

OPERATIONS REVIEW



With seven inspection centres across Singapore, we are the undisputed industry leader with a 75% market share. In 2005, our commanding lead was further cemented when former associate, JIC Inspection Services, was made a subsidiary. As a result, we now hold a 78% stake in JIC, which has been able to capture the heavy goods vehicles market because of its strategic location in the Jurong industrial area. JIC has a strong customer base of more than 200 companies.

VEHICLE INSPECTION SERVICES

Despite the increase in our market reach, overall vehicle inspection volume fell last year – in line with the general trend in the industry. A high vehicle deregistration rate, prompted by lower Preferential Additional Registration Fee (PARF) values and falling Certificate of Entitlement (COE) prices, resulted in fewer cars being inspected. As more people opted for new cars, the resale volumes also dropped. This had a negative impact on the number of car evaluations conducted at our inspection centres. Unfazed, we rolled out a one-time Car Evaluation promotion for a period of three months from 1 November 2005. We also stopped giving vehicle inspection discounts to

corporate customers from 1 July 2005 and implemented a \$1 to \$3 increase in inspection fees in January 2005. These helped to mitigate the fall in revenue.

While demand from private car owners fell, demand from corporate accounts remained strong.

In January 2005, LTA appointed JIC to conduct offsite periodic inspections and road tax renewal for 71 vehicles on Pulau Ubin. In July 2005, VICOM was awarded a two-year contract to conduct audits on the Land Transport Authority's (LTA) authorised vehicle scrap yards and the Export Processing Zones (EPZ). The contract was valued at \$224,180 with an option to extend up to four years.

The Singapore Civil Defence Force (SCDF) also amended its regulations on the transportation of petroleum and flammable materials and authorised VICOM to conduct inspections on vehicles transporting such materials. Similarly, the LTA renewed the Vehicle Inspection and Type Approval System (VITAS) contract with VICOM for another three years.

Other developments in 2005 helped to improve operational efficiency. For example, the LTA launched a paperless Vehicle Registration and Licensing (VRL) System which enables vehicle owners to perform transactions such as vehicle registrations and transfers of vehicle ownerships online. This has



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gone a long way in aiding information flow and shortening the processing time.

In line with the Group's commitment to provide quality and professional inspection services, an in-house technical evaluation was introduced in October 2005 to ascertain the technical knowledge of inspectors. We intend to conduct half-yearly evaluations from 1 January 2006.

VEHICLE ASSESSMENT SERVICES

Following the General Insurance Association's decision to liberalise the Independent Damage Assessment Centre Scheme (Idac) in November 2004, accident reporting at VICOM Assessment Centre's Idacs fell as it was no longer compulsory for motorists to make accident reports at these centres. The problem was further compounded by the withdrawal of eight motor insurers from the scheme. These were, however, temporary setbacks. We moved quickly and transformed our Idacs into one-stop centres. As a result, we now provide a whole range of services, from assistance in accident reporting and filing claims, to co-ordinating repair works

and checking that all repaired vehicles are in good condition before they are returned to their owners.

We also introduced an accident reconstruction service using a computer-based computation and simulation software. The software, which is being used by many authoritative bodies around the world, is capable of carrying out comprehensive technical analysis of motor vehicle accidents. Such analysis can take into consideration various human, vehicle and environmental factors related to the accident. Results from the analysis can then be corroborated against available evidence such as skid marks, vehicle damage profile and final rest positions. A comprehensive report with 'frame-by-frame' analysis of the full spectrum of events that occurred before and after the accident is produced. Video clips of the events from various angles are also available.

As a result of our various initiatives, we managed to retain our position as the leading Idac operator, undertaking

27,000 accident reporting and damage assessments during the year.

OTHER TESTING AND INSPECTION SERVICES

Setesco, our non-vehicle testing and inspection subsidiary, continued to grow its customer base and make inroads into the industry.

