advised. The procedures adopted within the Company, although not written, are weighted towards informing Shareholders and markets.
7.1 and 7.2	There has been no written implementation of policy on risk oversight and management or for senior management to make statements to the Board concerning those matters.	Given the nature and size of the Company, its business interests and the involvement of all Directors, all of whom have business management skills, it was not considered necessary to establish a written policy. The Company adheres to the Recommendations under this Principle for statements by senior management to the Board.
8.1	There is no written process for performance evaluation of the Board, committees, individual Directors and key executives.	The Remuneration and Nomination Committee monitors, reviews and discusses the performance of the Board and key executives and implements changes where necessary.
9.1, 9.2 and 9.3	There is no written policy other than as disclosed in the Directors Report pursuant to the requirements of the Corporations Act. A Remuneration Committee operated throughout the year.	Remuneration of Board members has been, and continues to be, in accordance with the general principles recommended by the ASX. Non Executive Directors receive a fixed fee for their services and do not receive performance-based remuneration. The Remuneration and Nomination Committee regularly reviews, and where warranted, changes the remuneration paid to Directors. Similarly the remuneration and other benefits paid to key executives is regularly reviewed and changed as needed. The Board is committed to establishing an enhanced framework for determining, reviewing and reporting on remuneration of directors and executives in accordance with Principle 9.
10.1	There has been no disclosure of a code of conduct to deal with compliance with legal and other obligations to legitimate stakeholders.	The business practices adopted by the Board recognise this Principle but no formal code has been drawn up.

**Zicom Group Limited**

**Income Statements for the year ended 30 June 2008**

(In Singapore dollars)

	Note	Consolidated		Parent Entity	
		2008 S\$	2007 S\$	2008 S\$	2007 S\$
<b>Revenue from continuing operations</b>	4	125,516,132	93,605,851	–	–
Other operating income	4	1,824,597	1,848,114	1,650,784	450,722
Cost of materials		(81,465,887)	(59,442,049)	–	–
Employee, contract labour and related costs		(20,808,152)	(16,668,700)	(202,819)	(110,033)
Depreciation and amortisation		(2,130,401)	(1,870,567)	–	–
Property related expenses		(1,622,613)	(1,144,338)	(15,464)	(14,677)
Other operating expenses	4	(9,546,393)	(5,929,093)	(300,566)	(268,038)
Finance costs		(985,011)	(723,961)	(17)	(711)
Provision for diminution in value of investment in controlled entity		–	–	714,934	602,875
<b>Profit before taxation</b>		<b>10,782,272</b>	<b>9,675,257</b>	<b>1,846,852</b>	<b>660,138</b>
Tax expense	5	(1,712,990)	(1,516,330)	–	–
<b>Profit for the year</b>		<b>9,069,282</b>	<b>8,158,927</b>	<b>1,846,852</b>	<b>660,138</b>
<b>Attributable to :</b>					
Equity holders of the Company		8,701,376	7,760,566	1,846,852	660,138
Minority interests		367,906	398,361	–	–
<b>Profit for the year</b>		<b>9,069,282</b>	<b>8,158,927</b>	<b>1,846,852</b>	<b>660,138</b>
<b>Earnings per share (cents)</b>					
Basic and fully diluted	6	4.6	4.3		

**Zicom Group Limited**

**Balance Sheets as at 30 June 2008**

(In Singapore dollars)

	Note	Consolidated		Parent Entity	
		2008 S\$	2007 S\$	2008 S\$	2007 S\$
<b>Non-current assets</b>					
Property, plant and equipment	8	20,977,015	13,708,058	1	1
Intangible assets	9	7,490,548	7,298,228	–	–
Deferred tax assets	5	460,461	744,450	–	–
Investment in subsidiaries	10	–	–	45,594,830	39,798,686
Other receivable	11	–	–	976,153	195,178
Others	12	50,521	20,521	–	–
		<u>28,978,545</u>	<u>21,771,257</u>	<u>46,570,984</u>	<u>39,993,865</u>
<b>Current assets</b>					
Cash and bank balances		14,514,421	8,369,142	47,468	184,211
Inventories	13	19,936,202	12,820,601	–	–
Trade and other receivables	14	45,118,593	28,681,900	553,412	532,423
Assets held for sale		66,075	–	–	–
		<u>79,635,291</u>	<u>49,871,643</u>	<u>600,880</u>	<u>716,634</u>
<b>TOTAL ASSETS</b>		<u>108,613,836</u>	<u>71,642,900</u>	<u>47,171,864</u>	<u>40,710,499</u>
<b>Current liabilities</b>					
Payables	16	35,557,158	21,060,454	617,259	531,211
Interest-bearing liabilities	17	17,303,462	9,884,035	–	–
Provisions	18	602,549	701,981	–	–
Provision for taxation		1,711,286	1,945,302	–	–
Dividends payable	7	–	49,000	–	–
Unearned income		711,416	449,778	–	–
		<u>55,885,871</u>	<u>34,090,550</u>	<u>617,259</u>	<u>531,211</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>23,749,420</u>	<u>15,781,093</u>	<u>(16,379)</u>	<u>185,423</u>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	17	2,571,283	1,112,193	–	–
Deferred tax liabilities	5	647,743	664,724	–	–
Provisions	18	122,045	108,787	–	–
Payables	19	364,430	–	–	–
		<u>3,705,501</u>	<u>1,885,704</u>	<u>–</u>	<u>–</u>
<b>TOTAL LIABILITIES</b>		<u>59,591,372</u>	<u>35,976,254</u>	<u>617,259</u>	<u>531,211</u>
<b>NET ASSETS</b>		<u>49,022,464</u>	<u>35,666,646</u>	<u>46,554,605</u>	<u>40,179,288</u>
<b>Equity attributable to equity holders of the Company</b>					
Contributed equity	20	33,218,847	27,322,493	67,227,047	61,330,693
Reserves		109,904	272,973	812,489	733,629
Accumulated profit/(losses)		13,608,515	6,353,888	(21,484,931)	(21,885,034)
		<u>46,937,266</u>	<u>33,949,354</u>	<u>46,554,605</u>	<u>40,179,288</u>
<b>Minority interests</b>		<u>2,085,198</u>	<u>1,717,292</u>	<u>–</u>	<u>–</u>
<b>Total equity</b>		<u>49,022,464</u>	<u>35,666,646</u>	<u>46,554,605</u>	<u>40,179,288</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>108,613,836</u>	<u>71,642,900</u>	<u>47,171,864</u>	<u>40,710,499</u>

**Zicom Group Limited**

**Statements of Changes in Equity for the financial year ended 30 June 2008**

(In Singapore dollars)

		Attributable to equity holders of the Company						
Note	Share capital	Foreign currency translation reserve (a)	Share based payments reserve (b)	Accumulated profits/(losses)	Total	Minority interests	Total equity	
								S\$
<b>CONSOLIDATED</b>								
	21,890,054	(539,292)	-	(1,075,216)	20,275,546	1,393,315	21,668,861	
Balance at 1.7.2006	-	801,660	-	-	801,660	112	801,772	
Foreign currency translation adjustment	-	-	-	7,760,566	7,760,566	398,361	8,158,927	
Profit for the year								
Total recognised income and expenses for the year								
	-	801,660	-	7,760,566	8,562,226	398,473	8,960,699	
Deemed purchase consideration of ZGL	5,432,439	-	-	-	5,432,439	-	5,432,439	
Dividends paid to minority shareholders	-	-	-	-	-	(78,400)	(78,400)	
Acquisition of subsidiary	-	-	-	-	-	3,904	3,904	
Dividends paid or provided for	-	-	-	(331,462)	(331,462)	-	(331,462)	
Cost of share-based payments	-	-	10,605	-	10,605	-	10,605	
<b>Balance at 30.6.2007</b>	<b>27,322,493</b>	<b>282,368</b>	<b>10,605</b>	<b>6,353,888</b>	<b>33,949,354</b>	<b>1,717,292</b>	<b>35,666,646</b>	
Foreign currency translation adjustment	-	(173,652)	-	-	(173,652)	-	(173,652)	
Profit for the year	-	-	-	8,701,376	8,701,376	367,906	9,069,282	
Total recognised income and expenses for the year								
	-	(173,652)	-	8,701,376	8,527,724	367,906	8,895,630	
Share issued, net of expense	5,896,354	-	-	-	5,896,354	-	5,896,354	
Dividends paid to ordinary shares	-	-	-	(1,446,749)	(1,446,749)	-	(1,446,749)	
Cost of share-based payments	-	-	10,583	-	10,583	-	10,583	
<b>Balance at 30.06.2008</b>	<b>33,218,847</b>	<b>88,716</b>	<b>21,188</b>	<b>13,608,515</b>	<b>46,937,266</b>	<b>2,085,198</b>	<b>49,022,464</b>	

(a) Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

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

**Zicom Group Limited**

**Statements of Changes in Equity for the financial year ended 30 June 2008**  
(In Singapore dollars)

		Attributable to equity holders of the Company					
	Note	Share capital	Capital Reserves	Foreign currency translation reserve	Share based payments reserve	Accumulated profits/(losses)	Total equity
		S\$	S\$	S\$	S\$	S\$	S\$
<b>PARENT ENTITY</b>							
Balance at 1.7.2006		22,744,885	688,553	2,125	9,586	(22,213,710)	1,231,439
Foreign currency translation adjustment		—	—	22,760	—	—	22,760
Profit for the year		—	—	—	—	660,138	660,138
<b>Total recognised income and expenses for the year</b>							
Issue of capital – rights issue		931,571	—	22,760	—	660,138	682,898
Exercise of options		9,117	—	—	—	—	9,117
Issue of new ordinary shares		37,645,120	—	—	—	—	37,645,120
Dividends paid or provided for	7	—	—	—	—	(331,462)	(331,462)
Cost of share-based payments		—	—	—	10,605	—	10,605
Balance at 30.6.2007		61,330,693	688,553	24,885	20,191	(21,885,034)	40,179,288
<b>Foreign currency translation adjustment</b>							
Profit for the year		—	—	68,277	—	—	68,277
<b>Total recognised income and expenses for the year</b>							
Issue of new ordinary shares, net of expenses		5,896,354	—	—	—	—	5,896,354
Dividends paid or provided for	7	—	—	—	—	(1,446,749)	(1,446,749)
Cost of share-based payments		—	—	—	10,583	—	10,583
Balance at 30.6.2008		67,227,047	688,553	93,162	30,774	(21,484,931)	46,554,605

