# Report of the Directors

The Directors present their annual report together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2008 and the balance sheet of the Company as at 31 December 2008.

### 1 Directors

The Directors of the Company in office at the date of this report are:

Lim Jit Poh (Chairman)
Kua Hong Pak (Deputy Chairman)
Heng Chye Kiou (Chief Executive Officer)
Ho Kah Leong
Ong Teong Wan
Sim Cheok Lim
Teo Geok Har, Nancy

### 2 Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned below.

### 3 Directors' Interests in Shares and Debentures

The Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and its related corporations as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50, except as follows:

| | Shareholdings registered in the names of Directors | | | Shareholdings in which Directors are deemed to have an interest | | |
|---|---|---|---|---|---|---|
| Names of Directors and companies in which interests are held | At 1 January 2008 | At 31 December 2008 | At 21 January 2009 | At 1 January 2008 | At 31 December 2008 | At 21 January 2009 |
| **Interest in the Company** | | | | | | |
| (a) Ordinary shares | | | | | | |
| Lim Jit Poh | 190,000 | 190,000 | 190,000 | – | – | – |
| Kua Hong Pak | – | 54,000 | 54,000 | – | – | – |
| Heng Chye Kiou | – | – | – | 1,280,000 | 1,280,000 | 1,280,000 |
| Ho Kah Leong | 13,000 | 26,000 | 26,000 | – | – | – |
| Ong Chow Hong @ Ong Chaw Ping * | 78,000 | 123,000 | 123,000 | – | – | – |
| Ong Teong Wan | 40,000 | 40,000 | 40,000 | – | – | – |
| Sim Cheok Lim | 80,000 | 80,000 | 80,000 | – | – | – |
| (b) Options to subscribe for ordinary shares | | | | | | |
| Kua Hong Pak | 54,000 | – | – | – | – | – |
| Heng Chye Kiou | 80,000 | 210,000 | 210,000 | – | – | – |
| Ho Kah Leong | 26,000 | 13,000 | 13,000 | – | – | – |
| Ong Chow Hong @ Ong Chaw Ping * | 45,000 | – | – | – | – | – |
| **Interest in related company, SBS Transit Ltd** | | | | | | |
| (a) Ordinary shares | | | | | | |
| Lim Jit Poh | 200,000 | 200,000 | 200,000 | – | – | – |
| (b) Options to subscribe for ordinary shares | | | | | | |
| Lim Jit Poh | 200,000 | 300,000 | 300,000 | – | – | – |
| Kua Hong Pak | 360,000 | 450,000 | 450,000 | – | – | – |

* Resigned on 1 February 2009

## 3 Directors' Interests in Shares and Debentures (continued)

| Names of Directors and companies in which interests are held | Shareholdings registered in the names of Directors At 1 January 2008 | At 31 December 2008 | At 21 January 2009 | Shareholdings in which Directors are deemed to have an interest At 1 January 2008 | At 31 December 2008 | At 21 January 2009 |
|---|---|---|---|---|---|---|
| **Interest in ultimate holding company, ComfortDelGro Corporation Limited** | | | | | | |
| (a) Ordinary shares | | | | | | |
| Lim Jit Poh | 44,425 | 144,425 | 144,425 | – | – | – |
| Kua Hong Pak | 2,824,530 | 2,824,530 | 2,824,530 | – | – | – |
| Heng Chye Kiou | 4,586 | 4,586 | 4,586 | – | – | – |
| Ho Kah Leong | 83,540 | 83,540 | 83,540 | – | – | – |
| Ong Chow Hong @ Ong Chaw Ping * | 84,055 | 84,055 | 84,055 | – | – | – |
| Teo Geok Har, Nancy | 12,000 | – | – | – | – | – |
| (b) Options to subscribe for ordinary shares | | | | | | |
| Lim Jit Poh | 800,000 | 940,000 | 940,000 | – | – | – |
| Kua Hong Pak | 3,600,000 | 4,800,000 | 4,800,000 | – | – | – |
| Heng Chye Kiou | 630,000 | 780,000 | 780,000 | – | – | – |

* Resigned on 1 February 2009

## 4 Directors' Receipt and Entitlement to Contractual Benefits

Since the beginning of the financial year, no Director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, Cap. 50, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements. Certain Directors received remuneration from related corporations in their capacities as Directors and/or executives of those related corporations.

