VICOM LTD
Company Registration Number : 198100320K

Condensed Financial Statements for the second half and full year ended 31 December 2023 and Dividend Announcement

CONTENTS

A GROUP INCOME STATEMENT

	Note	2nd Half 2023[1] $'000	2nd Half 2022[1] $'000	Incr/ (Decr) %	FY 2023 $'000	FY 2022 $'000	Incr/ (Decr) %
Revenue	5	56,023	54,973	1.9	111,903	108,304	3.3
Staff costs		(25,783)	(25,175)	2.4	(52,385)	(49,895)	5.0
Depreciation and amortisation		(4,170)	(3,696)	12.8	(7,894)	(7,268)	8.6
Utilities and communication costs		(1,642)	(1,697)	(3.2)	(3,074)	(3,227)	(4.7)
Materials and consumables		(1,832)	(1,595)	14.9	(3,598)	(3,168)	13.6
Contract services		(1,211)	(1,391)	(12.9)	(2,367)	(2,851)	(17.0)
Premises costs		(1,017)	(930)	9.4	(2,002)	(1,894)	5.7
Repairs and maintenance costs		(1,008)	(934)	7.9	(1,985)	(1,787)	11.1
Other operating costs		(2,887)	(3,429)	(15.8)	(5,548)	(5,564)	(0.3)
Total operating costs		(39,550)	(38,847)	1.8	(78,853)	(75,654)	4.2
Operating Profit		16,473	16,126	2.2	33,050	32,650	1.2
Finance costs		(438)	(422)	3.8	(866)	(848)	2.1
Interest income		908	586	54.9	1,886	749	151.8
Profit before Taxation	7	16,943	16,290	4.0	34,070	32,551	4.7
Taxation	8	(3,075)	(3,027)	1.6	(6,056)	(5,990)	1.1
Profit after Taxation		13,868	13,263	4.6	28,014	26,561	5.5
Profit attributable to:							
Shareholders of the Company		13,669	13,078	4.5	27,601	26,184	5.4
Non-Controlling Interests		199	185	7.6	413	377	9.5
		13,868	13,263	4.6	28,014	26,561	5.5

1 Unaudited

B GROUP COMPREHENSIVE INCOME STATEMENT

	Group			
	2nd Half 2023[1]	2nd Half 2022[1]	FY 2023	FY 2022
	$'000	$'000	$'000	$'000
Profit after taxation	13,868	13,263	28,014	26,561
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of foreign operations	(21)	(57)	(89)	(91)
Items that will not be reclassified subsequently to profit or loss				
Fair value adjustment on equity investments	(172)	(144)	690	(78)
Other comprehensive income for the year	(193)	(201)	601	(169)
Total comprehensive income for the year	13,675	13,062	28,615	26,392
Total comprehensive income attributable to:				
Shareholders of the Company	13,476	12,877	28,202	26,015
Non-controlling interests	199	185	413	377
	13,675	13,062	28,615	26,392
Earnings per share for profit for the period attributable to the owners of the Company during the period :				
Basic and diluted (in cents)	3.86	3.69	7.78	7.38