## Zicom Group Limited

### Cash Flow Statements for the year ended 30 June 2008

(In Singapore dollars)

	Note	Consolidated		Parent Entity	
		2008 S\$	2007 S\$	2008 S\$	2007 S\$
<b>Cash flows from operating activities :</b>					
Operating profit before taxation		10,782,272	9,675,257	1,846,852	660,138
Adjustments for :					
Depreciation of property, plant and equipment		1,791,105	1,487,559	–	–
Write-off of preliminary expenses		–	(4,695)	–	–
Amortisation of intangible assets		339,296	383,008	–	–
Bad debts written off		27,450	45,540	–	–
Doubtful debts written back		(10,524)	(9,849)	–	–
Allowance for doubtful debts		37,596	134,608	–	–
Allowance for inventory obsolescence		12,886	24,194	–	–
Inventories written off		55,670	–	–	–
Interest expenses		985,011	723,961	17	711
Interest income		(234,071)	(84,989)	(143,182)	(67,341)
Property, plant and equipment written off		43,428	34,712	–	–
Gain on disposal of property, plant and equipment, net		(207,420)	(425,735)	–	–
Gain on disposal of subsidiary company		–	(19,906)	–	–
Impairment of property, plant and equipment		62,795	31,402	–	–
Provision for diminution in value		–	–	(714,934)	(602,873)
Gain on divestment of associated company		–	(841,194)	–	–
Cost of share-based payments		10,584	10,605	10,584	10,605
Currency realignment		(10,696)	268,112	67,548	(151,265)
<b>Operating profit before reinvestment in working capital</b>		<b>13,685,382</b>	<b>11,432,590</b>	<b>1,066,885</b>	<b>(150,025)</b>
Increase in stocks and work-in-progress		(7,184,158)	(3,413,770)	–	–
Decrease/(Increase) in projects-in-progress		2,762,281	(1,512,319)	–	–
(Increase)/decrease in debtors		(13,397,791)	(7,318,526)	(145,394)	–
Increase/(decrease) in creditors		12,468,113	7,774,265	50,310	211,216
Decrease in other assets		–	–	–	(4,100)
<b>Cash generated from Operations</b>		<b>8,333,827</b>	<b>6,962,240</b>	<b>971,801</b>	<b>57,091</b>
Interest received		334,278	84,989	143,182	67,341
Interest paid		(930,425)	(723,961)	(17)	(711)
Income taxes paid		(1,680,790)	(1,067,179)	–	–
<b>Net cash provided by operating activities</b>		<b>6,056,890</b>	<b>5,256,089</b>	<b>1,114,966</b>	<b>123,721</b>

## Zicom Group Limited

### Cash Flow Statements for the year ended 30 June 2008

(In Singapore dollars)

	Note	Consolidated		Parent Entity	
		2008 S\$	2007 S\$	2008 S\$	2007 S\$
<b>Cash flows from investing activities :</b>					
Purchase of property, plant and equipment	8(b)	(7,319,668)	(2,139,980)	-	-
Proceeds from disposal of property, plant and equipment	8(c)	1,838,589	1,786,300	-	-
Subscription of right issue of associated company		-	(604,035)	-	-
Proceeds from sale of shares in associated company		-	1,796,438	-	-
Proceeds from disposal of subsidiary		-	33,909	-	-
Increase in development expenditure		(279,378)	-	-	-
Acquisition of trade mark		(256,048)	-	-	-
Acquisition of subsidiaries, net of cash acquired		-	1,238,266	-	-
Increase in investment in joint venture		(30,000)	-	-	-
Increase in investment in controlled entity		-	-	(5,081,210)	-
Acquisition of ZHPL		-	-	-	(130,120)
<b>Net cash (used in)/ provided by investing activities</b>		<b>(6,046,505)</b>	<b>2,110,898</b>	<b>(5,081,210)</b>	<b>(130,120)</b>
<b>Cash flows from financing activities :</b>					
Loans from controlled entities		-	-	35,738	60,761
Loans to controlled entities		-	-	(780,975)	(975,889)
Repayment of loans by controlled entity		-	-	125,132	260,237
Net proceeds from issue of shares – rights issue		-	-	-	2,131,273
Proceeds from issue of shares - option holders		-	-	-	10,084
Net decrease in amount due to directors		(36,998)	(6,183)	-	-
Proceeds of bank borrowings		3,360,235	58,451	-	-
Capital reconstruction outlays following acquisitions of ZHPL		-	-	-	(1,100,909)
Dividends paid on ordinary shares by the Company		(1,446,749)	(1,911,300)	(1,446,749)	(331,462)
Dividends paid to minority shareholders		(49,000)	(29,400)	-	-
Placement proceeds of new Ordinary shares		5,896,354	-	5,896,354	-
Repayment of hire purchase creditors		(1,513,862)	(2,631,331)	-	-
Decrease in fixed deposit-pledged		11,409	-	-	-
<b>Net cash provided by/( used in) financing activities</b>		<b>6,221,389</b>	<b>(4,519,763)</b>	<b>3,829,500</b>	<b>54,095</b>
Net increase/(decrease) in cash and cash equivalents		6,231,774	2,847,224	(136,744)	47,696
Cash and cash equivalents at beginning of year	21	8,013,034	5,165,810	184,212	136,516
<b>Cash and cash equivalents at end of year</b>	21	<b>14,244,808</b>	<b>8,013,034</b>	<b>47,468</b>	<b>184,212</b>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 1. Corporate information

This financial report of Zicom Group Limited (the "Company" or "Parent Entity") and its subsidiaries for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 29 September 2008.

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

The nature of the operations and principal activities of the Group are described in the Directors' report.

#### 2. Summary of significant accounting policies

##### 2.1 Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirement of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis except for derivative financial instruments which have been measured at their fair values.

##### 2.2 Statement of compliance

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

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Int. 12 and AASB 2007-2	Service Concession Arrangements and consequential amendments to other Australian Accounting Standards	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 January 2008	Unless the Group enters into service concession arrangements or public-private-partnerships (PPP), the amendments are not expected to have any impact on the Group's financial report.	1 July 2008
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease	The revised interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB Int. 129	Service Concession Arrangements: Disclosures	Requires disclosure of provisions or significant features necessary to assist in assessing the amount, timing and certainty of future cash flows and the nature and extent of the various rights and obligations involved. These disclosures apply to both grantors and operators.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008

Zicom Group Limited

Notes to the Financial Statements

(In Singapore dollars)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Int. 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2008
AASB Int. 14	AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008	The Group does not have any defined benefit pension plan and as such this interpretation does not have an impact on the Group's financial report.	1 July 2008
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009

**Zicom Group Limited**

**Notes to the Financial Statements**

(In Singapore dollars)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
AASB 2008-5 & AASB 2008-6	Amendments to Australian Accounting Standards arising from the Annual Improvements Project  Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009  1 July 2009	The Group has not yet determined the extent of the impact, if any.	1 July 2009

Zicom Group Limited

Notes to the Financial Statements

(In Singapore dollars)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-7	Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	<p>The main amendments of relevance to Australian entities are those made to AASB 127 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.</p> <p>AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value (An issue sometimes known as a "dividend trap" in newcos).</p>	1 January 2009	The Group has not yet determined the extent of the impact, if any.	1 July 2009

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	<p>The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.</p> <p>AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.</p>	1 January 2009	<p>Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments.</p> <p>In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.</p>	1 July 2009
Amendments to International Financial Reporting Standards	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
IFRIC 15	Agreements for the Construction of Real Estate	This interpretation proposes that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.	1 January 2009	The Group does not expect this interpretation to have significant impact on the Group's financial report.	1 July 2009

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 January 2009	The Interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held.	1 July 2009

## Zicom Group Limited

### Notes to the Financial Statements

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(In Singapore dollars)

#### 2.3 Principles of consolidation

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The financial statement of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Where the financial year end of the subsidiaries are not co-terminus with that of the Group, the latest audited financial statement and management financial statements of the subsidiaries made up to the end of the Group's financial year are used. In preparing the consolidated financial statements, all inter-company transactions, balances, income and expenses and profit and loss resulting from intra-group transactions have been eliminated in full.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. (See note 2.4).

Minority interest not held by the Group are allocated their share of net profit after tax in the income statement and are present within equity in the consolidated balance sheet, separately from parent shareholders' equity.

#### 2.4 Business combinations

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

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

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

#### *Reverse acquisition*

Under Accounting Standard AASB 3 Business Combinations, the acquisition of Zicom Holdings Pte Ltd ("ZHPL") was deemed to be a reverse acquisition. The effect of this is that the consolidation of the accounts has been prepared on the basis that ZHPL is the "acquirer" and Zicom Group Limited (ZGL) is the "acquiree" although ZGL remains the legal parent entity.

## Zicom Group Limited

### Notes to the Financial Statements

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(In Singapore dollars)

#### 2.5 Segment reporting

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

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

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

#### 2.6 Foreign currency translation

##### (a) *Functional and presentation currency*

The presentation currency of Zicom Group Limited is Singapore dollars (S\$). Each subsidiary in the Group determines its own functional currency and items included in the financial statements of each subsidiary company are measured using that functional currency.

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

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the subsidiary. In the company's separate financial statements, such exchange differences are recognised in the income statement.

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

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

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

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

## Zicom Group Limited

### Notes to the Financial Statements

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(In Singapore dollars)

#### 2.7 Revenue recognition

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

##### *Sale of goods*

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

##### *Services rendered*

Revenue from services rendered are recognised upon performance of services and the delivery to customers.

##### *Revenue recognised on projects*

Revenue on contract jobs are recognised on the percentage of completion method. The stage of completion is measured using the proportion of costs incurred to the estimated total costs to complete the project. Losses, if any, are immediately recognised when their existence is foreseen.