In 2005, its food-testing laboratory was accredited by the Singapore Accreditation Council (SAC-SINGLAS) on 92 parameters such as colouring, artificial sweeteners and preservatives in food products analysed using state-of-the-art instrumentation. This new addition reflects the high technical competency of Setesco's testing laboratory.

During the year, Moog Aerospace, a global niche aircraft parts supplier to Boeing and Airbus, approached Setesco to provide Non-destructive Testing services to its machining contractors. To meet stringent quality requirements, Setesco underwent and completed the National Aerospace and Defence

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Contractors Accreditation Program (NADCAP), becoming the first laboratory in Singapore to receive this prestigious accreditation.

Setsco also received approval from the Food Products Association (FPA) of the United States of America to conduct FPA-SAFE audits. The FPA, previously known as National Food Processors Association (NFPA), is the largest trade association for the food and beverage industry worldwide. The FPA-SAFE programme was introduced by leading food companies to meet the global food industry's audit needs.

Other major contracts clinched during the year included the testing

of materials used in the reclamation of Tuas and Jurong Island, and the evaluation of water quality at the Marina Barrage. Our client base is extensive and includes Jurong Shipyard, SP Power Assets, Hyflux, Singapore Aerospace Manufacturing, ExxonMobil and Seraya Chemicals Singapore.

The company also organised numerous training courses, seminars and workshops for the industry. This not only helps to market and showcase our services but also creates opportunities for us to build rapport with industry partners. One of the seminars titled "Sustainable Building Envelope" was jointly organized with the Housing Development Board in October. The event attracted 130

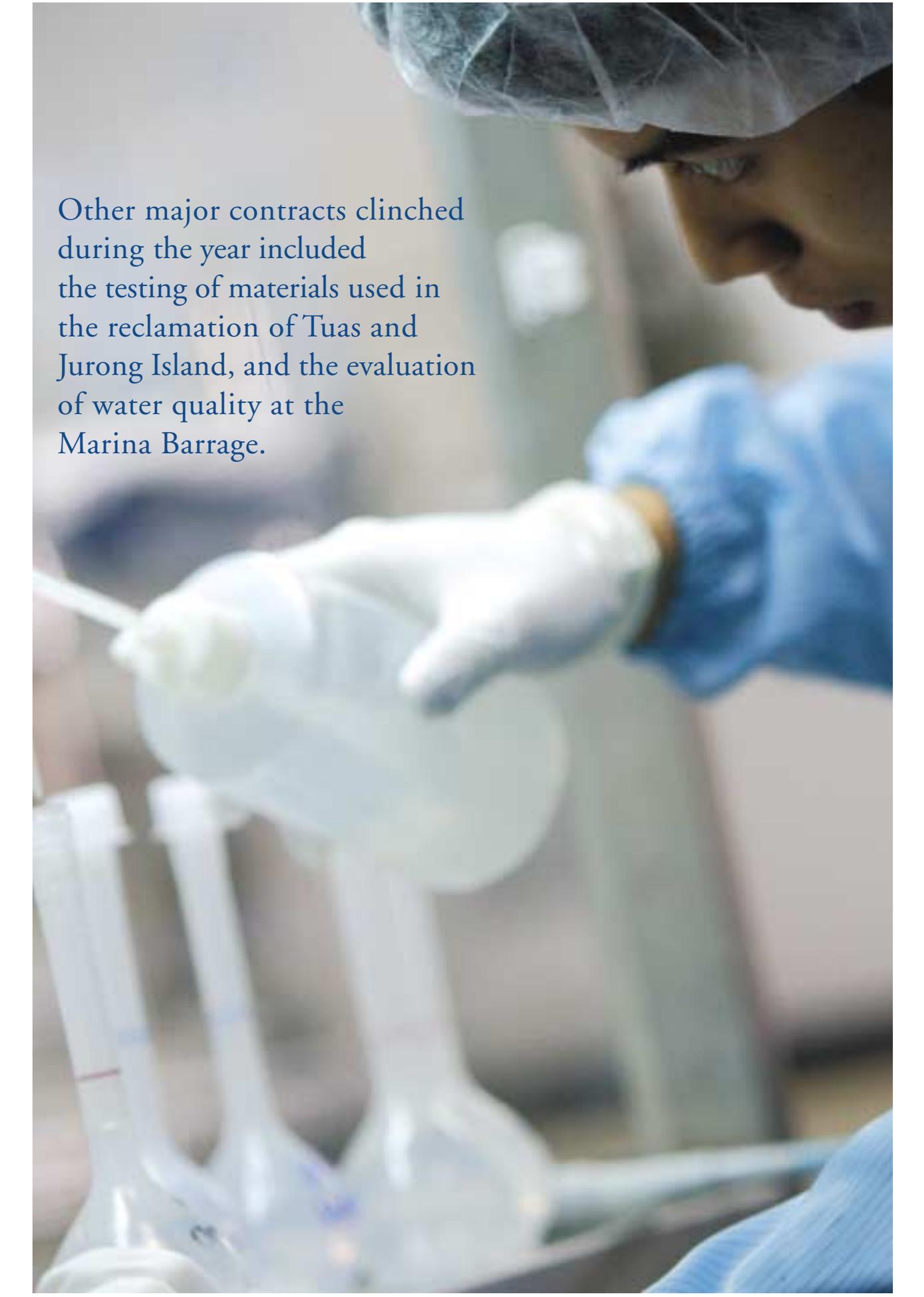
participants and featured several prominent speakers from the construction industry. Another seminar, "Setsco Technology Forum", attracted 120 participants from various industries when it was held in November 2005.

