

Operations

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More than 390,041 vehicles drove through our doors in 2006 for a whole host of reasons – whether it was to get their vehicles inspected, assessed or tested. As a result, Group revenue and profit rose by 13% and 19% respectively – one of the Group’s best results in recent years.



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VEHICLE INSPECTION SERVICES

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Contributing to the increase was a two-year SIA Engineering contract to provide on-site vehicle inspection services from 1 January 2006 as well as a renewal by SBS Transit Ltd for the inspection of its fleet of buses. Demand from parallel importers and exporters also increased.

To cater to the growing demand for our services, we upgraded the inspection equipment at our Sin Ming Drive premises so that all categories of vehicles, including heavy goods vehicles with a maximum axle weight of 13 tons, could be inspected under one roof. This puts Sin Ming, our

oldest facility, on equal footing with all our other inspection centres, which are already offering the full range of inspection services.

Another service improvement made during the year was the paperless Vehicle Registration and Licensing (VRL) System which was introduced in February 2006. The system basically enables car owners and buyers to register their vehicles or transfer vehicle ownership online. It also conveniently provides for additional vehicular information such as the tyre size, body code and body-marking indicator of the registered vehicles. The new system, besides enabling us to improve our operational efficiency tremendously, has also successfully prevented motorists from skipping vehicle inspections



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through exploitation of road tax renewal periods.

In October 2006, the National Environment Agency (NEA) announced its decision to make Chassis Dynamometer Smoke Tests (CDSTs) a mandatory requirement for all diesel-driven vehicles from 1 January 2007. To prepare owners of diesel-driven vehicles – particularly vehicle fleet owners and workshop operators – for the CDST implementation, we have conducted seven briefing sessions for our valued customers since 22 November 2006.

In an effort to constantly improve our inspection services, a 15-week certified Motor Vehicle Inspection Course was conducted for more than a quarter of our inspectors so that

they can keep abreast of the latest developments in the industry.

VEHICLE ASSESSMENT SERVICES

Fewer damage assessments were conducted in our centres in 2006 since it is no longer compulsory for motorists to make accident reports at Independent Damage Assessment Centres (Idacs). For the year under review, accident reporting and damage assessments at VAC's Idacs dropped by 26% to 29,500.

To cater to the growing needs of customers, VICOM Assessment Centre (VAC) provides full service packages ranging from providing assistance in accident reporting and claims filing, to co-ordinating repair works and checking on the repairs.

A total of 8,300 such packages were sold during the year.

VAC's third party claims assistance service, which helps motorists cut down on the hassle of having to make third party claims after the trauma of an accident, was also well received with a total of 1,200 packages sold.

The relatively new accident reconstruction service, which provides computerised calculations and simulations of events relating to a motor vehicle accident has gained a small following since its launch. We are now providing high quality accident reconstructions to aid court litigation of disputed accident responsibilities as well as reconstructions involving pedestrians. In November 2006,

an expert from the United States was engaged to provide additional advanced training in accident reconstruction.

VAC also offers a whole range of other services including survey and technical investigation services for motor vehicle accidents. A total of 5,100 surveys were undertaken in 2006, 46% more than the previous year.

TESTING AND INSPECTION SERVICES

Setesco, our non-vehicle testing and inspection subsidiary, continued to expand its customer base and enhance its service offerings.

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As a growing industry leader, Setesco has set up a dedicated Setesco Aerospace Testing Centre (SATC) to cater to the growing demand from aerospace-related firms. This centre, located in Changi, offers a comprehensive range of non-destructive testing services including the inspection of aircraft components and assemblies.



FACILITIES MANAGEMENT

With seven branches spread across the island, facilities management plays an important role in both income growth and cost management.

Rental income for the year increased thanks to a higher occupancy rate of 77%. This was achieved through a combination of new leases acquired as well as a renewal of old leases at better rates. We also relocated our Idac branch at Yishun from the ground floor to the second floor to free up valuable rental space.

Cost-wise, we were successful in keeping this down by outsourcing specialised building works and large-scale maintenance projects. The use of energy-efficient products and regular maintenance to prevent recurrent breakdowns also helped to keep costs low. As a result of our efforts, inspection line down-time was reduced by 35% in 2006.