##### *Interest income*

Interest income is recognised as interest accrues (using the effective interest method) unless collectability is in doubt.

##### *Dividends*

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

##### *Rental income*

Rental income is accounted for on a straight-line basis over the lease terms on ongoing leases. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

##### *Commission income*

Commission income is recognised on an accrual basis.

#### 2.8 Taxation

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

## Zicom Group Limited

### Notes to the Financial Statements

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(In Singapore dollars)

#### 2.8 Taxation (cont'd)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary difference and it is probable that the differences will not reverse in the foreseeable future

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

##### (c) Sales tax and GST

Revenues, expenses and assets are recognised net of the amount of sales tax and GST except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

#### 2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the income statement as 'impairment losses'.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

## Zicom Group Limited

### Notes to the Financial Statements

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(In Singapore dollars)

#### 2.10 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

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

Derivative financial instruments whose fair value is positive are classified as financial assets at fair value through profit or loss. The accounting policy for derivative financial instruments is included in Note 2.23.

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

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

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

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

#### 2.11 Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other amounts payable, payables to related parties and interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

#### 2.12 Impairment of financial assets

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

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

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 2.13 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

The carrying amounts are reviewed at each balance sheet date for impairment by assessing whether the carrying amounts are recorded in excess of their recoverable amounts. If carrying values exceed their recoverable amounts, assets are written down to their recoverable amounts.

Depreciation of an asset begins when it is available for use and is computed on the straight-line method to write-off the cost of these property, plant and equipment over their estimated useful lives as follows :

Leasehold property	–	over remaining period of the lease expiring years 2040 to 2042
Machinery	–	10 years
Office furniture and equipment	–	5 years
Motor vehicles	–	5 years
Computers	–	1 year

Freehold land has unlimited useful life and is therefore not depreciated.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

The useful life and depreciation method are reviewed annually to ensure they are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

#### 2.14 Intangible assets

##### (a) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

## Zicom Group Limited

### Notes to the Financial Statements

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(In Singapore dollars)

#### 2.14 Intangible assets (cont'd)

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

##### (b) *Other intangible assets*

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

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

##### (i) *Research and development costs*

Research costs are expensed as incurred. Deferred development costs arising from development expenditure on an individual project is recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Deferred development costs are not amortised as it is not yet available for use or sale.

##### (ii) *Club membership*

Club membership which was acquired separately is carried at cost and is not amortised as it has indefinite life.

##### (iii) *Developed Technology*

Developed technology acquired in a business combination has finite useful life and is amortised on a straight-line basis over 7 years.

##### (iv) *Customer list*

Customer lists acquired in business combinations have finite useful lives and are amortised on a straight-line basis over 5-8 years.

##### (iv) *Trade mark*

Trade mark which was acquired in a business combination is not amortised as it has indefinite life which is in line with the indefinite contractual rights attached to it.

## Zicom Group Limited

### Notes to the Financial Statements

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(In Singapore dollars)

#### 2.15 Joint venture

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

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

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

#### 2.16 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

#### 2.17 Inventories

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

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

#### 2.18 Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by the proportion that the costs incurred to date bear to the estimated total costs of the contract.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

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

#### 2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 2.20 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

#### 2.21 Leases

##### *As lessee*

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased property, plant and equipment. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income statement. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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

##### *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct cost incurred in negotiating an operating leases are added to the carrying amount of leased and recognised over the lease term on the same bases as rental income.

#### 2.22 Employee benefits

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

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

##### (b) Long service leave

The liability for long service leave, applicable to Australian subsidiaries, is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### (c) Superannuation

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

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

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

The subsidiary company incorporated and operating in the People's Republic of China ("PRC") is required to provide certain staff pension benefits to its employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulators and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

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

Employees of the Group receive remuneration in the form of share options as consideration for service rendered. The cost of these equity-settled transactions with employees is measured by reference to fair value of the options at the date on which the options are granted. This cost is recognised in the income statement, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expenses recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at beginning and end of that period.

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

#### 2.23 Derivative financial instruments

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

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

#### 2.24 Government grant

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in the income statement over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is deducted against the cost of the asset to arrive at the carrying amount of the asset.

#### 2.25 Contributed equity

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

#### 2.26 Earnings per share

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

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

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

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

## Zicom Group Limited

### Notes to the Financial Statements

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(In Singapore dollars)

#### 2.27 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year are discussed below:

##### (a) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.14. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

##### (b) Estimated income taxes

The group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgment is required in determining the group wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

##### (c) Estimated depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 34 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

## Zicom Group Limited

### Notes to the Financial Statements (In Singapore dollars)

#### 3. Segment information

##### Business segments

The following tables present revenue and profit information regarding business segments for the years ended 30 June 2008 and 2007.

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

**Zicom Group Limited**

**Notes to the Financial Statements**

(In Singapore dollars)

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

	Offshore marine, oil and gas S\$	Construction S\$	Precision engineering and automation S\$	Industrial and mobile equipment S\$	Consolidated S\$
<b>Year ended 30 June 2008</b>					
<b>Assets and liabilities</b>					
Segment assets	36,162,837	46,902,592	10,978,473	3,489,353	97,533,255
Investment in joint venture					50,001
Unallocated assets					11,030,580
<b>Total assets</b>					<b>108,613,836</b>
<b>Segment liabilities</b>					<b>34,606,397</b>
Unallocated liabilities					24,984,975
<b>Total liabilities</b>					<b>59,591,372</b>
<b>Other segment information</b>					
Capital expenditure	4,649,895	5,277,681	1,077,612	16,698	11,021,886
Depreciation and amortisation	119,333	1,188,246	588,465	17,754	1,913,798
impairment loss	—	—	62,795	—	62,795
Other non-cash expenses	31,113	89,845	—	1,913	122,871

**Zicom Group Limited**

**Notes to the Financial Statements**

(In Singapore dollars)

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

	Offshore marine, oil and gas S\$	Construction S\$	Precision engineering and automation S\$	Industrial and mobile equipment S\$	Consolidated S\$
<b>Year ended 30 June 2007</b>					
<b>Revenue</b>					
Sales to external customers	39,898,931	40,792,552	9,998,601	2,915,767	93,605,851
Other revenue	218,958	529,122	7,085	71	755,236
Inter-segment sales	448,608	2,157,895	340,513	1,570,957	4,517,973
<b>Total segment revenue</b>	<b>40,566,497</b>	<b>43,479,569</b>	<b>10,346,199</b>	<b>4,486,795</b>	<b>98,879,060</b>
Inter-segment elimination					(4,517,973)
Unallocated revenue					1,092,878
<b>Total consolidated revenue</b>					<b>95,453,965</b>
<b>Result</b>					
Segment results	12,823,646	2,172,620	1,162,032	1,311,294	17,469,592
Other revenue					1,007,889
Unallocated expenses					(8,163,252)
Profit before tax and finance cost					10,314,229
Finance costs					(723,961)
Interest income					84,989
<b>Profit before income tax expense</b>					<b>9,675,257</b>
Income tax expense					(1,516,330)
<b>Net profit after tax expense</b>					<b>8,158,927</b>

**Zicom Group Limited**

**Notes to the Financial Statements**

(In Singapore dollars)

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

	Offshore marine, oil and gas S\$	Construction S\$	Industrial and mobile equipment S\$	Precision engineering and automation S\$	Consolidated S\$
<b>Year ended 30 June 2007</b>					
<b>Assets and liabilities</b>					
Segment assets	22,395,608	28,086,050	3,665,749	11,073,307	65,220,714
Investment in joint venture					20,001
Unallocated assets					6,402,185
<b>Total assets</b>					<b>71,642,900</b>
Segment liabilities	8,173,338	7,656,728	982,476	3,416,803	20,229,345
Unallocated liabilities					15,746,909
<b>Total liabilities</b>					<b>35,976,254</b>
<b>Other segment information</b>					
Capital expenditure	253,722	3,314,613	3,741	306,064	3,878,140
Depreciation and amortisation	126,230	1,014,206	20,309	570,232	1,730,977
Impairment losses	—	31,402	—	—	31,402
Other non-cash expenses	18,340	143,532	18,287	—	180,159

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

##### *Geographical segments*

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

The following table presents revenue and certain assets information regarding geographical segments for the years ended 30 June 2008 and 2007.

##### Year ended 30 June 2008

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

Zicom Group Limited

Notes to the Financial Statements

(In Singapore dollars)

3. Segment information (cont'd)

*Geographical segments (cont'd)*

Year ended 30 June 2007

	Australia S\$	Malaysia S\$	Singapore S\$	China S\$	United States S\$	Others S\$	Total S\$
<b>Revenue</b>							
Sales to external customers	26,034,095	10,484,081	38,411,182	5,966,734	2,469,535	10,240,224	93,605,851
Other revenue from external customers	1,005,582	18,980	506,466	222,050	–	95,036	<u>1,848,114</u>
							<u>95,453,965</u>
<b>Other segment information</b>							
Segment assets	13,038,239	240,563	50,771,896	1,007,915	–	5,628,186	70,686,799
Unallocated assets	–	–	–	–	–	–	936,100
Investment in joint venture	–	–	–	–	–	–	<u>20,001</u>
							<u>71,642,900</u>
<b>Capital expenditure</b>	<u>213,588</u>	<u>19,734</u>	<u>4,438,521</u>	<u>28,309</u>	<u>–</u>	<u>90,338</u>	<u>4,790,490</u>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 4. Revenue, income and expenses

##### (i) Revenue

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Sales of goods	90,794,329	56,223,426	-	-
Rendering of services	8,603,386	7,123,675	-	-
Rental revenue	2,928,945	1,784,641	-	-
Revenue recognised on projects	23,189,472	28,474,109	-	-
	<u>125,516,132</u>	<u>93,605,851</u>	<u>-</u>	<u>-</u>