## 5 Share Options

The 2001 VICOM Share Option Scheme ("The 2001 Scheme")

The 2001 Scheme in respect of unissued ordinary shares in the Company was approved by the shareholders of the Company at an Extraordinary General Meeting held on 27 April 2001. The 2001 Scheme is administered by the Remuneration Committee comprising Messrs Ong Teong Wan, Ho Kah Leong and Lim Jit Poh.

Statutory information regarding options granted during the financial year pursuant to The 2001 Scheme is as follows:

– the dates of expiration of options as defined in the circular dated 5 April 2001 are 10 years after the relevant offer date for the Executive Options, and 5 years after the relevant offer date for the Non-Executive Options, unless such option has ceased by reason of Rule 11 of the Rules of The 2001 Scheme relating to termination of employment, bankruptcy, misconduct or death of the grantee;

– the options may be exercised only after the first anniversary of the relevant offer dates of the options; and

– the persons to whom the options have been granted may also be eligible for participation in any other share option scheme implemented by any subsidiary or associated company (as the case may be) of the Company, at the absolute discretion of the committee administering The 2001 Scheme.

**5 Share Options** (continued)

As at the end of the financial year, details of the unissued ordinary shares of the Company under options granted pursuant to The 2001 Scheme were as follows:

| | Number of options to subscribe for ordinary shares | | | | | |
|---|---|---|---|---|---|---|
| Dates of grant | Outstanding at 1 January 2008 | Granted | Exercised | Outstanding at 31 December 2008 | Subscription price per share | Expiry dates |
| 1 June 2001 | 28,000 | – | – | 28,000 | $0.570 | 30 May 2011 |
| 26 September 2001 | 24,000 | – | – | 24,000 | $0.423 | 25 September 2011 |
| 6 April 2002 | 34,000 | – | 10,000 | 24,000 | $0.628 | 5 April 2012 |
| 7 October 2002 | 52,000 | – | 12,000 | 40,000 | $0.600 | 6 October 2012 |
| 27 June 2003 | 46,000 | – | 46,000 | – | $0.760 | 26 June 2008 |
| 27 June 2003 | 27,000 | – | 15,000 | 12,000 | $0.760 | 26 June 2013 |
| 19 December 2003 | 33,000 | – | 33,000 | – | $0.865 | 18 December 2008 |
| 19 December 2003 | 26,000 | – | 14,000 | 12,000 | $0.865 | 18 December 2013 |
| 23 August 2004 | 23,000 | – | 16,500 | 6,500 | $0.953 | 22 August 2009 |
| 23 August 2004 | 43,000 | – | – | 43,000 | $0.953 | 22 August 2014 |
| 24 February 2005 | 23,000 | – | 16,500 | 6,500 | $0.998 | 23 February 2010 |
| 24 February 2005 | 43,000 | – | – | 43,000 | $0.998 | 23 February 2015 |
| 21 November 2005 | 86,000 | – | – | 86,000 | $0.933 | 20 November 2015 |
| 7 July 2006 | 114,000 | – | – | 114,000 | $1.000 | 6 July 2016 |
| 20 June 2007 | 600,000 | – | 28,000 | 572,000 | $1.657 | 19 June 2017 |
| 25 June 2008 | – | 659,000 | – | 659,000 | $1.840 | 24 June 2018 |
| | 1,202,000 | 659,000 | 191,000 | 1,670,000 | | |