FACILITIES MANAGEMENT

In 2005, we secured additional leases with periods of one to three years for our various premises. This boosted the occupancy rate of lettable space from 53% at the beginning of the year, to 78% by year-end.

Our team of technicians continued to carry out the maintenance of all our vehicle inspection facilities. In order to keep costs low, we have outsourced



A close-up photograph of a person wearing a white hairnet and a blue lab coat, working in a laboratory. The person is wearing white gloves and is pouring a clear liquid from a large, clear plastic bottle into a rack of several test tubes. The background is blurred, showing other laboratory equipment and a person in a blue lab coat.

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specialised building works and large-scale maintenance projects to contractors, whilst subjecting them to the strict level of standards that we have set.

We also achieved cost efficiencies through changes in the way we use information technology (IT). For example, the LTA's VITAS links at both JIC inspection centres were re-directed to VICOM's main network. The leased lines at both centres were subsequently removed and computer applications migrated to a PC-server platform, eliminating the need for hardware maintenance of our aging mini-computers. These initiatives resulted in annual savings of about \$60,000.

All necessary upgrades have also been made to VICOM's Vehicle Monitoring System (VMS) to align it with LTA's

new VRL system. The revamped VMS has also been extended to the two JIC inspection centres to facilitate efficient management. Works are being carried out to transform the VMS into a centralised web-based Intranet system.

Our IT department also undertook and completed two major projects to enhance operational efficiency as well as to provide convenience and flexibility to our customers. Inspection test results are now replicated at all inspection centres, which means that motorists can now have their vehicles inspected at one centre and then go onto another centre for re-inspection if they so desire. In addition, we will soon have a new centralised web-based Point-of-Sales system (POS) which not only improves efficiency, but also ensures accuracy in

data handling. With this, transaction information will then be readily available at all centres through the Intranet.

CORPORATE SOCIAL RESPONSIBILITY

Since 2000, VICOM has been continually involved in community service and extending help to the needy and less fortunate through our Care & Share programme. The programme is supported by monthly staff contributions and is matched dollar for dollar by the Company. We have organised events for underprivileged children at TOUCH Children's Services and elderly residents at Indus Moral Home, as well as a Christmas barbeque at Pasir Ris Park. The Group also actively supports public education such as the Road Safety public education programme organised by the Traffic Police.

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