##### (ii) Other operating income

Interest income	234,071	84,989	143,182	67,341
Commission income	953,317	218,740	-	-
Net gain on disposal of property, plant and equipment	207,420	431,640	-	-
Dividend income on quoted equity investment	110	110	-	-
Gain on divestment of associated company	-	841,194	-	-
Doubtful debts written back	-	9,422	-	-
Bad debts recovered	25,866	186	-	-
Other revenue	403,813	261,833	92,783	-
Dividends received	-	-	1,414,819	383,381
	<u>1,824,597</u>	<u>1,848,114</u>	<u>1,650,784</u>	<u>450,722</u>

##### (iii) Other operating expenses

Included in other operating expenses are the following:

Allowance for inventory obsolescence	12,886	24,194	-	-
Allowance for doubtful debts - trade	27,072	139,542	-	-
Bad debts written off	27,450	45,540	-	-
Provision for service warranties, net	234,212	226,700	-	-
Loss on disposal of property, plant and equipment	-	5,905	-	-
Impairment loss for property, plant and equipment	62,795	31,402	-	-
Property, plant and equipment written off	43,428	34,712	-	-
Inventories written off	55,670	-	-	-

**Zicom Group Limited**

**Notes to the Financial Statements**

(In Singapore dollars)

**5. Tax expense**

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Current income tax				
- Current income tax charge	1,473,961	1,809,336	-	-
- Adjustments in respect of previous years	(27,187)	121,836	-	-
Deferred income tax				
- Relating to the origination and reversal of temporary differences	266,216	(134,051)	-	-
- Adjustment in respect of previous years	-	(280,791)	-	-
	<u>1,712,990</u>	<u>1,516,330</u>	<u>-</u>	<u>-</u>

A reconciliation between the tax expense and the product of accounting profit of the Group multiplied by the applicable tax rate for the year ended 30 June was as follows :

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Profit before taxation	<u>10,782,272</u>	<u>9,675,257</u>	<u>1,846,852</u>	<u>660,138</u>
Tax expense :				
Tax at the domestic rates applicable to profits in the countries where the group operates	2,096,103	1,741,546	554,056	198,041
Release of deferred tax liability on intangible assets	(90,437)	(110,957)	-	-
Non-deductible expenses	131,489	128,323	-	-
Non-taxable income	(168,779)	(159,598)	(638,926)	(277,530)
Partial tax exemption	(136,512)	(54,900)	-	-
Deferred tax asset not recognised	37,373	216,440	84,870	79,489
Utilisation of deferred tax asset previously not recognised	(111,109)	(90,230)	-	-
(Over)/underprovision in prior years	(27,187)	(158,955)	-	-
Others	(17,951)	4,661	-	-
Tax expense	<u>1,712,990</u>	<u>1,516,330</u>	<u>-</u>	<u>-</u>

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

## Zicom Group Limited

### Notes to the Financial Statements (In Singapore dollars)

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

Deferred taxation as at 30 June relates to the following:

	Consolidated balance sheet		Consolidated income statement		Parent entity balance sheet	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$	2008 S\$	2007 S\$
<b>Deferred tax liabilities</b>						
Differences in depreciation	(316,914)	(245,005)	71,909	(167,246)	-	-
Intangible assets	(370,838)	(433,719)	(62,338)	(91,179)	-	-
Accrual for unconsumed leave	40,009	14,000	(26,009)	17,555	-	-
Unutilised capital allowances	-	-	-	26,548	-	-
	(647,743)	(664,724)			-	-
<b>Deferred tax assets</b>						
Unutilised tax losses	453,485	703,380	250,002	(313,025)	-	-
Unutilised capital allowances	-	1,477	1,477	(1,477)	-	-
Accrual for unconsumed leave	7,208	33,949	26,741	57,907	-	-
Differences in depreciation	(232)	(18,451)	(18,219)	56,075	-	-
Allowance for doubtful debts	-	24,095	22,653	-	-	-
	460,461	744,450	266,216	(414,842)	-	-



## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 7. Dividends

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Dividends declared:				
- Interim unfranked dividend for 2007: 0.15 Australian cents per share	-	331,462	-	331,462
- Final unfranked dividend for 2007: 0.20 Australian cents per share	465,656	-	465,656	-
- Interim unfranked dividend for 2008: 0.40 Australian cents per share	981,093	-	981,093	-
	<u>1,446,749</u>	<u>331,462</u>	<u>1,446,749</u>	<u>331,462</u>
Dividends not recognised as a liability as at 30 June:				
- Final unfranked dividend for 2007 : 0.2 Australian cents per share	-	446,192	-	446,192
- Final unfranked dividend for 2008 : 0.4 Australian cents per share	<u>980,097</u>	<u>-</u>	<u>980,097</u>	<u>-</u>

After the balance sheet date, the final dividends for 2008 were approved by the board of directors. These amounts have not been accounted for in 2008 but will be accounted for in 2009.

As at 30 June 2007, there was a dividend payable by a subsidiary company to a minority shareholder amounting to S\$49,000. There is no such amount payable as at 30 June 2008.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 8. Property, plant and equipment

Consolidated Cost	Freehold land S\$	Leasehold properties S\$	Building S\$	Building-in-progress S\$	Plant and equipment S\$	Motor vehicles S\$	Total S\$
At 1.7.2006	456,379	6,668,349	301,679	—	8,484,323	1,244,366	17,155,096
Currency realignment	77,390	13,397	51,160	—	368,365	52,976	563,288
Acquisition of subsidiaries	—	—	—	—	3,010,731	264,998	3,275,729
Additions	—	16,345	4,526	896,005	3,803,209	70,405	4,790,490
Disposals	—	—	—	—	(1,685,011)	(32,205)	(1,717,216)
Write-off	—	—	—	—	(306,968)	—	(306,968)
At 30.6.2007	533,769	6,698,091	367,365	896,005	13,674,649	1,600,540	23,760,419
Currency realignment	(85,966)	(14,881)	(57,555)	—	(64,735)	(27,740)	(250,877)
Acquisition of business (note 27)	—	—	—	—	199,135	243,388	442,523
Additions	1,817,612	3,256,964	—	657,691	4,513,966	333,130	10,579,363
Disposals	—	—	—	—	(2,491,386)	(158,061)	(2,649,447)
Write-off	—	—	—	—	(129,955)	—	(129,955)
Classified as held for sale	—	—	—	—	(237,191)	—	(237,191)
Reclassification	—	849,997	—	(896,005)	46,008	—	—
At 30.6.2008	2,265,415	10,790,171	299,810	657,691	15,510,491	1,991,257	31,514,835
Accumulated depreciation							
At 1.7.2006	—	1,738,351	123,152	—	3,677,729	534,712	6,073,944
Currency realignment	—	8,784	22,434	—	300,797	43,116	375,131
Acquisition of business	—	—	—	—	2,485,751	227,481	2,713,232
Charge for 2007	—	145,240	16,176	—	1,093,208	232,935	1,487,559
Impairment loss	—	—	—	—	31,402	—	31,402
Disposal	—	—	—	—	(345,042)	(11,609)	(356,651)
Write off	—	—	—	—	(272,256)	—	(272,256)
Reclassification	—	—	12	—	1,734	(1,746)	—
At 30.6.2007	—	1,892,375	161,774	—	6,973,323	1,024,889	10,052,361
Currency realignment	—	(10,520)	(27,864)	—	(32,038)	(22,096)	(92,518)
Acquisition of business	—	—	—	—	—	—	—
Charge for 2008	—	156,821	16,810	—	1,330,574	286,898	1,791,103
Disposals	—	—	—	—	(945,864)	(72,414)	(1,018,278)
Impairment loss	—	—	—	—	62,795	—	62,795
Write off	—	—	—	—	(86,527)	—	(86,527)
Classified as held for sale	—	—	—	—	(171,116)	—	(171,116)
At 30.6.2008	—	2,038,676	150,720	—	7,131,147	1,217,277	10,537,820
Net carrying value							
At 30.6.2008	2,265,415	8,751,495	149,090	657,691	8,379,344	773,980	20,977,015
At 30.6.2007	533,769	4,805,716	195,591	896,005	6,701,326	575,651	13,708,058

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

Parent entity	Plant and equipment	
	S\$	\$
Cost		
At 1.7.2007	2,710	
Currency realignment	291	
At 30.6.2007 and 30.06.2008	3,001	
Currency realignment	-	
Acquisition of subsidiaries	-	
Additions	-	
Disposals	-	
Write-off	-	
At 30.6.2008	3,001	
Accumulated depreciation		
At 1.7.2007	2,709	
Currency realignment	291	
At 30.6.2007	3,000	
Currency realignment	-	
Charge for 2008	-	
At 30.6.2008	3,000	
Net carrying value		
At 30.6.2008	1	
At 30.6.2007	1	

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

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Motor vehicle	265,651	206,240	-	-
Plant and equipment	2,563,720	2,339,831	-	-
	2,829,371	2,546,071	-	-

- (b) During the year, the Group acquired property, plant and equipment with an aggregate cost of S\$11,021,886 (2007:\$4,790,490) of which \$2,181,512 (2007 :\$ nil) and \$1,520,706 (2007 : \$2,650,510) were acquired by means of factory loans and hire purchase financing respectively. Cash payments of \$7,319,668 (2007 : \$2,139,980) were made to purchase property, plant and equipment.
- (c) During the financial year, the Group disposed of property, plant and equipment with an aggregate net book value of \$1,631,169 (2007 : \$1,360,565). Sales proceeds amounting to \$1,838,589 (2007 : \$1,786,300) were received in cash.
- (d) During the financial year, the Group wrote off property, plant and equipment with an aggregate net book value of approximately \$43,428 (2007: \$34,712).

