



ZICOM GROUP LIMITED

Appendix 4E

ASX Preliminary Final Report

30 June 2012

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Name of entity: **ZICOM GROUP LIMITED**

ABN: 62 009 816 871

Reporting Period: **Year Ended 30 June 2012**

Previous corresponding period: Year Ended 30 June 2011

Results for announcement to the market

				2012	2011
Revenues from ordinary activities	Down	12%	To	S\$128,959,425	S\$146,444,206
Net Profit from ordinary activities after tax attributable to members	Down	44%	To	S\$7,836,053	S\$14,087,014
Net Profit for the period attributable to members	Down	44%	To	S\$7,836,053	S\$14,087,014

	Amount per security
Interim dividend (unfranked)	A\$0.0045
Final dividend (unfranked)	A\$0.0055

Record date for determining entitlements to the dividend 16 November 2012

Date the dividend is payable 30 November 2012

Review of Operations

Results

The Group's consolidated revenue for the full year is S\$130.65m as compared with S\$147.19m in the previous year, a decrease of 11%. The Group's full year net consolidated profits after tax attributable to members to 30 June 2012 are S\$7.84m as compared with S\$14.09m in the previous year, a decrease of 44%.

The net profit margin achieved for the full year is 6.1% as compared with 9.6% in the previous year. The 3.5% decrease is mainly attributable to the slowdown in the offshore marine, oil and gas segment.

Earnings per share dropped from Singapore 6.62 cents to 3.69 cents per share a decrease of 2.93 cents.

Net tangible assets per share increased from Singapore 32.76 cents to 34.22 cents per share.

Return on equity, based on average of the opening and closing equity, for the year was 9.7% as compared to 19.5% in 2011 and 16.4% in 2010.

The average rates for currency translation for revenue and expenses are A\$1 to S\$1.3031 (2011: S\$1.2865) and for balance sheet items A\$1 to S\$1.2917 (2011: S\$1.3245).

The results for the full year have been impacted by the decrease in revenue from the offshore marine segment, losses arising out of initial problems encountered in integrating various skills in the oil and gas segment and pre-commercialisation gestation costs on start-up companies that we invested in 2010.

The sharp spike in oil prices from below US\$50 a barrel in 2004 to a record high of US\$147 in mid-2008 gave rise to unbridled exuberance and speculation in the marine offshore sector prior to the Global Financial Crisis ("GFC"), resulting in excess capacities. Post GFC, the global financial industry also deleveraged. The combined effect of these factors subsequently impacted against demand for marine equipment which was strongly felt by us in the year just ended, notwithstanding that during the year there has been a strong resurgence in oil rig orders globally. Oil rig orders now parallel the previous peak. Gratuitously, demand for oil as evidenced by its less volatile price range post GFC has appeared to be more stabilized. We believe that the present orders for new offshore vessels giving rise to demand for our deck machinery reflect realistic demand.

The Group's businesses are focused on the Asia Pacific region from Australia to China. The Asia Pacific economies, although decelerating, have proved to be extremely resilient and will continue to grow.

The Group's business is pegged to long term sustainability and prudent financial management. This policy enables the Group to continue to deliver profits for shareholders before and after the GFC and to maintain a strong financial position. The Group's prudence in financial management has withstood the stress of uncertain times. The Group has fully funded its investments on start-up companies possessing disruptive technologies and high growth potentials from available internal resources.

To accelerate commercialization of the various start-ups, we have committed further investments of up to S\$3m into these companies from our internal resources.

The Group is confident of a strong recovery in the marine offshore, oil and gas sector. The Group's other revenue sectors likewise are expected to continue to grow in the financial year 2013. Gestation costs in start-ups taper off as their commercialization efforts take off. Your directors believe that the global economy remains challenging and may slow down further. Although we cannot escape completely unscathed, the Group's businesses remain robust. We are therefore hopeful to achieve significant growth in profits in the coming year barring no unforeseen deterioration in the world's economic order.

A comparison of the results of the current year with the previous year is as follows:-

Key Financials	Change (%)	12 months ended 30 Jun 12 (S\$ million)	12 months ended 30 Jun 11 (S\$ million)
Revenue	- 11.2	130.65	147.19
Earnings before interest, tax, depreciation, & amortisation (EBITDA)	- 39.6	13.59	22.49
Net profits after tax (NPAT)	- 44.4	7.84	14.09

The Group's cash balances remain strong. As at 30 June 2012, the group's total cash and bank balances were S\$24.45m as compared with S\$23.67m as at 30 June 2011.

