

OPERATIONS REVIEW

More vehicles inspected. More engines tested. More chemical procedures conducted. That, in essence, summed up 2007 for VICOM Ltd.



Strong demand not just from the vehicle sector, but also non-vehicle sectors like the oil, gas, marine, aerospace and construction sector, helped boost VICOM's performance. As a result, Singapore's largest vehicle inspection and test services provider was able to chalk up a record net profit of \$13.5 million during the year.

VEHICLE INSPECTION SERVICES

In 2007, we inspected a total of 339,190 vehicles. In so doing, we affirmed ourselves as the industry leader, with a market share of 71.4%.

The growth in vehicle inspection volume was largely due to a drop in the vehicle deregistration rate. There was also a large number of vehicles that were registered in 2004 – all of which became due for their first inspections in 2007. In addition, there has been an increase in the number of cars brought in by parallel importers. As a result, the number of parallel import cars that were inspected at our centres rose by more than a third to 10,221.

We expect an increase in inspections conducted in FY2008 due to an increase in the number of new car registrations in 2005 and an expected drop in vehicle deregistration rate.

The implementation of the Chassis Dynamometer Smoke Test (CDST) for all diesel-driven vehicles on 3 January 2007 was a major event in the vehicle inspection industry. The CDST, which replaces the old test method of using the free acceleration technique to test exhaust emission, gives a fairer result by simulating road conditions. In March 2007, we modified the heavy chassis dynamometer test system to enable light diesel vehicles to be tested as well. This not only maximises the usage of the heavy chassis dynamometer equipment but also helps to expedite the testing of light goods vehicle.

Since then, the CDST operating system has also undergone several software revisions and upgrades, enabling optimal operational efficiency. In all, the CDST

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had boosted Group turnover by approximately \$3 million.

Group turnover was also boosted by the \$1 increase in inspection fees which were implemented during the year to reflect higher operating costs.

To free up valuable office and operation space, we relocated the motorcycle inspection lanes at our Changi and Kaki Bukit centres. As a result, about 1,200 sq feet of space has been made available for other uses or rental.

We also undertook to improve the quality of our surrounding air by redesigning adaptor nozzles to fit the different exhaust outlets of vehicles perfectly.

We also revamped our Point-of-Sales System to enable multiple inspections to be consolidated in one bill instead of in several receipts. This has not only made us more environmentally friendly but also made bill reference more convenient for our customers.

VEHICLE ASSESSMENT SERVICES

VICOM Assessment Centre (VAC) maintained its pole position as the leading Independent Damage Assessment Centre (Idac) with a total of 28,500 accident reports and damage assessments conducted.

VAC, which has a total of four centres conveniently located island-wide at Sin Ming, Kaki Bukit, Yishun and Bukit Batok, continued to offer one-stop services at these centres. Besides providing assistance in accident reporting and claims filing, our centres also conduct surveys, checks and co-ordinate repair works for damaged vehicles for car owners. The centres' third party claims assistance service has also been well received with 1,040 sign-ups during the year.

We have further improved our capabilities in the specialist field of accident reconstruction. Investigations that are conducted by our reconstruction specialists are more rigorous and simulations are now carried out using full three-dimensional and coloured environment models. The results of investigations and analysis for each case are compiled into a multi-media production titled "Seconds

from Impact" which provides a detailed account of events leading to the accident.

We also offer survey and technical investigation services for motor vehicle accidents. A total of 4,600 were undertaken in 2007. VAC continued to carry out surveys for the Singapore Police Force, helping to establish the extent and cost of necessary repairs for police vehicles.

NON-VEHICLE TESTING AND INSPECTION SERVICES

Setesco, our non-vehicle testing and inspection subsidiary, did well in 2007 thanks to the robust economy. Revenue was up 16.5% to \$37.5 million due mainly to increased demand from the construction, environmental, aerospace, marine and oil & gas sectors.

Major laboratory testing jobs undertaken included water quality sampling and analysis, environmental baseline studies for soil conditions, analysis of raw materials for food manufacturers and testing of sand and aggregates for building material suppliers.

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MAJOR LABORATORY TESTING JOBS UNDERTAKEN INCLUDED WATER QUALITY SAMPLING AND ANALYSIS, ENVIRONMENTAL BASELINE STUDIES FOR SOIL CONDITIONS, ANALYSIS OF RAW MATERIALS FOR FOOD MANUFACTURERS AND TESTING OF SAND AND AGGREGATES FOR BUILDING MATERIAL SUPPLIERS



Setesco also undertook several major jobs involving the inspection of steelworks for various construction projects such as Orchard Turn, Singapore Art School, Horizontal Bulk Liquid Storage Terminal, Dubai Metro Rail, Henderson Bridge, Fusionopolis and Pinnacle Duxton.

In the marine sector, the company has been successful in securing major contracts involving the use of non-destructive testing for quality control during the construction of jack-up rigs and the conversion of floating production storage and offloading platforms at the local shipyards.

Setesco continued to provide plant maintenance inspection, testing and auditing services to some of the oil, chemical, petrochemical and power plant owners.

As the oil and chemical sector continues to expand, the demand for inspection and testing services is expected to increase.

Setesco Aerospace Testing Centre, which was set up in 2006, provides specialised non-destructive testing services to the aircraft maintenance, repair and overhaul business. It has received many accreditations for its work in the aerospace industry from the Civil Aviation Authority of Singapore, Federal Aviation Administration and National Aerospace and Defence Contractors Accreditation Program.

To cater to the growth in demand for its services, a four-storey extension of Setesco's premises is scheduled for completion in 2009.

VICOM STRONGLY BELIEVES IN GIVING BACK TO THE COMMUNITY. OUR CARE & SHARE PROGRAMME IS SUPPORTED BY MONTHLY STAFF CONTRIBUTIONS AND IS MATCHED DOLLAR FOR DOLLAR BY THE COMPANY

PROPERTY MANAGEMENT

By sub-letting a new lettable area of 10,071 sq ft at our Sin Ming premises, and by renewing expired leases at better rates, we managed to grow rental income by 14.5% to \$1.5 million. In 2007, the occupancy rate of our lettable conventional industrial space rose to 83.6%.

To keep costs low, routine and periodic building maintenance works at our seven premises are performed by our team of in-house technicians. Specialised building works and large-scale maintenance projects were outsourced to contractors. Maintenance costs were kept low by constantly identifying and reducing wastage and using energy-efficient products.

The Company plans to upgrade building facilities at other VICOM centres across the island to provide comfort and convenience to our customers as well as increasing the exposure of our services.

HUMAN RESOURCE

Our Group staff strength rose by 9.9% in 2007 to 666 due mainly to increased headcount at Setsco.

At VICOM, we invest continuously in the training and re-training of our staff to enhance their functional skills. In-house trainings are conducted for vehicle inspectors under the Institute of Technical Education's Approved Training Centre Scheme. In 2007, we achieved an average of 19 training hours per employee.

VICOM's annual Family Day was held at West Coast Park on 28 October 2007. Team spirit and togetherness were the order of the day as staff gamely participated in the activities and telematches organised.

CORPORATE SOCIAL RESPONSIBILITY

VICOM strongly believes in giving back to the community. Our Care & Share programme is supported by monthly staff contributions and is matched dollar for dollar by the Company. Several events were organised for the elderly members of the SWAMI Home and Indus Moral Home in 2007.

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The Group also actively supports public education programmes and was a participating sponsor of the 2007 Road Safety Campaign. Setsco has also been awarded the Distinguished Partner Award for our contributions towards Singapore's national defence for the second year running.