1 Unaudited

C STATEMENTS OF FINANCIAL POSITION

		Group			Company		
		31 Dec 2023	31 Dec 2022	1 Jan 2022	31 Dec 2023	31 Dec 2022	1 Jan 2022
	Note	$'000	$'000 (Restated)	$'000 (Restated)	$'000	$'000 (Restated)	$'000 (Restated)
ASSETS							
Current assets							
Cash and cash equivalents		55,066	60,491	75,360	52,071	56,374	71,057
Trade receivables		14,378	12,161	11,268	2,645	2,264	1,946
Other receivables and prepayments		2,315	1,522	1,037	968	542	285
Due from subsidiaries		-	-	-	3,416	-	-
Inventories		28	10	21	-	-	-
Total current assets		71,787	74,184	87,686	59,100	59,180	73,288
Non-current assets							
Prepayments		-	1,955	-	-	-	-
Subsidiaries		-	-	-	25,941	25,941	25,941
Associate		25	25	25	-	-	-
Financial assets at fair value through other comprehensive income	11	6,262	3,217	3,295	6,262	3,217	3,295
Vehicles, premises and equipment	13	105,515	96,259	97,434	33,039	32,722	34,260
Goodwill	12	11,588	11,325	11,325	-	-	-
Intangible assets		16	-	-	-	-	-
Deferred tax assets		1,178	1,276	1,174	1,131	1,260	1,212
Total non-current assets		124,584	114,057	113,253	66,373	63,140	64,708
Total assets		196,371	188,241	200,939	125,473	122,320	137,996
LIABILITIES AND EQUITY							
Current liabilities							
Trade and other payables		24,024	24,130	29,755	7,992	6,951	7,826
Due to subsidiaries		-	-	-	24,760	30,595	38,786
Provision for relocation costs		-	306	2,462	-	-	-
Lease liabilities	14	1,444	944	1,062	650	624	597
Income tax payable		5,851	5,425	5,851	3,335	3,113	3,074
Total current liabilities		31,319	30,805	39,130	36,737	41,283	50,283
Non-current liabilities							
Other payables		720	720	720	-	-	-
Deferred tax liabilities		2,053	1,369	870	-	-	-
Lease liabilities	14	29,977	30,216	30,702	23,774	23,929	24,299
Total non-current liabilities		32,750	32,305	32,292	23,774	23,929	24,299
Total liabilities		64,069	63,110	71,422	60,511	65,212	74,582
Capital, reserves and non-controlling interests							
Share capital	15	36,284	36,284	36,284	36,284	36,284	36,284
Other reserves		4,698	4,008	4,086	4,698	4,008	4,086
Foreign currency translation reserve		(180)	(91)	-	-	-	-
Accumulated profits		90,095	84,016	88,183	23,980	16,816	23,044
Equity attributable to shareholders of the Company		130,897	124,217	128,553	64,962	57,108	63,414
Non-controlling interests		1,405	914	964	-	-	-
Total equity		132,302	125,131	129,517	64,962	57,108	63,414
Total liabilities and equity		196,371	188,241	200,939	125,473	122,320	137,996

D GROUP CASH FLOW STATEMENT

	Note	Group FY 2023 $'000	Group FY 2022 $'000
Operating activities			
Profit before taxation		34,070	32,551
Adjustments for:			
Depreciation and amortisation		7,894	7,268
Interest expense		866	848
Interest income		(1,886)	(749)
(Gain)/loss on disposal of vehicles, premises and equipment		(24)	846
Writeback of allowance for expected credit losses		(163)	(664)
Operating cash flows before changes in working capital		40,757	40,100
Changes in working capital			
(Increase)/decrease in:			
Trade receivables		(1,831)	(229)
Other receivables and prepayments		(286)	(2,210)
Inventories		(18)	11
Trade and other payables and provision for relocation costs		(1,243)	(5,414)
Cash flows generated from operations		37,379	32,258
Interest paid		(866)	(848)
Income tax paid		(4,851)	(6,019)
Net cash flows generated from operating activities		31,662	25,391
Investing activities			
Purchase of vehicles, premises and equipment	13	(12,793)	(8,909)
Interest received		1,388	519
Proceeds from disposal of vehicles and equipment		40	46
Purchases of unquoted equity instruments	11	(2,355)	-
Acquisition of subsidiary, net of cash acquired	12	(492)	-
Net cash flows used in investing activities		(14,212)	(8,344)
Financing activities			
Payments to non-controlling interests		-	(427)
Repayments of lease liabilities		(1,301)	(1,087)
Dividends paid	9	(21,522)	(30,351)
Net cash flows used in financing activities		(22,823)	(31,865)
Net effect of foreign exchange rates in consolidating subsidiaries		(52)	(51)
Net decrease in cash and cash equivalents		(5,425)	(14,869)
Cash and cash equivalents at beginning of the year		60,491	75,360
Cash and cash equivalents at end of year		55,066	60,491

E STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital	Other reserves	Foreign currency translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
		Attributable to shareholders of the Company						
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
At 1 January 2023 (restated)		36,284	4,008	(91)	84,016	124,217	914	125,131
Profit for the year		-	-	-	27,601	27,601	413	28,014
Other comprehensive income		-	690	(89)	-	601	-	601
Total comprehensive income for the year		-	690	(89)	27,601	28,202	413	28,615
<u>Contribution by and distributions to shareholders</u>								
Payment of dividends	9	-	-	-	(21,522)	(21,522)	-	(21,522)
Total contributions by shareholders		-	-	-	(21,522)	(21,522)	-	(21,522)
Acquisitions of subsidiary		-	-	-	-	-	78	78
At 31 December 2023		36,284	4,698	(180)	90,095	130,897	1,405	132,302