**Zicom Group Limited**

**Notes to the Financial Statements**

(In Singapore dollars)

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

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

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
Mortgage of leasehold properties	6,240,799	4,768,952	–	–
Mortgage of freehold land and building	2,414,505	729,360	–	–
Mortgage of building in progress	657,691	–	–	–
Legal mortgage on machinery	–	328,963	–	–
	<b>9,312,995</b>	<b>5,827,275</b>	<b>–</b>	<b>–</b>

## Zicom Group Limited

### Notes to the Financial Statements (In Singapore dollars)

#### 9. Intangible assets

<i>Group</i>	Customer list	Forward orders	Developed technology	Goodwill	Trade mark	Development expenditure	Club membership	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
At 1 July 2006	544,661	119,690	–	2,974,271	–	–	10,358	3,648,980
Additions	356,410	–	1,081,491	2,304,666	–	–	–	3,742,567
Currency realignment	34,846	–	104,453	244,334	–	–	1,756	385,389
At 30 June 2007	935,917	119,690	1,185,944	5,523,271	–	–	12,114	7,776,936
Additions	–	–	–	–	256,048	279,378	–	535,426
Currency realignment	(399)	–	(1,415)	693	(738)	–	(1,951)	(3,810)
At 30 June 2008	935,518	119,690	1,184,529	5,523,964	255,310	279,378	10,163	8,308,552
Accumulated amortisation:								
At 1 July 2006	30,811	64,889	–	–	–	–	–	95,700
Amortisation	167,577	54,801	160,630	–	–	–	–	383,008
At 30 June 2007	198,388	119,690	160,630	–	–	–	–	478,708
Amortisation	170,057	–	169,239	–	–	–	–	339,296
At 30 June 2008	368,445	119,690	329,869	–	–	–	–	818,004
Net carrying value:								
At 30 June 2008	567,073	–	854,660	5,523,964	255,310	279,378	10,163	7,490,548
At 30 June 2007	737,529	–	1,025,314	5,523,271	–	–	12,114	7,298,228

Zicom Group Limited

Notes to the Financial Statements

(In Singapore dollars)

9. Intangible assets (cont'd)

	Customer list	Developed technology
Average remaining Amortisation period (years) - 2008	4	5
Average remaining Amortisation period (years) - 2007	5	6

*Impairment tests for goodwill*

In accordance with AASB 3, the carrying value of the Group's goodwill on acquisition as at 30 June 2008 was assessed for impairment.

Group	As at 30.6.2008	As at 30.6.2007	Basis on which recoverable values are determined	Growth rate per annum	Discount rate per annum	
	S\$	S\$		%	2008 %	2007 %
<b>Carrying value of capitalised goodwill based on cash generating units</b>						
Sys-mac Automation Engineering Pte Ltd	2,974,271	2,974,271	Value-in-use	8% to 10%	9%	14%
Zicom Group Limited	2,548,656	2,547,963	Value-in-use	3%	10%	12%
	<u>5,522,927</u>	<u>5,522,234</u>				

Goodwill is allocated for impairment testing purposes to the individual entity which is also the cash generating unit ("CGU").

The recoverable amount of each CGU is determined based on value-in-use calculations using cashflow projections based on financial budgets approved by management covering a one-year period. Management determined budgeted gross margin in the financial budgets based on past performance and its expectation of market development. Cash flows beyond the one-year period are extrapolated using the growth rates stated above.

No impairment loss was required for the financial years ended 30 June 2008 and 2007 for the goodwill assessed as their recoverable values were in excess of their carrying values.

10. Investment in subsidiaries

	Parent Entity	
	2008	2007
	S\$	S\$
Investment in controlled entities, at cost	51,137,322	46,056,112
Less :Impairment loss	<u>(5,542,492)</u>	<u>(6,257,426)</u>
	<u>45,594,830</u>	<u>39,798,686</u>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

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

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

The details of controlled entities are as follows:

Name of Company	Country of incorporation/ formation	Carrying value of Parent Entity Investment		Percentage of equity held by the Group	
		2008 S\$	2007 S\$	2008 %	2007 %
<b>Held by the Company:</b>					
Cesco Australia Limited	Australia	2,750,859	2,035,925	100	100
Zicom Holdings Pte Ltd	Singapore	42,843,971	37,762,761	100	100
<b>Controlled entities held by subsidiary companies:</b>					
Cesco Davcron Engineering Pty Ltd	Australia	–	–	100	100
Zicom Pte Ltd	Singapore	–	–	100	100
Zicom Equipment Pte Ltd	Singapore	–	–	100	100
Foundation Associates Engineering Pte Ltd	Singapore	–	–	100	100
Sys-Mac Automation Engineering Pte Ltd	Singapore	–	–	51	51
Foundation & Associate Pte Ltd	Singapore	–	–	100	100
Innoteam Pte Ltd	Singapore	–	–	100	100
Foundation Construction Pte Ltd	Singapore	–	–	100	100
MTA-Sysmac Automation Pte Ltd	Singapore	–	–	26*	26*
PT Sys-Mac Indonesia	Indonesia	–	–	51	51
Zicom Cesco Engineering Co. Ltd	Thailand	–	–	100	–
Zicom Cesco Thai Co. Ltd	Thailand	–	–	100	100
Zicom Thai Hydraulics Co. Ltd	Thailand	–	–	100	100
Cesco Kemajuan Sdn Bhd	Malaysia	–	–	100	100
Cesco Systems & Engineering Sdn Bhd	Malaysia	–	–	100	100
Hangzhou Cesco Machinery Co Ltd	China	–	–	100	100
		<u>45,594,830</u>	<u>39,798,686</u>		

\*51% owned by Sys-Mac Automation Engineering Pte Ltd

Entity subject to class order relief

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

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

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

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

##### Consolidated Income Statement

	Closed Group	
	2008	2007
	S\$	S\$
Profit from continuing activities before taxation	1,080,478	651,332
Income tax expense	—	—
Net profit for the year	1,080,478	651,332
Accumulated losses at the beginning	(21,925,135)	(22,245,003)
Dividends provided for or paid	(1,446,749)	(331,462)
Accumulated losses at the end	(22,291,406)	(21,925,135)

##### Consolidated Balance Sheet

	Closed Group	
	2008	2007
	S\$	S\$
<b>Non-current assets</b>		
Property, plant and equipment	1,454,456	624,431
Intangible assets	716,287	460,852
Investment in subsidiaries	42,843,971	37,762,761
	45,014,714	38,848,044
<b>Current assets</b>		
Cash and bank balances	836,209	294,593
Inventories	5,726,670	3,252,783
Trade and other receivables	8,687,434	5,175,716
	15,250,313	8,723,092
<b>Current liabilities</b>		
Payables	7,337,621	4,501,922
Interest-bearing liabilities	5,489,113	1,545,183
Provisions	224,333	519,520
Unearned income	711,416	449,778
	13,762,483	7,016,403
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>1,487,830</b>	<b>1,706,689</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities	11,798	50,719
Provisions	122,045	108,787
Payables	364,430	—
	498,273	159,506
<b>NET ASSETS</b>	<b>46,004,271</b>	<b>40,395,227</b>
<b>Equity attributable to equity holders of the Company</b>		
Contributed equity	67,227,047	61,330,693
Reserves	1,068,625	989,669
Accumulated profit/(losses)	(22,291,406)	(21,925,135)
<b>Total equity</b>	<b>46,004,266</b>	<b>40,395,227</b>

**Zicom Group Limited**

**Notes to the Financial Statements**

(In Singapore dollars)

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

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Loan to controlled entity	-	-	976,153	195,178

For terms and condition, please refer to Note 24.

**12. Non-Current Assets – Others**

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Interest in joint venture (unquoted, at cost)	50,001	20,001	-	-
Quoted equity investments	520	520	-	-
	<u>50,521</u>	<u>20,521</u>	<u>-</u>	<u>-</u>

(a) Interest in joint venture

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
		30.6.2008 %	30.6.2007 %	30.6.2008 %	30.6.2007 %
SP-Zicom Pte Ltd (Singapore)	Register trademarks and patents and to commercialise the inventions (Dormant)	50,001	20,001	50%	50%

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

	Consolidated	
	2008 S\$	2007 S\$
<b>Assets and liabilities :</b>		
Current assets	10,881	2,346
Current liabilities	-	21,648
<b>Results :</b>		
Revenue	-	-
Loss for the year	29,817	33,704

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 13. Inventories

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Raw materials, at net realisable value	4,665,080	447,185	–	–
Raw materials, at cost	447,859			
Work-in-progress, at cost	2,776,754	3,140,946	–	–
Trading stocks, at cost	11,596,108	8,398,962	–	–
Stocks-in-transit, at cost	450,401	833,508	–	–
Total inventories at lower of cost and net realisable value	19,936,202	12,820,601	–	–

Inventories recognised as cost of sales for the year ended 30 June 2008 totalled S\$96,233,087 (2007 : S\$71,971,759) for the Group and \$nil (2007: \$nil) for the Company.

#### 14. Current Assets - Receivables

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Trade receivables (a)	33,066,416	21,306,564	–	–
Allowance for impairment loss (b)	(304,416)	(419,947)	–	–
	32,762,000	20,886,617		
Prepayments	312,338	218,902	8,127	7,400
Advance payments to suppliers	1,067,226	1,375,780	–	–
Amount due from customers for contract work (note 15)	8,371,830	5,178,731	–	–
Deposits	130,068	41,048	–	–
Related party receivables (c) :				
- Related parties	4,273	3,612	–	–
- Loan to controlled entity	–	–	395,342	520,474
Accrued interest receivable	100,206	–	–	–
Other receivables	2,370,652	1,047,210	149,943	4,549
Allowance for impairment loss (b)	–	(70,000)	–	–
	2,370,652	977,210	149,943	4,549
	45,118,593	28,681,900	553,412	532,423

(a) Please refer to Note 22 for the ageing analysis of trade receivables.

(b) Allowance for impairment loss

Trade and other receivables are non-interest bearing and are generally on 30-90 days terms. An allowance for impairment loss is recognised when there is objective evidence that trade receivable is impaired. The movements in the Group's allowance for impairment for trade and other receivables are as follows:

	Trade receivables		Other receivables	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Balance at beginning of the year	419,947	280,588	70,000	70,000
Acquisition of subsidiary	–	12,217	–	–
Allowance for the year	37,596	134,608	–	–
Write-back of allowance	(10,524)	(9,849)	–	–
Write-off against allowance	(139,656)	(11,192)	(70,000)	–
Currency realignment	(6,907)	13,074	–	–
Balance at end of year	304,416	419,947	–	70,000

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

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Contract costs incurred to date	18,630,201	9,705,990	-	-
Recognised profits to date	4,568,279	2,897,437	-	-
	23,198,480	12,603,427	-	-
Progress billings	(23,638,065)	(10,280,731)	-	-
Amount due (to)/ from customers for contract work, net	(439,585)	2,322,696	-	-
Gross amount due from customers for contract work	8,371,830	5,178,731	-	-
Gross amount due to customers for contract work	(8,811,415)	(2,856,035)	-	-
	(439,585)	2,322,696	-	-

Revenue recognised on projects is disclosed in note 4.

