

# Chairman's Statement

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## REVENUES AT A GLANCE



## INTRODUCTION

As I write this, VICOM Ltd has just marked a significant milestone in its history – turning 30 years old in January 2011.

That momentous occasion capped yet another exciting year for us. Indeed, 2010 saw us achieve a record revenue of \$84.0 million as demand for our vehicle and non-vehicle testing services continued to grow.

## OUR BUSINESSES

During the year, a record 438,454 vehicles went through our inspection lanes, representing a revenue increase of 10.7% to \$25.5 million. The strong demand resulted from a decrease in the deregistration of old cars – a phenomenon that was expected given the rising costs of Certificate of Entitlement (COEs). Our fledgling Vehicle Emission Test Laboratory also saw steady demand for its services.



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Thanks to broad-based growth in the Singapore economy, our non-vehicle testing and inspection business did well during the year, registering a 7.6% increase in revenue to a new record of \$51.4 million. The delay in the completion of the two integrated resorts, coupled with more contracts from the environmental and petroleum industries, also contributed significantly to the exceptional figures. We have also embarked on testing products under the Green Labelling Scheme including paints and surface coating, adhesives and sealants.

## FINANCIAL RESULTS

Group revenue increased by 7.7% or \$6.0 million to \$84.0 million in 2010.

Net profit grew by 10.6% from \$20.0 million to \$22.2 million while earnings per share increased by 10.0% from 23.41 cents in 2009 to 25.76 cents last year.

Your Directors have proposed a tax-exempt one-tier final dividend of 6.6 cents per share as well as a tax-exempt one-tier special dividend of 3.2 cents per share in conjunction with the celebration of VICOM's 30th Anniversary. Together with the tax-exempt one-tier interim dividend of 6.3 cents per share paid earlier, the total dividend payout for the year amounts to 16.1 cents, representing about 62.7% of the Group's profit after tax. It is more than our declared dividend policy of 50.0% and also better than the last financial year.

## THE YEAR AHEAD

In April 2009, the Land Transport Authority (LTA) started capping Singapore's motor vehicle population growth at 1.5% per year – down by half from 3% previously. Not surprisingly, the number of vehicles deregistered in 2010 shrank quite dramatically – 40,707 compared to 58,102 and 77,920 in 2009 and 2008 respectively. This, in turn, led to even fewer COEs issued, which reduced the number of new vehicles registered in 2010 to only 61,018 – the lowest since 2000. We expect this trend to continue in 2011.

In the longer term, the number of vehicles to be inspected due to the drop in new vehicle registration will likely be compensated by the increase in older vehicles due for inspection.

The outlook for the non-vehicle testing and inspection business remains bright. Setsco Services Pte Ltd's revenue and profits have been increasing steadily over the years, from \$22.5 million and \$1.6 million in 2003, to \$51.4 million and \$8.2 million respectively in 2010. But competition is becoming more intense. To stay relevant, Setsco continues to introduce new services to meet our customers' needs. In October 2010, it was awarded a new accreditation by Singapore Accreditation Council under the Accreditation Scheme for Product Certification. It was also accredited for Ready-Mix (RMC) and Fire Safety Products (FSP) certification during the year.

Construction of the new laboratory and office block at the Setsco's present premises has started and completion is expected in the third quarter of 2011. When it is ready, VICOM plans to centralise its management and backend support team at the new location – a move which should result in improved efficiency.

## APPRECIATION

I would like to take this opportunity to welcome our new Director, Mr Goh Yeow Tin who joined the Board in September 2010. I would also like to express my appreciation to my fellow Directors for their invaluable contribution and perceptive guidance.

On behalf of the Board, I would like to thank Management and Staff for their fortitude and tenacity in the face of challenges.

To our Shareholders, I wish to express my gratitude for your confidence in us.

A special word of thanks also goes out to our Business Associates, Union Leaders and the Authorities for their continued support.

And finally, I would like to extend my gratitude to our Customers for their unwavering support through the years.

**LIM JIT POH**

*Chairman*