E STATEMENTS OF CHANGES IN EQUITY (CONT'D)

		Attributable to shareholders of the Company						
	Note	Share capital $'000	Other reserves $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group								
At 1 January 2022 (as previously reported)		36,284	4,086	-	86,883	127,253	961	128,214
Restatement on amendment to SFRS(I) 1-12		-	-	-	1,300	1,300	3	1,303
At 1 January 2022		36,284	4,086	-	88,183	128,553	964	129,517
Profit for the year		-	-	-	26,184	26,184	377	26,561
Other comprehensive income		-	(78)	(91)	-	(169)	-	(169)
Total comprehensive income for the year		-	(78)	(91)	26,184	26,015	377	26,392
<u>Contribution by and distributions to shareholders</u>								
Payment of dividends	9	-	-	-	(30,351)	(30,351)	-	(30,351)
Total contributions by shareholders		-	-	-	(30,351)	(30,351)	-	(30,351)
Payments to non-controlling interests		-	-	-	-	-	(427)	(427)
At 31 December 2022 (restated)		36,284	4,008	(91)	84,016	124,217	914	125,131

E STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Share capital $'000	Other reserves $'000	Accumulated profits $'000	Total equity $'000
Company					
At 1 January 2023 (restated)		36,284	4,008	16,816	57,108
Profit for the year		-	-	28,686	28,686
Other comprehensive income		-	690	-	690
Total comprehensive income for the year		-	690	28,686	29,376
<u>Contribution by and distributions to shareholders</u>					
Payment of dividends	9	-	-	(21,522)	(21,522)
Total contributions by shareholders		-	-	(21,522)	(21,522)
At 31 December 2023		36,284	4,698	23,980	64,962
At 1 January 2022 (as previously reported)		36,284	4,086	21,804	62,174
Restatement on amendment to SFRS(I) 1-12		-	-	1,240	1,240
At 1 January 2022		36,284	4,086	23,044	63,414
Profit for the year		-	-	24,123	24,123
Other comprehensive income		-	(78)	-	(78)
Total comprehensive income for the year		-	(78)	24,123	24,045
<u>Contribution by and distributions to shareholders</u>					
Payment of dividends	9	-	-	(30,351)	(30,351)
Total contributions by shareholders		-	-	(30,351)	(30,351)
At 31 December 2022 (restated)		36,284	4,008	16,816	57,108

F NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

VICOM Ltd (the Company) (Registration No. 198100320K) is incorporated in the Republic of Singapore with its registered office at 205 Braddell Road, Singapore 579701. Its principal place of business is at 385 Sin Ming Drive, Singapore 575718. The Company is listed on the Singapore Exchange Securities Trading Limited. These condensed consolidated Financial Statements as at and for the six months and full year ended 31 December 2023 comprise the Company and its subsidiaries (collectively, the Group).

The principal activities of the Company are those of an investment holding company and the provision of motor vehicle evaluation and other related services. The principal activities of the companies in the Group are in the business of testing services which include the provision of motor vehicle inspection services and provision of non-vehicle testing, inspection and consultancy services.

2 Basis of Preparation

The condensed Financial Statements for the six months ended 31 December 2023 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed Financial Statements do not include all the information required for a complete set of Financial Statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last interim Financial Statements for the period ended 30 June 2023.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1

The condensed Financial Statements are presented in Singapore dollar which is the Company's functional currency and all values are expressed in thousand ($'000) except when otherwise indicated.

2.1 New and amended standards adopted by the Group

On 1 January 2023, the Group and the Company adopted all the new and revised SFRS(I)s pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as disclosed below.

Amendments to SFRS(I) 1-12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

For leases, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings on that date.

The Group previously did not recognise deferred tax on leases. Following the amendment, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. This resulted in adjustments to the Statements of Financial Position of the Group and Company as at 1 January 2022. The differences from the Statements of Financial Position as previously reported at 31 December 2021 are as follows.