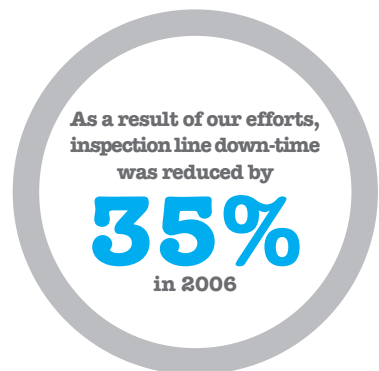
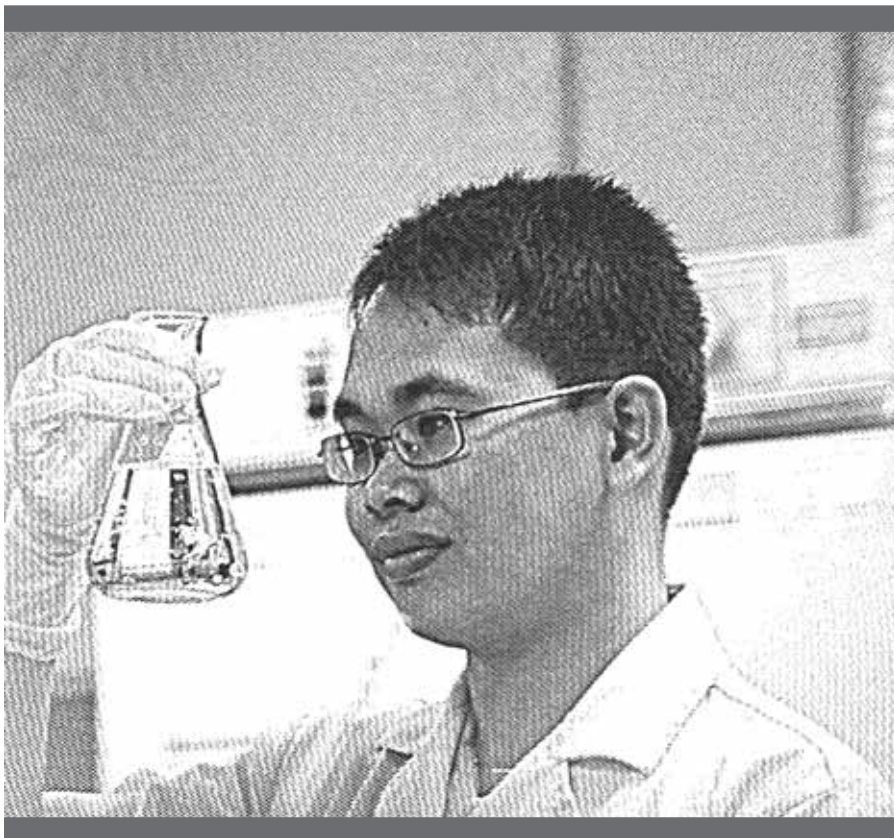
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To support the implementation of CDST in January 2007, VICOM embarked on a project to construct inspection pits and install new chassis dynamometers. A total of 18 light and heavy pits were constructed at the inspection centres.

In the Information Technology (IT) department, a new web-based



Operations Review

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Management Information System (MIS) which churns out reports and real-time statistical charts has been developed. This system assists management in data analysis and decision-making. The information retrieved from MIS is real-time, derived from the Point-of-Sales System and Vehicle Inspection System across seven inspection centres.

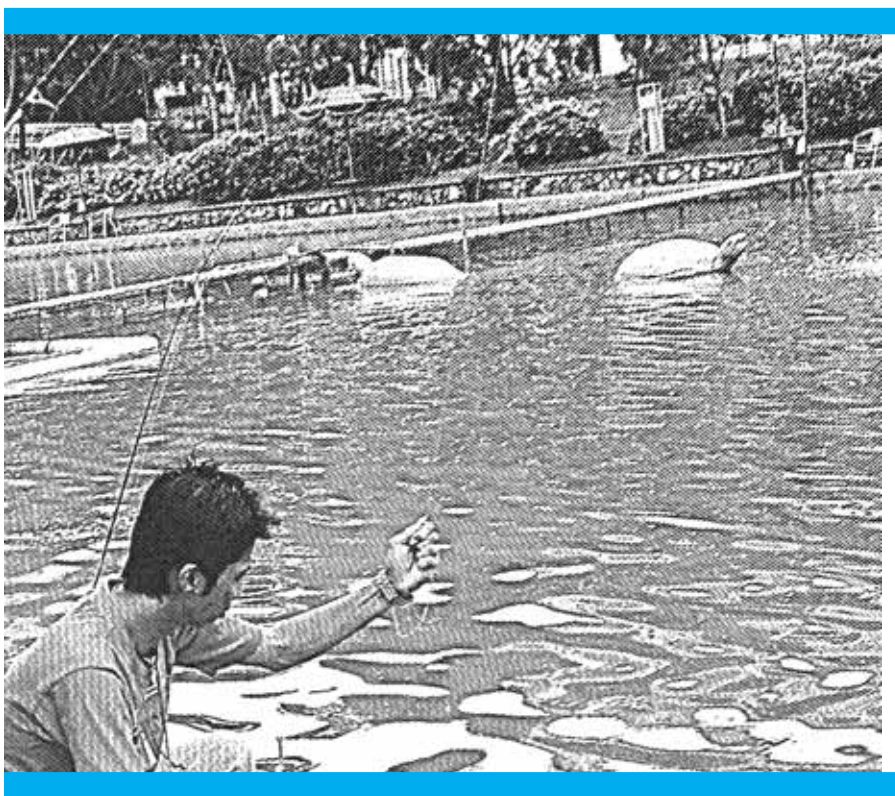
HUMAN RESOURCE

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Recruitment in 2006 was generally geared towards revenue-generating positions and functions that required specialised skills such as Setsco's testing and inspection business.

At VICOM, we recognise that people form our most important resource. We invest in their career growth through continuous learning and career development programmes. For example, our vehicle inspectors go through training under the Institute of Technical Education's (ITE) Approved Training Centre Scheme while our assessors attend





quarterly in-house training and workshops on vehicle assessment and surveys.

In all, an average of 21 training hours per employee was clocked in 2006.

The Group is also committed to building strong family bonds and organises annual Family Days for staff and their family members. The Family Day 2006 was held at the Event Fishing Pond of Pasir Ris Town Park in September, where staff and their family members participated in a fishing competition and team games.

CORPORATE SOCIAL RESPONSIBILITY

As a good corporate citizen, environmental awareness and a keen involvement in the community has always been one of our top priorities.

During the year, we took extra effort to make our inspection centres more environmentally-friendly. Sound barriers and vehicle exhaust extraction systems with self-purging filtration were installed at all centres ensuring

that noise and air pollution were kept to a minimum.

In the area of community service, we continued to extend help to those in need through our Care & Share programme. The programme is supported by monthly staff contributions and is matched dollar for dollar by VICOM. Using the funds, we have organised a trip to Kusu

Island for the elderly, and held Christmas and New Year celebration parties for underprivileged children at the Science Park and Omni Theatre respectively. The Group also actively supports public education schemes such as the Road Safety Public Education Campaign organised by the Traffic Police.

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