Segmental Revenue

The following is an analysis of the segmental results :-

Revenue by Business Segments	Change (%)	12 months ended 30 Jun 12 (S\$ million)	12 months ended 30 Jun 11 (S\$ million)
Offshore Marine, Oil and Gas Machinery	- 41.1	34.35	58.33
Construction Equipment	+ 3.9	57.39	55.23
Precision Engineering & Automation	+ 13.9	34.90	30.65
Industrial & Mobile Hydraulics	- 0.6	3.19	3.21

Offshore Marine, Oil & Gas Machinery

Rationalisation of the excess capacities in offshore vessels post GFC had slowed demand for deck machinery. Orders for offshore vessels have begun to recover following huge oil rig orders being placed globally, as deep sea oil and gas exploration and production activities have increased in the past 18 months. The demand for our deck machinery usually lags behind the demand for offshore oil rigs by about 2 to 3 years. The Group has developed its capability to supply to offshore vessels for deep seas operations exceeding 500m depth and has recently secured its first order for such deck machinery. At present the bulk of offshore vessels operate below 500m depth and these form the major part of demand for deck machinery. The Group's capability now enables it to align itself with, and to meet the demand of, the oil industry in their foray into deeper sea operations. We remain confident that demand in the offshore marine sector continues to be robust.

Demand for offshore structures for operations of remote operated vehicles in sub-seas operations is expected to likewise strengthen in parallel with the demand for deck machinery for offshore operations.

Our foray into the engineering, procurement and construction (EPC) of oil and gas projects has been relatively recent. Our first 2 EPC projects that involved engineering personnel over 3 countries in Indonesia, Singapore and Bangladesh encountered initial problems in integration of work culture and engineering disciplines. As a result we suffered losses in execution of these projects. We have addressed these problems and are confident that going forward such losses are not likely to recur. Prospects for this sector are strong and we are hopeful of increased orders and to be profitable.

As at the end of the financial year just ended, we have secured confirmed orders of S\$23.7m in the marine offshore and oil and gas segment to be delivered in the financial year 2013.

Construction Equipment

Demand for construction equipment increased by 3.9% in the current year as compared with the previous year. Concrete mixer demand in Thailand has been strong following swift government's re-construction efforts to rebuild the flood-devastated parts of Thailand including Bangkok. This demand will continue into the next financial year as more rebuilding efforts continue. Our Thailand factory with its fully equipped capacity is well positioned to take on such demand in addition to continue to meet demand for Australia and surrounding region. The consolidation of volume has brought on economy of scales and minimized idle overheads enabling the concrete mixer segment as a whole to be profitable during the year.

Foundation equipment demand in South East Asia continues to be strong following continuous growth in construction and infrastructure investments in the region. This region has a combined population of more than 600 million people. Sound banking structure and prudent financial policies has been established in the region after the last Asian Financial Crisis. The emerging economies that make up this region combine and complement well with China and India to form a broad based growth basin that has escaped relatively unscathed from the GFC and hopefully would be impacted minimally by the Eurozone crisis. Such resilience in the region is foreseen to continue to under-score the sustainability of demand for foundation equipment in the medium future.

Our Australian business has successfully expanded its product offerings to include the supply of piling and boring equipment for foundation works to complement its core business in concrete mixers. We intend to expand our fleet of piling and boring equipment over the next 12 months for both sales and rental to generate recurrent revenue and cash flow. In addition to this, the Group aims to explore opportunities in the oil and gas sector. We aim to diversify our Australian revenue base supported by the Group's internal capabilities so as to take advantage of our established reputation and capacity in Australia as well as to strengthen the viability of the Group's Australian subsidiary.

Precision Engineering & Automation

The precision engineering sector has shown a 13.9% increase in revenue over the previous year. This increase in revenue has been on the back of strong organic growth in both automation and precision engineering driven by demand in the biomedical and consumer electronics customers. The growth in the precision engineering sector has been sustainable.

Sustainability in the growth of our precision engineering business is strongly supported by the Group's commitment in strengthening its engineering excellence in this area and its continuing investments in facilities and high end machinery notwithstanding uncertainties in the global economy. We have recently developed an Innovation Development Center focused on supporting our various start-ups that require precision engineering and manufacturing services and to cross-support each other to strengthen innovation efforts to stay ahead of competition.

Industrial & Mobile Hydraulics

This sector is made up of supply of hydraulic system drives and hydraulic services in support of our general core business activities in hydraulic engineering. Variation in this sector is not expected to be significant to the Group.

Foreign Exchange Exposure

The Group generally prices its sales in foreign currencies on forward rates. During the full year, we hedged our rates accordingly to ensure our margins were maintained. The net gain attributable to foreign exchange during the current year is S\$161,170 as compared with an exchange loss of S\$129,985 in the previous year.

Accounting Standards AASB 139 obliges us to fair value our outstanding foreign currency derivatives at the rates ruling on 30 June 2012. The net gain of S\$161,170 included the imputed unrealised gain/loss in the valuation of these derivatives as at 30 June 2012.

Financial Position

The group's financial position has generally strengthened :-

Classification	Increase (+) / Decrease (-) S\$ million	As at 30 Jun 12 S\$ million	As at 30 Jun 11 S\$ million
Net Assets	+ 4.35	84.62	80.27
Net Working Capital	+ 0.46	42.42	41.96
Cash in Hand and at Bank	+ 0.78	24.45	23.67

Gearing Ratios

The Group gearing ratio is 0% at the same ratio for the year ended 30 June 2011. Gearing ratio has been arrived at by dividing our net interest bearing debts over total capital.