(i) Details of the options granted to Directors during the financial year and since the commencement of The 2001 Scheme up to 31 December 2008 were as follows:

| | Number of options to subscribe for ordinary shares | | | |
|---|---|---|---|---|
| Director | Granted during the year ended 31 December 2008 | Aggregate options granted since the commencement to 31 December 2008 | Aggregate options exercised/ lapsed since the commencement to 31 December 2008 | Aggregate options outstanding at 31 December 2008 |
| Lim Jit Poh | – | 160,000 | 160,000 | – |
| Kua Hong Pak | – | 54,000 | 54,000 | – |
| Heng Chye Kiou | 130,000 | 1,190,000 | 980,000 | 210,000 |
| Ho Kah Leong | – | 39,000 | 26,000 | 13,000 |
| Ong Chow Hong @ Ong Chaw Ping * | – | 108,000 | 108,000 | – |
| Ong Teong Wan | – | 92,000 | 92,000 | – |
| Sim Cheok Lim | – | 80,000 | 80,000 | – |
| Teo Geok Har, Nancy | – | 80,000 | 80,000 | – |

* Resigned on 1 February 2009

(ii) No options have been granted to the controlling shareholders or their associates, parent group employees, and no employee has received 5% or more of the options available under the scheme.

(iii) No options have been granted at a discount to the market price of shares of the Company.

### 6 Audit Committee

At the date of this report, the Audit Committee comprises three non-executive and independent Directors:

Sim Cheok Lim (Chairman)
Ong Teong Wan
Teo Geok Har, Nancy

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50.

In performing its functions, the Audit Committee reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the scope and results of their respective audits. The Audit Committee has reviewed the independence of the auditors, Deloitte & Touche LLP, including the scope of the non-audit services performed and confirmed that the auditors are independent.

In addition, the Audit Committee has reviewed the financial statements of the Group and of the Company before their submission to the Board of Directors of the Company.

The Audit Committee has recommended to the Board of Directors, the nomination of Deloitte & Touche LLP for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

### 7 Auditors

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

**Lim Jit Poh**
Chairman

**Heng Chye Kiou**
Chief Executive Officer

Singapore
11 February 2009

# Independent Auditors' Report

to the members of VICOM Ltd

We have audited the accompanying financial statements of VICOM Ltd (the "Company") and its subsidiaries (the "Group") which comprise the balance sheets of the Group and the Company as at 31 December 2008, the profit and loss statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 57.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: 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 profit and loss accounts and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion,

(a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and of the results, changes in equity and cash flows of the Group for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

**Deloitte & Touche LLP**
Public Accountants and
Certified Public Accountants

**Kee Cheng Kong, Michael**
Partner

Singapore
11 February 2009

# Balance Sheets

31 December 2008

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | **2008 $'000** | 2007 $'000 | **2008 $'000** | 2007 $'000 |
| **Assets** | | | | | |
| Current assets | | | | | |
| Cash and bank balances | 5 | **27,691** | 14,015 | **25,041** | 11,567 |
| Trade receivables | 6 | **7,641** | 8,763 | **1,315** | 934 |
| Other receivables and prepayments | 7 | **921** | 597 | **238** | 269 |
| Inventories | | **52** | 41 | **–** | – |
| Total current assets | | **36,305** | 23,416 | **26,594** | 12,770 |
| Non-current assets | | | | | |
| Subsidiaries | 8 | **–** | – | **26,196** | 26,196 |
| Staff loans | 9 | **18** | 42 | **–** | – |
| Club memberships | 10 | **315** | 315 | **315** | 315 |
| Vehicles, premises and equipment | 11 | **42,464** | 43,098 | **26,658** | 28,102 |
| Goodwill | 12 | **11,325** | 11,325 | **–** | – |
| Total non-current assets | | **54,122** | 54,780 | **53,169** | 54,613 |
| Total assets | | **90,427** | 78,196 | **79,763** | 67,383 |
| **Liabilities and Equity** | | | | | |
| Current liabilities | | | | | |
| Trade payables | 13 | **2,979** | 3,093 | **583** | 390 |
| Other payables | 14 | **13,166** | 10,742 | **27,293** | 19,743 |
| Income tax payable | | **3,965** | 3,479 | **1,561** | 1,437 |
| Total current liabilities | | **20,110** | 17,314 | **29,437** | 21,570 |
| Non-current liability | | | | | |
| Deferred tax liabilities | 15 | **1,050** | 928 | **–** | – |
| Capital, reserves and minority interests | | | | | |
| Share capital | 16 | **30,056** | 29,874 | **30,056** | 29,874 |
| Capital reserves | 17 | **3,096** | 3,088 | **3,126** | 3,098 |
| Accumulated profits | | **34,366** | 25,194 | **17,144** | 12,841 |
| Equity attributable to shareholders of the Company | | **67,518** | 58,156 | **50,326** | 45,813 |
| Minority interests | | **1,749** | 1,798 | **–** | – |
| Total equity | | **69,267** | 59,954 | **50,326** | 45,813 |
| Total liabilities and equity | | **90,427** | 78,196 | **79,763** | 67,383 |