	31 December 2021	**SFRS(I) 1-12 adjustments**	**1 January 2022**
	$'000	$'000	$'000 (Restated)
Group			
Deferred tax assets	–	1,174	1,174
Deferred tax liabilities	(999)	129	(870)
Accumulated profits	(86,883)	(1,300)	(88,183)
Non-controlling interests	(961)	(3)	(964)
	(88,843)	–	(88,843)
Company			
Deferred tax assets	–	1,212	1,212
Deferred tax liabilities	(28)	28	–
Accumulated profits	(21,804)	(1,240)	(23,044)
	(21,832)	–	(21,832)

International Tax Reform—Pillar Two Model Rules – Amendments to SFRS(I) 1-12

The amendments to SFRS(I) 1-12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The Group is a subsidiary of ComfortDelGro Corporation Limited ("CDG Group") and the CDG Group is in scope of the Pillar Two model rules which is disclosed in their financial statements in more detail. Following the announcement in Budget 2023, the legislation is expected to be effective in Singapore for the Group's financial year beginning on or after 1 January 2025. The Group does not expect a material exposure to Pillar Two income taxes as the effective tax rates in the jurisdictions in which the Group operates are above 15% where the transitional safe harbour relief would apply.

2.2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical judgements in applying the Group's accounting policies

Management is of the opinion that any instances of applications of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Goodwill impairment review

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units ("CGU") to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. No provision for impairment has been recognised.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows for the next four years based on a range of estimated growth rates of approximately 1.2% to 10.1% (2022: 2.3% to 4.0%). Cash flows for the terminal year have been extrapolated using 2.1% (2022: 2.3%) per annum growth rate. The estimated terminal growth rate does not exceed the average long-term growth rate for the relevant markets in which the CGUs operates. The discount rate applied to the forecast is 7.36% (2022: 7.36%).

Allowance for expected credit losses

The Group makes allowances for expected credit losses based on an assessment of the recoverability of trade receivables.

The impairment provisions for trade receivables are based on assumptions about risk of default by reference to past default experience and different loss patterns for different customer segments, and incorporate forward looking estimates specific to the debtors and economic environment that the debtors' operation is in. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the relevant sectors in which the customers operate in, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The identification of loss allowance requires use of judgement and estimates.

3 Seasonal Operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4 Segment information

The Group operates predominantly in Singapore. All vehicle inspection and non-vehicle testing services are managed and reported together as one segment in order to improve productivity and efficiency as these services have similar economic characteristics and processes. Hence there are no other reportable segments to be presented.

5 Revenue information

Revenue

	The Group			
	2H 2023	2H 2022	FY 2023	FY 2022
	$'000	$'000	$'000	$'000
Inspection and testing services	54,096	53,088	107,843	104,226
Rental income	1,100	1,141	2,356	2,260
Others	827	744	1,704	1,818
	56,023	54,973	111,903	108,304

Majority of the revenue is derived from Singapore.

Rental income relates to income arising from subleasing right-of-use assets.

6 Financial assets and financial liabilities

		The Group		The Company	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022
	Note	$'000	$'000	$'000	$'000
Financial Assets					
Amortised cost		71,303	73,803	59,015	59,144
Financial assets at FVTOCI	11	6,262	3,217	6,262	3,217
Financial Liabilities					
Amortised cost		22,828	22,436	32,185	36,911
Lease liabilities		31,421	31,160	24,424	24,553

7 Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed Group Income Statement are:

	The Group			
	2H 2023	2H 2022	FY 2023	FY 2022
	$'000	$'000	$'000	$'000
Current income tax expense	2,350	2,572	5,274	5,593
Deferred income tax expense relating to origination and reversal of temporary differences	725	455	782	397
	3,075	3,027	6,056	5,990

8 Profit after taxation

8.1 Significant Items – charges/(credits)

	The Group			
	2H 2023	2H 2022	FY 2023	FY 2022
	$'000	$'000	$'000	$'000
Directors' fees	410	368	781	778
Foreign currency exchange adjustment loss	22	28	75	47
Net (gain)/loss on disposal of vehicles, premises and equipment	2	835	(24)	846
Provision/(Writeback) of allowance for expected credit losses (net)	12	(57)	(163)	(664)

8.2 Related Party Transactions

The Company is a subsidiary of ComfortDelGro Corporation Limited, incorporated in the Republic of Singapore, which is also the Company's ultimate holding company. Related companies in these condensed Financial Statements refer to members of the holding company's group of companies.