Return Per Share

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

Classification	Increase (+)/ Decrease (-) Singapore Cents	2012 Singapore Cents	2011 Singapore Cents
Earnings per share	- 2.93	3.69	6.62

The weighted average shares used to compute basic earnings per share are 212,375,665 for this year and 212,924,847 shares for the previous year.

Classification	Increase Singapore Cents	As at 30 June 12 Singapore Cents	As at 30 June 11 Singapore Cents
NTA per share	+ 1.46	34.22	32.76

Capital Expenditure

The Group is not likely to incur any significant capital expenditure for FY2013.

Confirmed Orders

We have a total of S\$51.5m (30 Jun 2011: S\$63.2m) outstanding confirmed orders in hand as at 30 June 2012. A breakdown of these outstanding confirmed orders is as follows :-

	S\$ m
Offshore Marine, Oil & Gas Machinery	23.7
Construction Equipment	5.4
Precision Engineering & Automation	22.2
Industrial & Mobile Hydraulics	<u>0.2</u>
Total	S\$ <u>51.5m</u>

These outstanding orders are scheduled for delivery in the financial year 2013. Our outstanding confirmed orders as at 31 December 2011 were S\$41.6m. The higher outstanding orders reflect acceleration in customers' orders in the last 6 months. Prospects for on-going orders continue to be robust. We remain optimistic.

Investments in Start-Ups

The Group has invested a combined S\$10.5m into the 3 start-ups from internal cash resources without external borrowings. All these start-ups have achieved various milestones and gained customer acceptance in trials carried out. Our technologies have been proven to be disruptive. Current efforts are focused to accelerate their commercialisation which requires the completion of industrial design engineering, manufacturing processes, marketing development and setting up of distribution network. The Group has therefore committed to increase its investments of up to S\$3m in these start-ups to support such efforts. Once commercialisation gains traction, it will be expected to be accompanied with exponential growth.

Biobot Surgical Pte Ltd (Biobot) has undergone a complete restructuring resulting in the departure of the founder-CEO and the sale of his entire shareholdings to the Group at a nominal price arrived in a legally mandated mediation between the parties. The Group now owns 80% of Biobot. Since the founder-CEO's departure, clinical trials with our long standing clinical partners, the Singapore General Hospital who is also our licensor, have accelerated as working relationships have improved and strengthened. The close cooperation has brought about results that have strengthened Biobot's confidence to launch a sustainable commercialisation of its product and technology in the second quarter of 2013, as compared with the faltering and unsustainable efforts of the previous management. All the funds injected previously were burnt off in half the time for which they had been intended for. Biobot's product has been approved by FDA (USA), CE Mark (EU), TGA (Australia) and DOH (Taiwan). It has now applied for approval from the recently set up Health Science Authority in Singapore. Biobot's on-going development is fully supported in engineering and manufacturing by our wholly owned precision engineering subsidiary, Sys-Mac Automation Engineering Pte Ltd. The Group has committed to increase its investment by S\$1m in Biobot and may further augment its working capital as its commercialisation takes off.

Curiox Biosystems Pte Ltd (Curiox)'s DropArray technology has gained approval by world leading Genentech Inc in USA, considered the founder of the biotechnology industry, and various leading drug research institutes and leading universities in USA, Singapore, the UK and Japan. The DropArray technology has proven to enable drug discovery processes to save more than 50% in disease markers, reagents and man-hours. Being a new technology, the challenges faced by Curiox in a highly conservative industry include lifting customers' psychological barrier to try new technology and processes. Consolidation in the pharmaceutical industries arising from the impending expiry of many drug patents in the near future has affected spending. Curiox's technology that aims to expedite drug discovery has become a timely proposition for the industry. We have expanded our base for customers to pre-trial before buying our product and technology. Such initial efforts are paying off. These efforts coupled with impending scientific publications of positive findings on our technology by leading drug companies and researchers are expected to act as an impetus to our marketing drive. We expect our commercialisation of the DropArray technology to gain traction in next 6-12 months. To accelerate commercialisation efforts, the Group has committed to invest a further S\$1-1.5m into Curiox out of our internal resources. The Group currently holds 44.06% in Curiox and would expect this to increase over the next 12 months.

Orion Systems Integration Pte Ltd (Orion)'s first commercial Thermal Bonder for fine pitch flip chips has been subjected to lengthy trial tests on bonding various customers' fine pitch flip chip samples. Validation reports have been positive. Following customers' feedback the first unit has been upgraded and is ready for sale. It is hopeful to secure its first order within the next 3 months. Further orders are expected to follow closely as the leading edge features of our machine become wider market knowledge. The Group has increased its investments in Orion after buying out other minority shareholders. The remaining minority interest in Orion is owned by the key executive founder-directors who continue to manage the business. The Group is expected to inject further funds into Orion to augment its working capital in its drive to increase sales.

Prospects

The full year's results reflected the impact of the uncertain global conditions. We remain steadfast and committed to growing our organization organically, integrating the high growth start-ups into our group, and looking out for synergistic acquisitions. The capabilities that we have built continue to strengthen securing for us a strong and competitive platform for sustainable growth.