See accompanying notes to financial statements.

# Consolidated Profit and Loss Statement

year ended 31 December 2008

| | Note | 2008 $'000 | 2007 $'000 |
|---|---|---|---|
| **Turnover** | 18 | **73,711** | 64,612 |
| Other operating income | 19 | **134** | 135 |
| **Revenue** | | **73,845** | 64,747 |
| | | | |
| Staff costs | 20 | **(33,217)** | (29,263) |
| Depreciation expense | | **(5,072)** | (4,673) |
| Repair and maintenance | | **(1,293)** | (1,189) |
| Materials and consumables | | **(2,530)** | (2,200) |
| Payments for contract services | | **(4,147)** | (4,038) |
| Premise costs | | **(2,438)** | (2,310) |
| Insurance | | **(153)** | (154) |
| Other operating expenses | | **(5,167)** | (4,158) |
| Total operating expenses | | **(54,017)** | (47,985) |
| | | | |
| **Operating profit** | | **19,828** | 16,762 |
| | | | |
| Interest income | | **190** | 258 |
| | | | |
| **Profit before taxation** | | **20,018** | 17,020 |
| | | | |
| Taxation | 21 | **(3,833)** | (3,212) |
| | | | |
| **Profit after taxation** | 22 | **16,185** | 13,808 |
| | | | |
| Attributable to: | | | |
| Shareholders of the Company | | **15,794** | 13,500 |
| Minority interests | | **391** | 308 |
| | | **16,185** | 13,808 |
| | | | |
| Earnings per share (in cents): | | | |
| Basic | 23 | **18.61** | 15.93 |
| Diluted | 23 | **18.56** | 15.87 |

See accompanying notes to financial statements.

# Consolidated Statement of Changes in Equity

year ended 31 December 2008

| | Attributable to shareholders of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share capital $'000 | Capital reserves $'000 | Accumulated profits $'000 | Total $'000 | Minority interests $'000 | Total equity $'000 |
| Balance at 1 January 2007 | 28,552 | 3,099 | 29,911 | 61,562 | 1,930 | 63,492 |
| Exchange differences arising on translation of foreign operations (Note 17) | – | (3) | – | (3) | – | (3) |
| Net expense recognised directly in equity | – | (3) | – | (3) | – | (3) |
| Profit after taxation | – | – | 13,500 | 13,500 | 308 | 13,808 |
| Total recognised income and expense for the year | – | (3) | 13,500 | 13,497 | 308 | 13,805 |
| Exercise of share options (Notes 16 and 17) | 1,322 | (27) | – | 1,295 | – | 1,295 |
| Recognition of share-based payments | – | 19 | – | 19 | – | 19 |
| Dividend paid (Note 29) | – | – | (18,217) | (18,217) | – | (18,217) |
| Dividend paid to minority interests | – | – | – | – | (440) | (440) |
| Balance at 31 December 2007 | 29,874 | 3,088 | 25,194 | 58,156 | 1,798 | 59,954 |
| Exchange differences arising on translation of foreign operations (Note 17) | – | (20) | – | (20) | – | (20) |
| Net expense recognised directly in equity | – | (20) | – | (20) | – | (20) |
| Profit after taxation | – | – | 15,794 | 15,794 | 391 | 16,185 |
| Total recognised income and expense for the year | – | (20) | 15,794 | 15,774 | 391 | 16,165 |
| Exercise of share options (Notes 16 and 17) | 182 | (3) | – | 179 | – | 179 |
| Recognition of share-based payments | – | 31 | – | 31 | – | 31 |
| Dividend paid (Note 29) | – | – | (6,622) | (6,622) | – | (6,622) |
| Dividend paid to minority interests | – | – | – | – | (440) | (440) |
| Balance at 31 December 2008 | 30,056 | 3,096 | 34,366 | 67,518 | 1,749 | 69,267 |