Some of the Group's transactions and arrangements and terms thereof are arranged by or between members of the holding company's group of companies. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note.

Related company transactions are as follows:

	The Group			
	2H 2023	2H 2022	FY 2023	FY 2022
	$'000	$'000	$'000	$'000
Inspection and testing services charged to related companies	842	911	1,769	1,745
Refuelling outlet (variable rental) income charged to related company	130	116	261	242
Rental income charged to related companies	131	103	274	215
Assessment fee charged to related companies	104	59	120	101
Other fees charged to related companies	37	27	58	67
Shared services charged by holding company	(627)	(616)	(1,253)	(1,267)
Corporate services charged by holding company	(174)	(164)	(348)	(333)
Others charged by related companies	(207)	(154)	(402)	(348)
Lease expense charged by related companies	(147)	(106)	(237)	(192)

No guarantees have been given or received. No expense has been recognised in the period for bad debts allowance in respect of the amounts owed by related companies.

9 Dividends

During the period, the Company paid dividends as follows:

	The Group			
	2H 2023	2H 2022	FY 2023	FY 2022
	$'000	$'000	$'000	$'000
Tax-exempt one-tier final dividend in respect of previous Financial year:				
- 3.32 cents (2022: 3.24 cents) per ordinary share	–	–	11,772	11,488
Tax-exempt one-tier special dividend in respect of previous Financial year:				
- NIL cents (2022: 2.00 cents) per ordinary share	–	–	–	7,091
Tax-exempt one-tier interim dividend in respect of current Financial year:				
- 2.75 cents (2022: 3.32 cents) per ordinary share	9,750	11,772	9,750	11,772
Total dividends paid during the period	9,750	11,772	21,522	30,351

10 Net Asset Value Per Ordinary Share

	The Group		The Company	
	31 December 2023	31 December 2022 (Restated)	31 December 2023	31 December 2022 (Restated)
Net asset value per ordinary share based on issued share capital – cents	36.92	35.03	18.32	16.11

11 Financial assets at fair value through other comprehensive income (“FVTOCI”)

	The Group and The Company	
	31 December 2023	31 December 2022
	$’000	$’000
Investment in unquoted equity shares designated as at FVTOCI		
Balance as at beginning of the year	3,217	3,295
Additions during the year	2,355	–
Fair value adjustment	690	(78)
Balance as at end of the year	6,262	3,217

This investment in equity instrument is not held for trading and it is held for medium to long-term strategic purposes. Accordingly, management has elected to designate this investment in equity instrument as at FVTOCI as management believe that recognising short-term fluctuations in the investment’s fair value in Profit or Loss would not be consistent with the Group’s strategy of holding this investment for long-term purposes and realising its performance potential in the long run.

During the current financial year, the Group has subscribed to a new round of shares through the latest round of fund raising at the investment for an amount of S$2,355,000 which was fully paid in cash.

11.1 Fair value measurement

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables provisions and other liabilities approximate the respective fair values due to the relatively short-term maturity of these financial instruments.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a. quoted prices in active markets for identical assets or liabilities (Level 1);

b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and

c. inputs for the asset or liability that are not based on observable market data (Level 3).

Fair value hierarchy

The table below analyses financial instruments by the levels in the fair value hierarchy based on inputs to valuation techniques.

	The Group and The Company	
	31 December 2023	31 December 2022
	$’000	$’000
Financial assets at fair value through other comprehensive income		
- Level 2	6,262	–
- Level 3	–	3,217

The fair value of the investment is determined by reference to the price per share in relation to fund-raising exercise in the current financial year by the underlying investee. Due to the availability of market information, the amounts have been transferred from Level 3 to Level 2.

