

Chairman's Statement



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Introduction

2011 was a very special year for the Group – we celebrated 30 years of growth with record revenue of \$90.7 million. It was a far cry from the \$2.0 million we achieved in 1982, when we first started operations in our Sin Ming premises. Significantly, 2011 was also a year our market capitalisation rose to a new high having crossed the \$300-million mark.

Our Businesses

We inspected 481,126 vehicles during the year – 9.7% more than in 2010, thanks to increases in the number of three-year-old vehicles due for their first inspection, as well as older vehicles being left on the road longer amid a climate of rising Certificate of Entitlement (COE) premiums. The closure of a competing centre at Portsdown Road also resulted in more customers heading our way. As a result, vehicle inspection revenue for the year grew by 10.6% to \$28.2 million.

In addition to vehicle inspection, our centres have also been offering many ancillary services through the years including Vehicle Inspection & Type Approval System (VITAS), motor insurance, road tax renewal, in-vehicle unit (IU) maintenance, car evaluation, accident vehicle assessment and vehicle emission certification. Collectively, these services contributed \$5.0 million to Group revenue, representing a growth of 2.0% over the previous year.

Our non-vehicle testing and inspection business conducted by Setsco Services Pte Ltd registered a 7.4% increase in revenue to \$55.2 million as more tests and certifications were conducted during the year. These were namely in the areas of advanced non-destructive testing, innovative glass inspection and materials testing and consultancy. A new product inspection and certification service, which was launched in October 2010 also contributed to the growth. In all, Setsco certified more than 50 products during the year.

REVENUES AT A GLANCE

\$28.2m



Vehicle
Inspection

\$55.2m



Non-Vehicle Testing
& Inspection

Financial Results

Group revenue increased by 8.1% or \$6.8 million to \$90.7 million in 2011 while profit attributable to shareholders grew by 13.2% or \$2.9 million to \$25.1 million. Earnings per share was 28.73 cents, up from 25.76 cents a year ago.

Your Directors have recommended a tax-exempt one-tier final dividend of 7.5 cents per share, as well as a tax-exempt one-tier special dividend of 3.2 cents per share to be approved at the Annual General Meeting on 26 April 2012. Together with the tax-exempt one-tier interim dividend of 6.9 cents per share paid earlier, the total dividend payout of 17.6 cents per share for the year represents about 61.5% of the Group's profit after tax. It is more than our declared dividend policy of 50% and is also higher than the 16.1 cents per share paid for 2010.

The Year Ahead

In October 2011, the Land Transport Authority announced its intention to cap the growth of Singapore's motor vehicle population to 0.5% per year – down from 1.5%. This is expected to put further upward pressure on the premiums of COEs, which will in turn result in fewer vehicle deregistrations.

With the completion of Setsco's new laboratory and office building in end October 2011, the Company will be able to develop more innovative testing services.

Setsco was accredited by the Singapore Accreditation Council as an Inspection Body for the Central Alarm Monitoring System (CAMS) based on the requirements of the ISO/IEC 17020, becoming the first company in Singapore to provide CAMS inspection services to all the major security firms. The Company hopes to be able to certify a wider range of industrial products and services in the coming year.

Appreciation

VICOM has come a long way since its humble beginnings. For its accomplishments, I wish to congratulate Management for a job well done.

I would like to thank Executive Director and Chief Executive Officer (CEO), Mr Heng Chye Kiou, who retires on 30 April 2012 after 31 years of service. Under his charge, VICOM has grown strategically in size and stature. His foresight to laterally diversify with the acquisition of Setsco has turned VICOM into the biggest technical test and inspection company in Singapore. Consequently, profit before tax grew significantly from \$4.4 million in 1995 to \$30.1 million last year.

Taking over the stewardship of the Group is Mr Sim Wing Yew, who is currently the CEO of ComfortDelGro Engineering Pte Ltd. I look forward to him leading the team and bringing the VICOM Group to greater heights.

To my fellow Directors, I am very thankful for their efforts in guiding the Board.

To our Clients, many of whom have been with us for a long time, let me record my deepest appreciation for your continued support.

I also wish to thank the Authorities and the Union for their support through the years. And, to our Shareholders, thank you for your continued confidence in us.

LIM JIT POH

Chairman