See accompanying notes to financial statements.

# Consolidated Cash Flow Statement

year ended 31 December 2008

| | 2008<br>$'000 | 2007<br>$'000 |
|---|---|---|
| **Operating activities** | | |
| Profit before taxation | **20,018** | 17,020 |
| Adjustments for: | | |
| Depreciation expense | **5,072** | 4,673 |
| Interest income | **(190)** | (258) |
| Loss on disposal of vehicles, premises and equipment | **1** | 18 |
| Share-based payment expense | **31** | 19 |
| Write-back of allowance for doubtful trade receivables | **(105)** | (161) |
| Operating cash flows before movements in working capital | **24,827** | 21,311 |
| | | |
| Trade receivables | **1,227** | (1,338) |
| Other receivables and prepayments | **(301)** | (65) |
| Inventories | **(11)** | (39) |
| Trade payables | **(114)** | 493 |
| Other payables | **2,424** | 2,530 |
| Cash generated from operations | **28,052** | 22,892 |
| | | |
| Income tax paid | **(3,225)** | (3,222) |
| Net cash from operating activities | **24,827** | 19,670 |
| | | |
| **Investing activities** | | |
| Purchase of vehicles, premises and equipment (Note 11) | **(4,452)** | (2,372) |
| Proceeds from disposal of vehicles, premises and equipment | **8** | 116 |
| Interest received | **191** | 256 |
| Net cash used in investing activities | **(4,253)** | (2,000) |
| | | |
| **Financing activities** | | |
| Proceeds from exercise of share options | **179** | 1,295 |
| Payment to minority interests | **(440)** | (440) |
| Dividend paid (Note 29) | **(6,622)** | (18,217) |
| Net cash used in financing activities | **(6,883)** | (17,362) |
| | | |
| **Net effect of exchange rate changes in consolidating subsidiaries** | **(15)** | (3) |
| | | |
| Net increase in cash and cash equivalents | **13,676** | 305 |
| Cash and cash equivalents at beginning of year | **14,015** | 13,710 |
| **Cash and cash equivalents at end of year (Note 5)** | **27,691** | 14,015 |

See accompanying notes to financial statements.

# Notes to the Financial Statements

31 December 2008

## 1 General

The Company (Registration No. 198100320K) is incorporated in 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 Official List of the Singapore Exchange Securities Trading Limited.

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 subsidiaries are described in Note 8.

The financial statements are expressed in Singapore dollars and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

The consolidated financial statements of the Group for the financial year ended 31 December 2008 and the balance sheet of the Company as at 31 December 2008 were authorised for issue by the Board of Directors on 11 February 2009.

## 2 Summary of Significant Accounting Policies

BASIS OF ACCOUNTING – The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50, and Singapore Financial Reporting Standards ("FRSs").

ADOPTION OF NEW AND REVISED STANDARDS – The new and revised Financial Reporting Standards ("FRSs") and Interpretations of FRSs ("INT FRSs"), which become effective for annual periods beginning on 1 January 2008, are not applicable to the operations of the Group and the Company and hence have no effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs that are relevant to the Group and the Company were issued but not effective:

| | | |
|---|---|---|
| FRS 1 | – | Presentation of Financial Statements (Revised) |
| FRS 102 | – | Share-based Payment (Amendments relating to Vesting Conditions and Cancellations) |
| FRS 108 | – | Operating Segments |

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of other FRSs in future periods will not have a material impact on the financial statements of the Group and of the Company in period of their initial adoption except for the following:

**FRS 1 – Presentation of Financial Statements (Revised)**

FRS 1 (Revised) will be effective for annual periods beginning on or after 1 January 2009, and will change the basis for presentation and structure of the financial statements. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other FRSs.