12 Goodwill

	The Group	
	31 December 2023	31 December 2022
	$'000	$'000
Carrying amount:		
At beginning of the year	11,325	11,325
Arising from acquisition of subsidiary	263	–
At end of the year	11,588	11,325

Goodwill acquired in business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	The Group	
	31 December 2023	31 December 2022
	$'000	$'000
Testing and inspection services	9,531	9,268
Vehicle inspection services	2,057	2,057
At end of the year	11,588	11,325

Business combination

On 1 August 2023, the Group completed the acquisition of 70% stake in Setsco-An Security Pte. Ltd. The Company is in the business of providing Information Technology security evaluation and testing services for cybersecurity products such as smart devices, as well as consultancy services in this domain. The acquisition will allow the Group to expand its testing service offerings in this new growth sector.

Assets acquired and liabilities assumed at the date of acquisition are disclosed accordingly:

	31 December 2023 $'000
Fair value of assets and liabilities	
Assets	
Cash and cash equivalents	40
Trade and other receivables	231
Intangible assets	116
Liabilities	
Trade and other payables	(9)
Income tax payable	(3)
Less: Non-controlling interest	(78)
Total identifiable net assets at fair value	297
Goodwill arising from acquisition	263
	560
Consideration transferred for the acquisition	
Cash consideration	560
Less: Unpaid purchase consideration as at end of year	(28)
Less: Cash and cash equivalent acquired	(40)
Net cash outflow on acquisition of subsidiary	492

Assets acquired and liabilities assumed
Trade and other receivables acquired comprise gross trade and other receivables amounting to $231,000, which approximates fair value. It is expected that the full contractual amount of the receivables can be collected.

Goodwill arising from acquisition
Goodwill of $263,000 represents the synergies expected to be achieved from potential for future growth, access to new markets, expanded product offerings, and the ability to leverage complementary strengths.

Transaction costs
Total transaction costs related to all acquisitions of $64,000 have been recognised in the 'Other Operating Costs' line item in the Group's profit and loss account for the financial year from 1 January 2023 to 31 December 2023.

Impact of the acquisitions on profit and loss
From acquisition date, the revenue and profit or loss contribution by the subsidiary acquired during the financial year is not material to the Group. Had the acquisitions taken place at the beginning of the financial year, the revenue and profit or loss contribution is not expected to be material as well.

Non-controlling interest
The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of Setsco-An Security's net identifiable assets.

13 Vehicles, premises and equipment

During the year ended 31 December 2023, the Group acquired assets amounting to $8,322,000 (2022: $6,542,000) and disposed of assets with a net book value of $16,000 (2022: $892,000).

As at 31 December 2023, $1,827,000 (2022: $1,034,000) of acquired assets remain unpaid under trade and other payables.

14 Aggregate amount of Group's borrowings

	The Group	
	31 December 2023	31 December 2022
	$'000	$'000
Lease liabilities		
Secured		
Amount repayable in one year or less, or on demand	1,444	944
Amount repayable after one year	29,977	30,216
	31,421	31,160

The lease liabilities of $31,421,000 relates to the leases recognised in accordance with *SFRS(I) 16 Leases*. The carrying amounts of the lease liabilities approximate fair value as at 31 December 2022 and 2023.

15 Share capital

	The Group and the Company			
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	Number of ordinary shares ('000)		$'000	$'000
Issued and paid up:				
At beginning and end of year	354,568	354,568	36,284	36,284

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company. The ordinary shares have no par value.

16 Subsequent events

There are no known subsequent events which have led to adjustments to this set of condensed Financial Statements.

G OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1 Review

The condensed Financial Statements of the Group and Company for the financial year ended 31 December 2023 have been audited. Please refer to auditor's report in item 9. Results of the Group for 2H 2023 and 2H 2022 have not been audited nor reviewed.

2 Review of performance of the Group

<u>Performance Review for 2H 2023 vs 2H 2022</u>

Revenue

The Group's total revenue of $56.0 million for 2H 2023 was $1.1 million or 1.9% higher than 2H 2022.

Operating Costs

The Group's operating costs of $39.6 million for 2H 2023 were $0.7 million or 1.8% higher than 2H 2022. The higher operating cost is in tandem with higher business volume and inflationary pressure.

Operating Profit

Consequently, the Group's operating profit of $16.5 million for 2H 2023 was $0.3 million or 2.2% higher than 2H 2022.

The Group's profit before tax of $16.9 million for 2H 2023 was $0.6 million or 4.0% higher than 2H 2022.

Taxation for the Group of $3.1 million for 2H 2023 was $0.1 million or 1.6% higher than 2H 2022.