#### 16. Current Liabilities - Payables

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Trade payables and other accruals (a)	26,708,785	17,554,552	138,591	88,281
Amount due to customers for contract work (note 15)	8,811,415	2,856,035	-	-
Owing to related parties (b)	36,958	649,867	-	-
Owing to controlled entities (b)	-	-	478,668	442,930
	35,557,158	21,060,454	617,259	531,211

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

(b) Related parties / controlled entities  
For terms and conditions, please refer to Note 24.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 17. Interest Bearing Liabilities

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
<i>Current</i>				
Bank overdraft (a)	265,542	340,628	—	—
Bills payable (b)	10,221,240	6,816,228	—	—
Factory loan (c)	464,027	223,357	—	—
Term loan (d)	—	185,100	—	—
Invoice Finance Facility (e)	5,451,725	1,488,710	—	—
Lease liabilities (note 26)	900,928	830,012	—	—
	<u>17,303,462</u>	<u>9,884,035</u>	<u>—</u>	<u>—</u>
<i>Non-Current</i>				
Factory loan (c)	1,901,672	302,188	—	—
Term loan	—	76,322	—	—
Lease liabilities (note 26)	669,611	733,683	—	—
	<u>2,571,283</u>	<u>1,112,193</u>	<u>—</u>	<u>—</u>

Details of the secured borrowings are as follows:

- (a) Overdraft of S\$160,764 (2007: nil) which bears interest at 9.2% (2007: nil) per annum are secured by a mortgage of the subsidiary company's freehold land and building at 95/15 Moo 1 Tumbon Bankaow, Ampur Panthong, Chonburi Province, Thailand.
- (b) The bill payable amounting to \$10,221,240 (2007:\$6,816,228) with an average maturity of 3-4 months (2007: 3-4 months) bears interest at 2.85% to 6.85% (2007 :5.75% to 9%) per annum. As at 30 June 2007, \$25,373 of these bills payables were secured by a mortgage of the subsidiary company's freehold land and building at 95/15 Moo 1 Tumbon Bankaow, Ampur Panthong, Chonburi Province, Thailand whilst the remaining bills payable were secured by a corporate guarantee given by Zicom Holdings Pte Ltd. As at 30 June 2008, all bills payable were secured by a corporate guarantee given by Zicom Holdings Pte Ltd.
- (c) Factory loans amounting to S\$296,681 which is made up of current and long-term portions of \$239,087 (2007:\$223,357) and \$57,594 (2007:\$302,188) respectively is repayable over 60 monthly instalments at an interest rate of 5.25% (2007:4.5%) per annum. It is secured by a legal mortgage on the Zicom Holdings Pte Ltd's leasehold property No.5 Tuas Avenue 1, Singapore.  
  
The remaining factory loans amounting to S\$2,109,018 which made up of current and long-term portions of S\$224,940 (2007: nil) and \$1,844,078 (2007: nil) respectively is repayable over 120 monthly instalments at an interest rate of 4% (2007: nil) per annum. It is secured by a legal mortgage on Zicom Holdings Pte Ltd's leasehold property at No. 9 Tuas Avenue 9 Singapore 639198 and a corporate guarantee from the Company.
- (d) Term loan outstanding as at 30 June 2007 bore interest at 3.3% and was secured by a legal mortgage on certain machinery. This term loan has been fully repaid during the year.
- (e) The Invoice Finance Facility is secured by a fixed and floating charge over all the assets of Cesco Australia Limited.
- (f) Financing facilities available  
As at 30 June 2008, the Group had available S\$32,223,772 (2007 : \$29,259,447) of undrawn committed borrowing facilities.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 18. Provisions

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
<i>Current</i>				
Service warranties	462,251	581,576	-	-
Employee benefits – long service leave	140,298	120,405	-	-
	<u>602,549</u>	<u>701,981</u>	<u>-</u>	<u>-</u>
<i>Non-Current</i>				
Employee benefits – long service leave	<u>122,045</u>	<u>108,787</u>	<u>-</u>	<u>-</u>

Movement in provision for service warranties was as follows :

At beginning of year	581,576	424,667	-	-
Allowance for the year	327,673	398,330	-	-
Write back of allowance	(97,559)	(171,630)	-	-
Write off against allowance	(348,006)	(168,911)	-	-
Currency realignment	(1,433)	11,334	-	-
Acquisition of subsidiaries	-	87,786	-	-
At end of year	<u>462,251</u>	<u>581,576</u>	<u>-</u>	<u>-</u>

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

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

At beginning of year	229,192	-	-	-
Allowance for the year	43,380	62,721	-	-
Write off against allowance	(5,651)	(18,645)	-	-
Write back of allowance	(4,968)	(39,377)	-	-
Currency realignment	390	21,808	-	-
Acquisition of subsidiaries	-	202,685	-	-
At end of year	<u>262,343</u>	<u>229,192</u>	<u>-</u>	<u>-</u>

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

This amount relates to fair value of the license fees in respect of the trade mark acquired during the financial year. This licence fees is only payable in the financial years 2011, 2012 and 2013.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 20. Contributed equity

##### (a) Share Capital

	Parent Entity		Consolidated	
	2008 Shares	2007 Shares	2008 S\$	2007 S\$
Ordinary fully paid shares	194,537,662	181,378,762	33,218,847	27,322,493

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) Movement in ordinary share capital

	Company Number of ordinary shares	Group  S\$
At 1 July 2006	85,321,256	21,890,054
Issue of shares from exercise of share options (i)	387,500	–
Issue of shares under Right Issue (ii)	85,321,256	–
	<u>171,030,012</u>	<u>21,890,054</u>
Consolidation of shares (1:8) (iii)	21,378,762	21,890,054
Issue of shares in consideration of reverse acquisition (iv)	160,000,000	5,432,439
At 30 June 2007	181,378,762	27,322,493
Issue of shares following share placement, net of share issue expense (v)	13,158,900	5,896,354
At 30 June 2008	<u>194,537,662</u>	<u>33,218,847</u>

##### (i) Options

The Zicom Group Limited Executive Share Option Plan was cancelled as part of the conditions of the acquisition of Zicom Holdings Pte Ltd. At the AGM on 23 November 2006 a revised Employee Share Option Plan was adopted where 2,975,000 options have been allotted to date.

##### (ii) Rights issue

On 22 June 2006, Zicom Group Limited invited its shareholders to subscribe to a rights issue of 84,408,756 ordinary shares at an issue price of A\$0.02 per share on the basis of 1 share for every 1 share held at the record date 16 June 2006. In addition a further 12,661,313 shares were also offered to shareholders. The rights issue was underwritten by Sysmet Holdings Pte Ltd and Ventrade (Asia) Pte Ltd.

A total of 85,321,256 shares were issued to shareholders on 14 July 2006 as a result of the rights issue.

##### (iii) Consolidation of shares

At the general meeting of Zicom Group Limited held on 7 July 2006, shareholders passed a resolution to consolidate the existing share capital of Zicom Group Limited. The consolidation was based on every 8 ZGL shares to be consolidated into 1 ZGL share with fractional entitlements to be rounded to the nearest whole share.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

- (iv) Acquisition of Zicom Holdings Pte Ltd ("ZHPL")  
The Company completed the purchase of Zicom Holdings Pte Ltd ("ZHPL"), on 24 July 2006. The date of control was effective 1 July 2006. The Company purchased all of the issued capital of ZHPL for a consideration of 160,000,000 shares.
- (v) Share placement  
The Company completed a share placement to institutional investors on 27 November 2007 for a total of 13,158,900 shares at A\$0.38 each. The share capital of S\$5,896,354 is arrived at after deducting share issue expenses of approximately S\$406,350.

#### 21. Cash and cash equivalents

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

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Cash at bank and in hand	12,116,507	7,805,024	47,468	184,211
Short-term fixed deposits	2,393,843	548,638	-	-
	<u>14,510,350</u>	<u>8,353,662</u>	<u>47,468</u>	<u>184,211</u>
Bank overdraft	(265,542)	(340,628)	-	-
Cash and cash equivalents	<u>14,244,808</u>	<u>8,013,034</u>	<u>47,468</u>	<u>184,211</u>
Add: other deposits - pledged	4,071	15,480	-	-
	<u>14,248,879</u>	<u>8,028,514</u>	<u>47,468</u>	<u>184,211</u>

The fixed deposits of \$4,071 (2007 : \$15,480) are pledged to banks for trading facilities.

Cash and bank balances are non-interest bearing except for S\$17,737 (2007: nil) which earns interest at floating rates based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

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

#### 22. Financial instruments

- (a) Financial risk management objectives and policies

The Group's principal financial instruments include bank loans, finance lease, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from operations. The main risk arising from the Group's financial instruments is interest rate risk, foreign currency risk, credit risk and liquidity risk.

- (b) Interest rate risk

The Group's exposure to the risk in changes in market interest rates primarily relates to debt obligations which have a floating interest rate. The Group's policy with respect to controlling this risk is lined to a regular review of the total debt position and assessment of the impact of adverse changes in interest rates applicable to new and existing debt facilities. Consideration is given to potential renewal of existing positions, alternative financing, alternative hedging positions, terms of borrowings and interest rate exposure. Where appropriate, fixed rate interest instruments are negotiated to mitigate any significant rate exposure.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

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

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Financial assets				
Cash and bank balances	17,737	-	-	-
Financial liabilities				
Bills payable	5,839,494	6,647,096	-	-
Factory loans	296,681	525,545	-	-
	<u>5,762,574</u>	<u>5,685,632</u>	<u>-</u>	<u>-</u>

#### Sensitivity analysis of interest rate risk

As at 30 June 2008, if interest rate for United States dollar had increased/decreased by 31% with all other variables held constant, post-tax profits for the consolidated entity for the financial year would be S\$4,213 (2007:\$6,588) lower/higher, as a result of the higher/lower interest rates. Accordingly, the Group's equity as at year-end will be S\$4,213 (2007:S\$6,588) lower/higher.