We are therefore confident that the financial year 2013 is expected to experience a significant increase in profit growth barring no unforeseen deterioration of existing world economic order.

Dividends

The Group has decided to pay a final dividend of Australian cents 0.55 per share (2011: Australian cents 0.55) making the full year dividends to 1 Australian cent per share. The final dividend of Australian cents 0.55 per share will be payable on 30 November 2012.

Share Buy-Back Scheme

The existing Share Buy-Back Scheme expires on 31 August 2012. The board has decided not to renew the scheme so as to maintain share liquidity.

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



GL Sim
Chairman

Preliminary Consolidated Statement of Comprehensive Income

for the year ended 30 June 2012

	Note	2012 S\$	2011 S\$
Revenue from continuing operations	3	128,959,425	146,444,206
Other operating income	4	1,689,358	750,311
Total revenue		<u>130,648,783</u>	<u>147,194,517</u>
Cost of materials		(73,776,667)	(81,536,419)
Employee, contract labour and related costs		(27,317,961)	(26,585,466)
Depreciation and amortisation		(4,930,705)	(4,599,998)
Property related expenses		(2,528,415)	(2,133,101)
Other operating expenses		(12,081,207)	(13,560,446)
Finance costs		(878,082)	(1,078,964)
Share of results of associates		(1,356,839)	(892,499)
Profit before income tax expense		<u>7,778,907</u>	<u>16,807,624</u>
Tax expense	5	(553,120)	(2,683,624)
Profit for the year from continuing operations after income tax expense		<u><u>7,225,787</u></u>	<u><u>14,124,000</u></u>
Other comprehensive income:			
Foreign currency translation on consolidation		(135,087)	(22,135)
Effect of tax on other comprehensive income		-	-
		<u>(135,087)</u>	<u>(22,135)</u>
Total comprehensive income		<u><u>7,090,700</u></u>	<u><u>14,101,865</u></u>
Profit attributable to :			
Owners of parent		7,836,053	14,087,014
Non-controlling interest		(610,266)	36,986
Profit for the year		<u><u>7,225,787</u></u>	<u><u>14,124,000</u></u>
Total comprehensive income attributable to:			
Owners of parent		7,700,966	14,064,879
Non-controlling interest		(610,266)	36,986
		<u><u>7,090,700</u></u>	<u><u>14,101,865</u></u>
Earnings per share (cents)			
Basic earnings per share	6	3.69	6.62
Diluted earnings per share	6	3.67	6.60

Preliminary Consolidated Balance Sheet

as at 30 June 2012

	Note	2012 S\$	2011 S\$
Non-current assets			
Property, plant and equipment		35,833,781	35,342,535
Intangible assets		11,917,782	10,757,248
Deferred tax assets		753,813	839,863
Finance lease receivable		–	26,310
Investment in associates	11	2,767,914	4,845,458
Others		520	520
		51,273,810	51,811,934
Current assets			
Cash and bank balances	9	24,446,345	23,674,855
Inventories		28,255,127	30,306,155
Trade and other receivables		33,169,409	34,012,218
Prepayments		907,607	689,654
Tax recoverable		204,605	142,358
Financial asset at fair value through profit or loss	10	300,000	–
		87,283,093	88,825,240
Less : Current liabilities			
Payables		31,547,238	31,611,395
Interest-bearing liabilities		10,424,837	11,211,139
Provisions		1,315,082	1,401,097
Provision for taxation		1,014,944	2,405,601
Unearned income		63,515	124,546
Unrealised loss on derivatives		497,109	110,148
		44,862,725	46,863,926
Net current assets		42,420,368	41,961,314
Non-current liabilities			
Interest-bearing liabilities		6,534,995	10,637,528
Deferred tax liabilities		2,160,727	2,458,870
Provisions		316,713	283,302
Unearned income		63,515	127,030
		9,075,950	13,506,730
Net assets		84,618,228	80,266,518
Equity attributable to equity holders of the Company			
Contributed equity	13	37,082,443	36,982,943
Reserves		110,395	41,418
Retained earnings		45,955,320	41,339,938
		83,148,158	78,364,299
Non-controlling interest		1,470,070	1,902,219
Total equity		84,618,228	80,266,518