The Group's Profit attributable to Shareholders of the Company of $13.7 million for 2H 2023 was $0.6 million or 4.5% higher than 2H 2022.

<u>Performance Review for FY 2023 vs FY 2022</u>

Revenue

The Group's total revenue of $111.9 million for FY 2023 was $3.6 million or 3.3% higher than FY 2022.

Operating Costs

The Group's operating costs of $78.9 million for FY 2023 were $3.2 million or 4.2% higher than FY 2022. The higher operating cost is in tandem with higher business volume and inflationary pressure.

Operating Profit

Consequently, the Group's operating profit of $33.0 million for FY 2023 was $0.4 million or 1.2% higher than FY 2022.

The Group's profit before tax of $34.1 million for FY 2023 was $1.5 million or 4.7% higher than FY 2022 was mainly contributed by higher interest income.

Taxation for the Group of $6.1 million for FY 2023 was $0.1 million or 1.1% higher than FY 2022.

The Group's Profit attributable to Shareholders of the Company of $27.6 million for FY 2023 was $1.4 million or 5.4% higher than FY 2022.

Statements of Financial Position

Total Equity increased by $7.2 million to $132.3 million as at 31 December 2023 mainly due to profits generated from operations of $28.0 million offset by payment of dividends of $21.5 million.

Total Assets increased by $8.1 million to $196.4 million as at 31 December 2023 due to the increase in Non-Current Assets by $10.5 million offset by the decrease in Current Assets of $2.4 million. The increase in Non-Current Assets was due mainly to the increase in Vehicles, Premises and Equipment of $9.3 million, Financial assets at fair value through other comprehensive income of $3.0 million and Goodwill of $0.3 million, offset by the decrease in prepayment of $2.0 million and deferred tax asset of $0.1 million. The decrease in Current Assets was due mainly to the decrease in cash and cash equivalents of $5.4 million, offset by the increase in trade and other receivables of $3.0 million.

Total Liabilities increased by $1.0 million to $64.1 million as at 31 December 2023 due mainly to the increase in tax liabilities of $1.1 million and lease liabilities of $0.3 million, offset by the decrease in Provision for Relocation Costs of $0.3 million and Trade and Other Payable of $0.1 million.

Cash Flow

The net cash outflow in the year was $5.4 million after payment of dividends.

3 Any variance between forecast or prospect statement previously disclosed and the actual results

No forecast or prospect statement has been previously disclosed.

4 Group outlook

Demand for vehicle testing and related work is expected to be strong, as the company has been appointed by the Land Transport Authority (LTA) as one of the Authorised Partners for the installation of On-Board Units (OBU) in the Electronic Road Pricing (ERP) 2.0 exercise.

Demand for non-vehicle testing is also expected to increase with the anticipated recovery of the manufacturing sector and possible improvement in the overall economy. However, profit margins will continue to be under pressure due to inflation and greater competition.

Barring unforeseen circumstances arising from global geopolitical tensions or headwinds, the Group expects satisfactory performance in the year ahead.

5 Dividend information

a) Current Financial Period Reported on

The Directors are pleased to propose a tax-exempt one-tier final dividend of 2.75 cents (FY 2022: 3.32 cents) per ordinary share. Including interim dividend of 2.75 cents (FY 2022: 3.32 cents), total dividend per ordinary share for FY 2023 is 5.50 cents (FY 2022: 6.64 cents).

Name of Dividend	Final
Dividend Type	Cash; Tax-exempt one-tier
Dividend Amount per ordinary share	2.75 cents
Tax Rate	Tax-exempt one-tier

In view of the capital expenditure required for the Group's expansion plans, which includes a major investment in a new testing and inspection centre at Jalan Papan, the Directors have approved a revision of the Dividend Payout Ratio ("DPR") from 90% to 70% of Net Profit attributable to Shareholders from 1H 2023.

b) Corresponding Period of the immediate preceding Financial Year

Name of Dividend	Final
Dividend Type	Cash; Tax-exempt one-tier
Dividend Amount per ordinary share	3.32 cents
Tax Rate	Tax-exempt one-tier

c) Date Payable

The proposed tax-exempt one-tier final dividend for the financial year ended 31 December 2023, if approved by the Shareholders at the Forty-Third Annual General Meeting of VICOM Ltd ("the Company"), will be paid on Monday, 13 May 2024.

d) Record Date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed at 5.00 p.m. on 3 May 2024 for the purpose of determining Shareholders' entitlements to the proposed final dividend.