#### (b) Foreign currency risk

The Group sells its products and services in several countries and, as a result, is exposed to movements in foreign currency exchange rates. The Group does not actively manage its foreign currency risk arising from cash flows for transactions denominated in foreign currencies, primarily United States Dollars, Norwegian Kroner, Euros and Australian dollars and relies on natural hedging to mitigate the foreign currency risk. However, where exposures are certain, the Group uses foreign currency forward contracts to manage these foreign exchange risks.

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

It is not the Group's policy to enter into derivative financial statements for speculative purpose.

	Post tax profit Higher/(lower)		Equity Higher/(lower)	
	30.6.2008 S\$	30.6.2007 S\$	30.6.2008 S\$	30.6.2007 S\$
<b>Consolidated</b>				
USD				
- strengthened 6% (2007:6%)	40,698	23,769	40,698	23,769
- weakened 6% (2007:6%)	(40,698)	(23,769)	(40,698)	(23,769)
NOK				
- strengthened 8% (2007:8%)	(51,316)	(98,950)	(51,316)	(98,950)
- weakened 8% (2007: 8%)	51,316	98,950	51,316	98,950
EUROS				
- strengthened 5% (2007:5%)	21,669	(5,923)	21,669	(5,923)
- weakened 5% (2007:5%)	(21,669)	5,923	(21,669)	5,923
AUD				
- strengthened 10% (2007: 10%)	(118)	72,603	314,902	334,782
- weakened 10% (2007: 10%)	118	(72,603)	(314,902)	(334,782)
Thai bahts				
- strengthened 5% (2007:5%)	144,231	95,935	267,466	175,874
- weakened 5% (2007: 5%)	(144,231)	(95,935)	(267,466)	(175,874)
<b>Parent Entity</b>				
AUD				
- strengthened 10% (2007:10%)	-	-	95,978	38,059
- weakened 10% (2007: 10%)	-	-	(95,978)	(38,059)

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

##### (c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. Credit risk is monitored through careful selection of customers and the application of monitoring procedures.

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

##### *Credit risk concentration profile*

The Group determines concentration of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	2008		2007	
	S\$	% of total	S\$	% of total
Australia	6,873,995	21.0%	4,445,679	21.3%
Bangladesh	533,504	1.6%	240,112	1.1%
Indonesia	1,649,697	5.0%	583,501	2.8%
Malaysia	5,707,568	17.4%	6,144,478	29.4%
People's Republic of China	526,854	1.6%	689,982	3.3%
Singapore	16,245,624	49.6%	7,509,348	36.4%
Thailand	557,776	1.7%	593,995	2.8%
United States of America	415,733	1.3%	508,888	2.4%
Others	251,249	0.8%	170,634	0.5%
	<u>32,762,000</u>	<u>100%</u>	<u>20,886,617</u>	<u>100%</u>

At the balance sheet date, approximately 43.6% (2007: 55.9%) of the Group's trade receivables were due from 20 (2007: 24) major customers.

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

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

##### *Financial assets that are past due but not impaired*

As at 30 June 2008, the ageing analysis of trade receivables is as follows:

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Lesser than 30 days	10,216,405	10,159,301	—	—
30 to 60 days	9,355,341	5,676,232	—	—
61 to 90 days *	1,916,935	1,260,201	—	—
91 to 120 days *	3,779,698	2,557,948	—	—
More than 120 days *	7,798,037	1,232,935	—	—
	<u>33,066,416</u>	<u>20,886,617</u>	<u>—</u>	<u>—</u>

- past due but not impaired

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

##### (d) Liquidity risk

Liquidity risk is the risk that the Group or Parent Entity will encounter difficulty in meeting financial obligations due to shortage of funds.

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

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

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Financial liabilities due within				
6 months or less	40,722,116	24,243,259	617,259	531,211
6-12 months	7,209,510	3,543,787	-	-
2-5 years	949,505	295,599	-	-
5-10 years	2,290,930	-	-	-
	<u>55,976,108</u>	<u>28,082,645</u>	<u>617,259</u>	<u>531,211</u>

##### (e) Net fair values

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

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

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

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

##### *Financial instruments whose carrying amounts approximate fair value*

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

##### *Non-current interest-bearing liabilities*

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

	Carrying Amount		Fair Value	
	30.6.2008 S\$	30.6.2007 S\$	30.6.2008 S\$	30.6.2007 S\$
<b>Financial liabilities :</b>				
Obligations under finance leases	669,611	733,683	617,719	671,390
Bank loans (non-current)	<u>1,901,672</u>	<u>378,510</u>	<u>1,503,647</u>	<u>346,618</u>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

##### (f) Derivative financial instruments

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

	Group Notional		Parent Entity Notional	
	2008	2007	2008	2007
	S\$	S\$	S\$	S\$
Foreign exchange forward contracts - matures within the next 2 months	1,090,565	-	-	-

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

	Group		Parent Entity	
	Assets	Liabilities	Assets	Liabilities
	\$	\$	\$	\$
<b>2008</b>				
Forward exchange contracts	9,378	-	-	-
<b>2007</b>				
Forward exchange contracts	-	-	-	-

#### 23. Capital Management

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

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

Management monitors capital through the gearing ratio (net debt / total capital). The Group defines net debts as interest-bearing liabilities less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company and reserves. The Group's policy is to keep its gearing ratio at less than 50%. The gearing ratios as at 30 June 2008 and 2007 were as follows:

	Consolidated	
	2008 S\$	2007 S\$
Interest bearings liabilities	19,874,745	10,996,228
Cash and cash equivalents	(14,244,808)	(8,013,034)
Net debt	5,629,937	2,953,194
Equity attributable to equity holders of the Company	46,937,266	33,949,354
Gearing ratio	12%	9%

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 24. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

In addition to the related party information disclosed elsewhere in the financial statements, the following are transactions with related parties at mutually agreed terms and amounts :

##### (a) Sale and purchase of goods and services

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	S\$	S\$	S\$	S\$
Minority shareholder of a subsidiary company				
- Sales	1,953,034	866,170	-	-
- Purchases	1,103,797	649,867	-	-

##### (b) Terms and conditions of transactions with related parties

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

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

##### (c) Directors and key management personnel

Disclosures are set out in Note 25.

#### 25. Key Management Personnel

##### (a) Details of Key Management Personnel

- (i) Directors
- G L Sim (Chairman and Managing Director)
  - K H Sim (Executive Director, appointed on 21 November 2007)
  - B H Cheak (Independent)
  - Y P Lim (Independent)
  - F Leong (Independent)
  - I R Millard (Independent)
  - A G Palmer (Independent, appointed on 21 November 2007)
  - R E Keevers (Independent, resigned on 27 September 2007)
- (ii) Executives
- J L Sim
  - G H Teoh
  - J V Vaughan
  - H S Tang (resigned as non-independent director on 21 November 2007)
  - J Koon Sim

##### (b) Compensation of key management personnel

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	S\$	S\$	S\$	S\$
Short-term employee benefits	3,073,064	2,829,527	91,716	70,962
Post-employment benefits	66,857	103,853	3,239	31,812
Share-based payment	1,780	-	-	-
	<u>3,141,701</u>	<u>2,933,380</u>	<u>94,955</u>	<u>102,774</u>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

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

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

###### 30 June 2008

<i>Directors</i>	Balance as at 1 July 07 or at date of appointment	Granted as remuneration	Net changes	Balance as at 30 June 2008
G L Sim	61,903,339	–	988,853	62,892,192
K H Sim	112,706	–	85,000	197,706
B H Cheak	1,150,000	–	–	1,150,000
Y P Lim	100,000	–	–	100,000
F Leong	25,000	–	–	25,000
I R Millard	395,000	–	40,000	435,000
A G Palmer	–	–	–	–
<i>Executives</i>				
J L Sim	4,491,149	–	–	4,491,149
G H Teoh	4,487,646	–	–	4,487,646
J V Vaughan	40,000	–	(33,000)	7,000
H S Tang	2,721,427	–	(278,311)	2,443,116
J Koon Sim	14,132,044	–	108,710	14,240,754
	<u>75,426,267</u>	<u>–</u>	<u>377,542</u>	<u>75,803,809</u>

###### 30 June 2007

<i>Directors</i>	Balance as at 1 July 06 or at date of appointment	Revised balance 28 August 2006 resulting from Group restructuring	Granted as remuneration	Net changes	Balance as at 30 June 2007
G L Sim	25,783,146	61,548,904	–	354,435	61,903,339
K H Sim	112,706 #	N/A	–	85,000	112,706
B H Cheak	2,166,275	561,569	–	588,431	1,150,000
Y P Lim	– #	N/A	–	–	100,000
F Leong	25,000 #	N/A	–	–	25,000
I R Millard	395,000 #	N/A	–	–	395,000
A G Palmer	–	N/A	–	–	–
R E Keevers	180,000	182,500	–	100,000	282,500
<i>Executives</i>					
J L Sim	4,491,149 #	N/A	–	–	4,491,149
G H Teoh	4,487,646 #	N/A	–	–	4,487,646
JV Vaughan	–	40,000	–	–	40,000
H S Tang	2,721,427 #	N/A	–	(278,311)	2,721,427
J Koon Sim	14,016,815 #	N/A	–	115,229	14,132,044
	<u>75,426,267</u>	<u>62,150,473</u>	<u>–</u>	<u>377,542</u>	<u>75,803,809</u>

# These directors and executives were appointed after the changes in the share structure.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

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

30 June 2008

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

The above options were granted on 1 June 2008 under the Zicom Group Limited Employee Share and Option Plan which was approved by shareholders on 23 November 2006. 50% of these options will vest 24 months after the grant date while the remaining 50% of the option will vest 36 months after the grant date. Accordingly, these options are not vested as at 30 June 2008 and hence, not exercisable. Please refer to note 26 for more information.