Preliminary Consolidated Statement of Changes in Equity

for the year ended 30 June 2012

	Note	Attributable to equity holders of the Company					Total	Non-controlling interest	Total equity
		Share capital	Share capital – exercise of share options	Foreign currency translation reserve	Share based payments reserve	Retained earnings			
		S\$	S\$	S\$	S\$	S\$			
Balance at 1.7.2010		36,987,132	3,679	(473,761)	206,793	29,745,923	66,469,766	291,656	66,761,422
Other comprehensive income		–	–	(22,135)	–	–	(22,135)	–	(22,135)
Profit for the year		–	–	–	–	14,087,014	14,087,014	36,986	14,124,000
Total comprehensive income for the year		–	–	(22,135)	–	14,087,014	14,064,879	36,986	14,101,865
Shares issued, net of expense	13	561,110	–	–	–	–	561,110	–	561,110
Share buy back	13	(1,107,012)	–	–	–	–	(1,107,012)	–	(1,107,012)
Exercise of employee share options	13	422,355	115,679	–	(115,679)	–	422,355	–	422,355
Cost of share-based payments		–	–	–	446,200	–	446,200	–	446,200
Acquisition of subsidiary companies		–	–	–	–	–	–	1,720,547	1,720,547
Dividends paid on ordinary shares	7	–	–	–	–	(2,492,999)	(2,492,999)	–	(2,492,999)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	(146,970)	(146,970)
Balance at 30.6.2011		36,863,585	119,358	(495,896)	537,314	41,339,938	78,364,299	1,902,219	80,266,518
Other comprehensive income		–	–	(135,087)	–	–	(135,087)	–	(135,087)
Profit for the year		–	–	–	–	7,836,053	7,836,053	(610,266)	7,225,787
Total comprehensive income for the year		–	–	(135,087)	–	7,836,053	7,700,966	(610,266)	7,090,700
Exercise of employee share options	13	65,652	33,848	–	(33,848)	–	65,652	–	65,652
Cost of share-based payments		–	–	–	237,912	–	237,912	–	237,912
Acquisition of subsidiary companies	12(a)	–	–	–	–	–	–	578,301	578,301
Acquisition of non-controlling interest	12(b)	–	–	–	–	(514,692)	(514,692)	(370,013)	(884,705)
Dividends paid on ordinary shares	7	–	–	–	–	(2,705,979)	(2,705,979)	–	(2,705,979)
Disposal of subsidiary		–	–	–	–	–	–	67,809	67,809
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	(97,980)	(97,980)
Balance at 30.6.2012		36,929,237	153,206	(630,983)	741,378	45,955,320	83,148,158	1,470,070	84,618,228

Preliminary Consolidated Statement of Cash Flows

for the year ended 30 June 2012

(In Singapore dollars)

	Note	2012 S\$	2011 S\$
Operating profit before taxation		7,778,907	16,807,624
Adjustments for :			
Depreciation of property, plant and equipment		4,225,036	3,964,104
Amortisation of intangible assets		705,669	635,894
Bad debts written off		2,024	12,764
Allowance for doubtful debts, net		297,555	4,660
Allowance for inventory obsolescence		44,759	42,456
Inventories written off		2,861	1,962
Interest expenses		878,082	1,078,964
Interest income		(220,259)	(206,837)
Property, plant and equipment written off		4,442	50,648
Gain on disposal of property, plant and equipment		(99,663)	(19,431)
Loss on disposal of property, plant and equipment		12,954	1,825
Loss/(Gain) on disposal of subsidiary		86,781	(33,203)
Loss on remeasurement in an associate company		873,813	-
Goodwill written off		-	5,212
Provisions made, net		214,718	403,747
Cost of share-based payments		237,912	446,200
Development expenditure written off		-	325,201
Investment in joint venture written off		-	80,001
Fair value adjustment on financial asset		(800,000)	-
Share of results of associates		1,356,839	892,499
Net fair value loss on derivatives		497,109	110,148
Unrealised exchange difference		(75,420)	228,743
Operating profit before reinvestment in working capital		16,024,119	24,833,181
Decrease/ (increase) in stocks and work- in-progress		4,726,450	(10,254,972)
Decrease/ (increase) in projects-in-progress		2,420,928	(5,269,273)
(Increase)/ decrease in debtors		(777,554)	541,993
(Decrease)/ increase in creditors		(1,284,399)	2,029,856
Cash generated from operations		21,109,544	11,880,785
Interest received		220,259	206,837
Interest paid		(884,683)	(1,071,708)
Income taxes paid		(2,273,680)	(1,835,810)
Net cash provided by operating activities		18,171,440	9,180,104

Preliminary Consolidated Statement of Cash Flows (Cont'd)

	Note	2012 S\$	2011 S\$
Cash flows from investing activities :			
Purchase of property, plant and equipment		(5,739,514)	(5,416,780)
Proceeds from disposal of property, plant and equipment		130,632	20,631
Increase in software development		(82,712)	(454,073)
Increase in development expenditure		(37,492)	-
Increase in patented technology		(31,350)	-
Decrease in amount due from joint venture		-	320,092
Investment in associate	11	(1,451,387)	(5,237,957)
Increase in amount due from associate		(923,861)	(33,182)
Acquisition of subsidiaries	12(a)	157,006	(1,310,540)
Disposal of subsidiaries		(77,295)	(11,823)
Acquisition of non-controlling interests	12(b)	(384,705)	-
Net cash used in investing activities		<u>(8,440,678)</u>	<u>(12,123,632)</u>
Cash flows from financing activities :			
Net increase/ (decrease) in amount due to directors		29,425	(23,823)
(Repayment of)/ proceeds from bank borrowings		(3,288,884)	2,951,377
Dividends paid on ordinary shares	7	(2,705,979)	(2,492,999)
Dividends paid to non-controlling shareholders		(97,980)	(146,970)
Share buy back	13	-	(1,107,012)
Proceeds from exercise of employee share options		65,652	422,355
Proceeds from issue of shares	13	-	561,110
(Repayment of)/ proceeds from hire purchase creditors		(2,683,616)	1,341,711
Net cash (used in)/ provided by financing activities		<u>(8,681,382)</u>	<u>1,505,749</u>
Net increase/ (decrease) in cash and cash equivalents		1,049,380	(1,437,779)
Net foreign exchange differences		12,166	79,693
Cash and cash equivalents at beginning of year		<u>23,180,006</u>	<u>24,538,092</u>
Cash and cash equivalents at end of year	9	<u><u>24,241,552</u></u>	<u><u>23,180,006</u></u>