Duly completed and stamped transfers received by the Company's Share Registrar, B.A.C.S. Private Limited, at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, up to 5.00 p.m. on 3 May 2024 will be registered to determine Shareholders' entitlements to the proposed final dividend. Shareholders (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 3 May 2024 will be entitled to such proposed final dividend.

6 Interested person transactions

There is no Shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual

7 Disclosure of persons occupying managerial positions

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that as at 31 December 2023, none of the persons occupying managerial positions in the Company or any of its principal subsidiaries is a relative of a Director or Chief Executive Officer or Substantial Shareholder of the Company.

8 Confirmation pursuant to Rule 720(1) of the listing manual

The Company confirms that it has procured the Undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Angeline Joyce Lee Siang Pohr
Joint Company Secretary

Singapore
21 February 2024

9 Auditors’ Report

The auditor’s report on the full financial statements of VICOM Ltd for the financial year ended 31 December 2023 is as follows:

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF VICOM LTD

Report on the audit of the financial statements

Opinion

We have audited the financial statements of VICOM Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2023, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Allowance for expected credit losses for trade receivables

The Group makes allowances for expected credit losses ("ECL") based on an assessment of the expected recovery of trade receivables. The carrying value of trade receivables and allowance for expected credit losses are disclosed in Note 6 to the consolidated financial statements. The Group determines the ECL of trade receivables by making debtor-specific assessment of expected impairment loss for overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, debtors' ability to pay and forward-looking information specific to the debtors and economic environment that the debtors' operation is in. This assessment requires management to exercise significant judgement and involves estimation uncertainty. Accordingly, we considered this to be a key audit matter.

Our audit procedures included, amongst others, obtaining an understanding of the Group's processes and key controls relating to the monitoring of trade receivables and monitoring of trade receivables ageing process to identify collection risks. We reviewed the reasonableness of the judgement used by the management in assessing the recoverability of long outstanding trade receivables. We tested the reasonableness of management's assumptions and inputs used in the ECL model by comparing to historical credit loss rates, and reviewed data and information that management has used, including consideration of forward-looking information based on specific economic data. We checked the arithmetic accuracy of management's computation of ECL. In addition, we reviewed the disclosures relating to impairment of trade receivables and credit risk in Notes 3, 6 and Note 30(b) to the consolidated financial statements.

Goodwill impairment review

The Group is required to test goodwill for impairment annually, or when an indicator of impairment is identified. The carrying value of goodwill is disclosed in Note 13 to the consolidated financial statements. The impairment assessment requires determination of the recoverable amount of the assets based on the higher of value in use and fair value less costs of disposal that are determined by applying valuation techniques such as the discounted cash flow method. This assessment requires the exercise of significant judgement about forecast of future cash flows that are affected by management's plans for sales growth, operational development and capital expenditures, the future economic and market conditions, and the suitable discount rates that reflect the risks associated with the forecasts. These key assumptions and inputs are subject to estimation uncertainty and they can significantly impact the results of the impairment review. As such, we have considered this to be a key audit matter.

We obtained the discounted cash flow workings which were prepared based on financial and operating budgets approved by management and evaluated the reasonableness of key assumptions and inputs used, including but not limited to profit margins, growth and discount rates by comparing to historical information, external market data and observed trends. We evaluated the robustness of management's budgeting process by comparing the actual results to previously forecasted results. We performed sensitivity analysis on certain key assumptions for alternative reasonably possible scenarios. We assessed the reasonableness of the discount rates applied with the assistance of our internal valuation specialist. We also reviewed the disclosures in relation to the Group's goodwill in Notes 3 and Note 13 to the consolidated financial statements.

Other matters

The financial statements of the Group and Company for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 21 February 2023.

Other information

Other information consists of the information included in the Group’s 2023 Annual Report other than the financial statements and our auditor’s report thereon. We obtained the Directors’ Statement prior to the date of our auditor’s report, and we expect to obtain the remaining other information included in the annual report after the date of our auditor’s report. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the Financial Statements of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor’s report is Lim Huijing Amanda.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

21 February 2024