No options were granted to key management personnel as at 30 June 2007.

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

#### 26. Share-based payment plans

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

The expense recognised for employee services received during the year for equity-settled share-based payment transactions amounted to S\$10,584 (2007: nil). There have been no cancellations or modifications to the plan during the year 2008 and 2007.

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

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

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

Should an employee leave the company or resign from his office, any options not issued prior to that date will be lost except for exceptional circumstances such as death or physical or mental incapacity.

The contractual life of each option granted is 5 years. There is no cash-settlement alternative.

##### (c) Summary of options granted under ESOP

	2008	2007
Outstanding at beginning of the year	–	–
Granted during the year	2,950,000	–
Forfeited during the year	–	–
Exercised during the year	–	–
Expired during the year	–	–
Outstanding at end of year	2,950,000	–

The outstanding balance as at 30 June 2008 is represented by:

- 1,475,000 options over ordinary shares with an exercise price of A\$0.28 each, exercisable on or after 1 June 2010, until 31 May 2013
- 1,475,000 options over ordinary shares with an exercise price of A\$0.28 each, exercisable on or after 1 June 2011, until 31 May 2013.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

##### (d) Weighted average fair value

The weighted average fair value of options granted during the year was A\$0.08 (2007: nil)

##### (e) Option pricing model

The fair value of the equity-settled share options granted under the ESOP is estimated as at the date of grant using a Trinomial model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2008	2007
Exercise price:	0.280	—
Current stock price:	0.262	—
Maximum option life in years:	5	—
Volatility:	34.55%	—
Risk free interest rate:	6.66%	—
Dividend yield:	0.00%	—
Exit rate	3%	—

The effects of early exercise have been incorporated into the calculations by defining the conditions under which employees are expected to exercise their options after vesting in terms of the stock price reaching a specified multiple of the exercise price, which is not necessary indicative of exercise patterns that may occur in the future. The expected volatility was determined using an historical sample of daily high-low share prices from 1 June 2007 (subsequent to the reverse-over) till 31 May 2008. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

#### 27. Commitments

##### (a) Commitments

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

- (i) The Group has issued letters of credit amounting to S\$2,351,353 (2007: S\$3,234,711).
- (ii) The Group has issued letters of guarantee amounting to S\$3,227,006 (2007: S\$1,471,178).
- (iii) The Group has entered into foreign currency forward buy contracts amounting to S\$1,090,565 (2007: nil)

##### (b) Operating lease commitments

The Group have entered into commercial leases for the use of leasehold properties and office equipment as lessee. These leases have an average of 3 to 30 years with a further option for certain leasehold properties to extend for a further 30 years. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease payments for the leases are as follows :

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
Within 1 year	1,892,330	1,062,629	—	—
Within 2 - 5 years	5,525,630	1,209,456	—	—
More than 5 years	2,550,635	1,381,340	—	—
	<u>9,968,595</u>	<u>3,653,425</u>	<u>—</u>	<u>—</u>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

##### (c) Finance lease commitments

The Group conducts a portion of its operation using leased assets. The average discount rate implicit in the leases in the leases is 3.25% (2007: 3.25%) per annum.

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

Consolidated	Minimum payments 2008 S\$	Present value of payments 2008 S\$	Minimum payments 2007 S\$	Present value of payments 2007 S\$
Due within one year	989,265	900,928	914,318	830,012
After one year but not more than five years	761,049	669,611	824,411	733,683
Total minimum lease payments	1,750,314	1,570,539	1,738,729	1,563,695
Less : amounts representing finance charges	(179,775)	-	(175,034)	-
	<u>1,570,539</u>	<u>1,570,539</u>	<u>1,563,695</u>	<u>1,563,695</u>

##### (d) Capital commitments

As at 30 June 2008, the Group and Company have capital commitment in respect of property, plant and equipment amounting to S\$3,897,000 (2007: S\$3,600,000) and nil (2007: nil) respectively.

#### 28. Business combinations

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

The following assets were also purchased from the previous agent:

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

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

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

##### (b) Acquisition of Zicom Holdings Pte Ltd

During the last financial year, the Company ("ZGL") acquired 100% of voting shares of Zicom Holdings Pte Ltd ("ZHPL"), an unlisted company based in Singapore, specialising in hydraulic, flow control and precision engineering, manufacturing offshore and marine deck machinery, foundation equipments, precision and automation engineering, gas regulating and metering stations and hydraulic drives for mobile equipments.

With respect to the acquisition of ZHPL by ZGL, ZHPL has been identified as the acquirer and accordingly, it has been accounted for as a reverse acquisition as set out in Note 2.

The fair values of the identifiable assets of ZGL as at the date of acquisition were :

	Recognised on acquisition S\$	Carrying amounts before combination S\$
Cash and cash equivalents	1,223,517	1,223,517
Receivables	2,540,826	2,540,826
Inventories	2,329,745	2,198,027
Property, plant and equipment	562,497	562,497
Deferred tax asset	352,923	-
Identifiable intangible assets (Note 9)	1,437,901	416,660
Others	362,712	362,712
	<u>8,810,121</u>	<u>7,304,239</u>
	Recognised on acquisition S\$	Carrying amounts before combination S\$
Payables	(3,354,945)	(3,354,945)
Interest bearing liabilities	(671,543)	(671,543)
Deferred tax liability	(431,390)	-
Provisions	(506,709)	(506,709)
Others	(599,083)	(599,083)
	<u>(5,563,670)</u>	<u>(5,132,280)</u>
Fair value of identifiable net assets	3,246,451	2,171,959
Add : Goodwill arising on acquisition (Note 9)	2,303,629	
	<u>5,550,080</u>	

The total cost of the acquisition was \$5,432,439. In connection to the acquisition, ZGL issued 160,000,000 consolidated shares with a fair value of \$0.034 each at the date of acquisition.

Cost of the combination	
Share issued, at fair value	5,432,439
Direct costs relating to the acquisition	117,641
	<u>5,550,080</u>
Cash flows on acquisition	
Net cash acquired with the subsidiary	<u>1,223,517</u>

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

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

##### (c) Acquisition of MTA-Sysmac Automation Pte Ltd

During the preceding financial year, one of the subsidiary companies, Sys-Mac Automation Engineering Pte Ltd acquired 51% of the voting rights of MTA-Sysmac Automation Pte Ltd, a dormant company based in Singapore for a cash consideration of \$5,101.

The fair values of the net identifiable assets of MTA-Sysmac Automation Pte Ltd at the date of acquisition is as follows :

	Recognised on acquisition S\$	Carrying values S\$
Cash and cash equivalents	19,850	19,850
Trade and other payables	(11,882)	(11,882)
Net identifiable assets	7,968	7,968
Goodwill arising on acquisition (Note 12)	1,037	
Minority interest	9,005 (3,904)	
	5,101	
Cash paid	(5,101)	
Net cash acquired with the subsidiary	19,850	
Net cash inflow on acquisition	14,749	

#### 29. Auditors' remuneration

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

	Consolidated		Parent Entity	
	2008 S\$	2007 S\$	2008 S\$	2007 S\$
<i>Ernst &amp; Young</i>				
- Audit or review of financial statements	179,122	162,672	80,993	107,348
- Other services	266,900	20,440	230,000	-
<i>Other audit firms</i>				
- Audit or review of financial statements	183,820*	157,666*	-	-
- Other services	58,568	3,500	58,568	-
	688,410	344,278	369,561	107,348

\*S\$159,000 (2007: S\$139,000) is payable to Ernst & Young Singapore for audit and review of financial statements.

## Zicom Group Limited

### Notes to the Financial Statements

(In Singapore dollars)

#### 30. Subsequent events

Subsequent to the end of the financial year,

- a) On 1 July 2008, the Group acquired the remaining 49% equity interest in Sys-Mac Automation Engineering Pte Ltd satisfied by way of an issue of 5,000,000 shares in the Parent Entity and a cash consideration of S\$1,229,619. Sys-Mac Automation Engineering becomes a wholly-owned subsidiary company of the Group.
- b) On 22 August 2008, the Group completed a 1 for 20 non-renounceable rights issue at A\$0.20 per share and raised approximately A\$1,581,687 (S\$1,937,566) net of share issue expenses. A total of 7,059,998 shares were allotted to shareholders and 1,050,000 shares allotted to directors pursuant to approval at the shareholders meeting held on 28 August 2008. There was a shortfall of 1,616,885 shares which the Company has decided not to place out.
- c) Pursuant to the approval at the shareholders' meeting on the 28 August 2008, the following share options were granted to the directors.

<b>Name</b>	<b>No of options granted</b>
John Cheak Boon Heng	50,000
Lim Yian Poh	50,000
Frank Leong Yee Yew	50,000
Ian Robert Millard	50,000
Arthur Gregory Palmer	25,000
Sim Kok Hwee	100,000
	<hr/>
	325,000
	<hr/>

## Zicom Group Limited

### Directors' Declaration

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

1. In the opinion of the directors:
  - a. the financial report and the additional disclosures included in the directors' report designated as audited, of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
    - i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
    - ii. complying with Accounting Standards and Corporations Regulations 2001; and
  - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
  - c. There are reasonable grounds to believe that the members of the Closed Group identified in Note 10 will be able to meet any obligations or liabilities to which they are or may subject by virtue of the Deed of Cross Guarantee.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2008.

On behalf of the Board



GL Sim  
Chairman/Managing Director  
Brisbane  
30 September 2008

## Independent auditor's report to the members of Zicom Group Limited

### Report on the Financial Report

We have audited the accompanying financial report of Zicom Group Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2.2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### **Auditor's Opinion**

In our opinion:

1. The financial report of Zicom Group Limited is in accordance with the *Corporations Act 2001*, including:
  - i Giving a true and fair view of the financial position of Zicom Group Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and
  - ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### **Auditor's Opinion**

In our opinion the Remuneration Report of Zicom Group Limited for the year ended 30 June 2008 complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Mike Reid  
Partner  
Brisbane  
30 September 2008