Note 1 Summary of significant accounting policies

This preliminary financial report has been prepared in order to comply with ASX *listing rules*.

This report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this report be read in conjunction with the annual report for the year ended 30 June 2011, the interim financial report for the half-year ended 31 December 2011 and considered together with any public announcements made by Zicom Group Limited during the year ended 30 June 2012 in accordance with the continuous disclosure obligations of the ASX *listing rules*.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Note 2 Operating Segments

Identification of reportable segments

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

- Offshore Marine, Oil and Gas Machinery – manufacture and supply of deck machinery, gas metering stations, offshore structures for underwater robots and related equipment, parts and services.
- Construction Equipment – manufacture and supply of concrete mixers and foundation equipment, including equipment rental, parts and related services.
- Precision Engineering and Automation – manufacture of precision and automation equipment, including equipment related parts and engineering services.
- Industrial and Mobile Hydraulics – supply of hydraulic drive systems, parts and services.

Corporate charges

Unallocated expenses comprise mainly non-segmental expenses such as head office expenses and interest which are not allocated to operating segments.

	Offshore Marine, Oil and Gas Machinery S\$	Construction Equipment S\$	Precision Engineering and Automation S\$	Industrial & Mobile Hydraulics S\$	Consolidated S\$
For year ended 30 June 2012					
Revenue					
Sales to external customers	34,301,642	57,167,369	34,721,038	2,769,376	128,959,425
Other revenue	51,904	207,341	170,536	4,894	434,675
Inter-segment sales	—	14,885	3,510	413,794	432,189
Total segment revenue	34,353,546	57,389,595	34,895,084	3,188,064	129,826,289
Inter-segment elimination					(432,189)
Unallocated revenue					1,034,424
Interest income					220,259
Total consolidated revenue					130,648,783
Results					
Segment results	1,915,511	6,394,332	2,721,992	667,978	11,699,813
Unallocated revenue					1,034,424
Unallocated expenses					(2,940,668)
Share of results of associates					(1,356,839)
Profit before tax and finance cost					8,436,730
Finance costs					(878,082)
Interest income					220,259
Profit before taxation					7,778,907
Income tax expense					(553,120)
Profit after taxation					7,225,787
For year ended 30 June 2011					
Revenue					
Sales to external customers	58,334,140	54,732,426	30,481,800	2,895,840	146,444,206
Other revenue	80	352,439	113,602	8	466,129
Inter-segment sales	—	144,183	53,940	311,597	509,720
Total segment revenue	58,334,220	55,229,048	30,649,342	3,207,445	147,420,055
Inter-segment elimination					(509,720)
Unallocated revenue					77,345
Interest income					206,837
Total consolidated revenue					147,194,517
Results					
Segment results	12,023,185	6,838,562	1,721,424	636,031	21,219,202
Unallocated revenue					77,345
Unallocated expenses					(2,724,297)
Share of results of associates					(892,499)
Profit before tax and finance cost					17,679,751
Finance costs					(1,078,964)
Interest income					206,837
Profit before taxation					16,807,624
Income tax expense					(2,683,624)
Net profit after taxation					14,124,000

Note 3 Revenue

	2012	2011
	S\$	S\$
Sale of goods	93,764,043	88,111,023
Rendering of services	7,683,913	7,020,127
Rental revenue	6,325,830	4,749,066
Revenue recognised on projects	21,185,639	46,563,990
	<u>128,959,425</u>	<u>146,444,206</u>

Note 4 Other operating income

	2012	2011
	S\$	S\$
Interest income	220,259	206,837
Commission income	65,821	195,448
Gain on disposal of property, plant and equipment	99,663	19,431
Dividend income on quoted equity investment	108	80
Services rendered	193,495	102,000
Government grants	139,510	112,058
Gain on disposal of subsidiary	–	33,203
Fair value adjustment for financial asset through profit or loss	800,000	–
Bad debts recovered	2,144	–
Other revenue	168,358	81,254
	<u>1,689,358</u>	<u>750,311</u>

Note 5 Taxation

The major components of income tax expense for the years ended 30 June are:

	2012	2011
	S\$	S\$
<i>Current income tax</i>		
Current income tax charge	1,072,608	2,417,458
Adjustments in respect of previous years	(29,586)	76,625
<i>Deferred income tax</i>		
Relating to the origination and reversal of temporary differences	(185,490)	114,975
Adjustments in respect of previous years	(304,412)	74,566
	<u>553,120</u>	<u>2,683,624</u>
Income tax expense	<u>553,120</u>	<u>2,683,624</u>

Note 6 Earnings per share

Earnings per share are calculated by dividing the Group's profit attributable to members of the Company by the weighted average number of shares in issue during the year.

(a) Earnings used in calculating basic and diluted earnings per share

	2012	2011
	S\$	S\$
Net profit attributable to equity holders of the parent	7,836,053	14,087,014

No. of shares

(b) Weighted average number of shares for basic earnings per share	212,375,665	212,924,847
Effect of dilution:		
Share options	1,406,297	460,807
Adjusted weighted average number of shares	213,781,962	213,385,654

Singapore cents

(c) Earnings per share		
Basic	3.69	6.62
Diluted	3.67	6.60

Note 7 Dividends paid and proposed

	2012	2011
	S\$	S\$
(a) Dividends per share paid or provided for		
Final unfranked dividends for 2010 : Australian 0.50 cents	-	1,309,490
Interim unfranked dividends for 2011 : Australian 0.45 cents	-	1,183,509
Final unfranked dividends for 2011 : Australian 0.55 cents	1,471,357	-
Interim unfranked dividends for 2012 : Australian 0.45 cents	1,234,622	-
	<u>2,705,979</u>	<u>2,492,999</u>
(b) Dividends declared per share		
Final unfranked dividend for 2011 : Australian 0.55 cents	-	1,488,000
Final unfranked dividend for 2012 : Australian 0.55 cents	1,519,000	-
	<u>1,519,000</u>	<u>1,488,000</u>

The final dividends for financial year ended 30 June 2012 were approved by the Board on 30 August 2012. These amounts have not been recognised as a liability in the financial statements for the current year. They will be accounted for in the next financial year.

Note 8 Net tangible assets per security

	30 Jun 2012	30 Jun 2011
Net tangible asset backing per ordinary share (Singapore cents)	<u>34.22</u>	<u>32.76</u>

Note 9 Cash and cash equivalents

	2012 S\$	2011 S\$
Cash at bank and in hand	21,455,430	19,871,350
Short-term fixed deposits	2,990,915	3,803,505
	<u>24,446,345</u>	<u>23,674,855</u>
For the purpose of the cash flow statement, cash and cash equivalents comprised the following:		
Cash and short-term deposits	24,446,345	23,674,855
Bank overdrafts	(204,793)	(494,849)
Cash and cash equivalents	<u>24,241,552</u>	<u>23,180,006</u>

Note 10 Financial assets at fair value through profit or loss

Derivative relates to a contractual right held by Zicom Holdings Pte Ltd ("ZHPL") to receive Profit Guarantee Shares ("PG Shares") from the non-controlling shareholders of Biobot Surgical Pte Ltd ("BBS") if BBS do not achieve the minimum agreed profits by 30 June 2013.

The fair value of these Profit Guarantee Shares recognised in the income statement during the current financial year showed a gain of S\$800,000 (2011: nil).

Note 11 Investment in associates

(a) Investment details	30 Jun 12	30 Jun 11
	S\$	S\$
Biobot Surgical Pte Ltd	–	2,838,595
Curiox Biosystems Pte Ltd	2,767,914	2,006,863
	<u>2,767,914</u>	<u>4,845,458</u>
(b) Movements in the carrying amount of the Group's investment in associates		
(1) Biobot Surgical Pte Ltd		
On 2 April 2012, the Group acquired control in its 46.67% owned associate. Consequently, Biobot Surgical became a subsidiary of the Group. Please refer to note 12 for more details.		
	30 Jun 12	30 Jun 11
	S\$	S\$
(2) Curiox Biosystems Pte Ltd		
At beginning of year or date of acquisition, if later	2,006,863	1,706,227
Additional investment	1,451,387	531,730
Share of losses after income tax	(690,336)	(231,094)
At end of year	<u>2,767,914</u>	<u>2,006,863</u>

Note 11 Investment in associates (Cont'd)

During the year, ZHPL has exercised the remaining 2 call options granted by Curiox where each option entitles ZHPL to subscribe for 104,000 preference shares at \$4.80 per share. Total consideration paid in relation to the exercise of these call options was S\$998,400.

ZHPL has also been allocated 171,586 Rights Shares pursuant to the renounceable Rights Issue of Curiox Biosystems Pte Ltd, at an issue price of S\$5.28 per Right Share payable in 2 equal tranches. Consideration for the first tranche amounting to S\$452,987 has been paid on 13 April 2012 whilst the remaining tranche will be due on 28 September 2012.

With the additional investment, ZHPL's equity interest in Curiox Biosystems Pte Ltd has been increased to 44.06% as at 30 June 2012 (2011: 32.78%).

Note 12 Investment in subsidiaries

a) Acquisition of Biobot Surgical Pte Ltd

On 2 April 2012, the Group's wholly-owned subsidiary, ZHPL acquired control in its 46.67% owned associate, Biobot Surgical Pte Ltd ("BBS"). This acquisition is not material to the Zicom Group Limited's results or balance sheet as at 30 June 2012.

The fair values of the identifiable assets and liabilities of BBS as at the acquisition date were:

	S\$
Total identifiable net assets at fair value	991,678
Non-controlling interest	(578,301)
Goodwill arising on acquisition	<u>1,315,825</u>
Purchase consideration	<u>1,729,202</u>
 <u>Purchase consideration transferred:</u>	
Cash paid for subscription of redeemable loan stocks attached with warrants	447,156
Fair value of equity interest in BBS held by the Group immediately before acquisition	<u>1,282,046</u>
Purchase consideration	<u>1,729,202</u>
 Effect of acquisition on cash flows	
Total cash consideration for equity interest acquired	447,156
Less: cash and cash equivalents of subsidiary acquired	<u>(604,162)</u>
Net cash inflow on acquisition	<u>157,006</u>

Loss on remeasuring previously held interest in BBS to fair value at acquisition date

The Group recognized a loss of S\$873,813 as a result of remeasuring at fair value its 46.67% equity interest in BBS held before 2 April 2012. The loss is included in other operating expenses in the Group's income statement for the year ended 30 June 2012.

Note 12 Investment in subsidiaries (cont'd)

b) Acquisition of non-controlling interests in subsidiaries

i) Biobot Surgical Pte Ltd

On 26 June 2012, as part of a legal settlement, ZHPL acquired an additional of 33.33% equity interest in BBS from its non-controlling interest satisfied by a cash consideration of S\$338,000 and a transfer of 2,000,000 Profit Guarantee Shares from the founder-shareholder to ZHPL at a value of S\$500,000. As a result of this acquisition, BBS became an 80% owned subsidiary of ZHPL. The carrying value of the additional interest acquired was S\$284,191. The difference between the cost of acquisition and the carrying value of additional interest acquired amounting to S\$553,809 has been recognized as premium paid on acquisition of non-controlling interest within equity.

ii) MTA-Sysmac Automation Pte Ltd

On 13 January 2012, our precision engineering subsidiary, Sys-Mac Automation Engineering Pte Ltd acquired an additional 10% equity interest in MTA-Sysmac Automation Pte Ltd ("MTA") for a cash consideration of S\$46,705. As a result of this acquisition, MTA became a 61% owned subsidiary of the Group. The carrying value of the additional interest acquired was \$85,822. The discount of \$39,117 between the carrying value of additional interest acquired and the consideration paid has been recognised within equity.

Note 13 Contributed equity(a) *Share capital*

	2012 Shares	2011 Shares	2012 S\$	2011 S\$
Ordinary fully paid shares	212,451,587	212,159,087	37,082,443	36,982,943

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

(b) *Movements in ordinary share capital*

		Company Number of shares	Group S\$
At 1 July 2010		211,697,660	36,990,811
Issue of shares in lieu of cash performance bonus	(i)	3,357,908	561,110
Share buy back	(ii)	(4,058,981)	(1,107,012)
Issue of shares under Zicom Employee Share and Option Plan	(iii)	1,162,500	538,034
At 30 June 2011		212,159,087	36,982,943
Issue of shares under Zicom Employee Share and Option Plan	(iv)	292,500	99,500
At 30 June 2012		212,451,587	37,082,443

Note 13 Contributed equity (cont'd)

(i) *Issue of shares in lieu of cash performance bonus*

On 6 October 2010, the Board approved the issue and allotment of a total 1,453,797 shares to key executive officers fully paid at A\$0.13 per share as part payment of their performance bonus for the year ended 30 June 2010. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

Pursuant to the shareholders' meeting on 12 November 2010, 1,574,265 and 329,846 shares were allotted to Mr Giok Lak Sim and Mr Kok Hwee Sim respectively, fully paid at A\$0.13 per share as part payment of their performance bonus for the year ended 30 June 2010. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

(ii) *Share buy back*

On 30 May 2010, the Board approved an on-market share buy back within the 10/12 limit to enhance shareholders' value. The share buy back scheme which commenced on 1 September 2010 bought back 4.06 million shares up to 30 June 2011.

(iii) *Issue of shares under Zicom Employee Share and Option Plan ("ZESOP")*

From February 2011 to June 2011, the Company issued and allotted 1,162,500 ordinary shares, fully paid at A\$0.28 per share, under the ZESOP. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

(iv) *Issue of shares under ZESOP*

On 4 October 2011, the Company issued and allotted 292,500 ordinary shares, fully paid at A\$0.18 per share, under the ZESOP. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

Note 14 Subsequent events

Increased investment in Orion Systems Integration Pte Ltd ("Orion")

On 3 July 2012, Zicom Holdings Pte Ltd acquired an additional 29.74% equity interest in Orion from its non-controlling interest for a cash consideration of S\$594,555 thereby increasing the Group's interest in Orion to 84%.

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

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



Signed **Date:** 30 August 2012
(Director/ Company Secretary)

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