**FRS 108 – Operating Segments**

FRS 108 will be effective for annual financial statements beginning on or after 1 January 2009 and supersedes FRS 14 – *Segment Reporting*. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, FRS 14 requires an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. Management anticipates the adoption of this new standard will not have a material impact on the financial statements of the Group.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

## 2 Summary of Significant Accounting Policies (continued)

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *FRS 103 Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

**Financial Assets**

### Cash and cash equivalents

Cash and cash equivalents comprise bank balances and short-term deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "Receivables". Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method less provision for impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

### Provision for impairment of receivables

Trade and other receivables are assessed for indicators of provision for impairment at each balance sheet date. Receivables are reduced by the provision for impairment where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the receivables, the estimated future cash flows of the receivables have been reduced by the provision for impairment. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective rate.

The carrying amount of the trade receivables is reduced through the use of an allowance account.

When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

## 2 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**Financial liabilities and equity instruments**

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Cost comprises cost of purchase and those costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

CLUB MEMBERSHIPS – Club memberships are stated at cost less any impairment in net recoverable value.

VEHICLES, PREMISES AND EQUIPMENT – Vehicles, premises and equipment are stated at cost or valuation, less accumulated depreciation and any provision for impairment.

All vehicles, premises and equipment are initially recorded at cost. One leasehold land was revalued based on valuation by an external independent valuer. That leasehold land of the Company and of the Group was valued at open market value on the basis of existing use by a firm of professional valuers in March 1995. The Group and the Company have no fixed policy on the frequency of valuation of their leasehold land. As the valuation was carried out for the purpose of updating the book value of the leasehold land at that time and was a one-off revaluation, the Group and the Company have opted for an exemption under FRS 16, Property, Plant and Equipment to further revalue their leasehold land. All other vehicles, premises and equipment are stated at historical cost less accumulated depreciation.

On the disposal of premises carried at valuation, the revaluation surplus relating to the premises is transferred directly to accumulated profits.

Capital work-in-progress consists of development and construction cost incurred during the period of construction. Depreciation is not provided on capital work-in-progress until such assets are available for use. The capital work-in-progress are carried at cost, less any recognised provision for impairment.

## 2 Summary of Significant Accounting Policies (continued)

Depreciation is charged so as to write off the cost or valuation of the assets, other than capital work-in-progress, over the estimated useful lives on a straight-line method, on the following bases:

| | | |
|---|---|---|
| Leasehold land and buildings | – | Over the remaining lease period (subject to a maximum of 45 years) |
| Furniture, fittings and equipment | – | 5 years |
| Workshop machinery, tools and equipment | – | 5 to 10 years |
| Motor vehicles | – | 5 years |
| Computers and automated equipment | – | 5 years |

The estimated useful lives, residual values (where expected to be significant) and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of vehicles, premises and equipment is determined as the difference between the sale proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Transfers of vehicles, premises and equipment within the Group are stated at cost less accumulated depreciation of the vehicles, premises and equipment transferred.

Fully depreciated vehicles, premises and equipment are retained in the financial statements until they are no longer in use.

GOODWILL – Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any provision for impairment.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the provision for impairment is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. A provision for impairment recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

IMPAIRMENT OF TANGIBLE ASSETS – At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the provision for impairment (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. A provision for impairment is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the provision for impairment is treated as a revaluation decrease.

Where a provision for impairment subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no provision for impairment been recognised for the asset (cash-generating unit) in prior years. A reversal of a provision for impairment is recognised in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the provision for impairment is treated as a revaluation increase.

PROVISIONS – Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event and it is probable that the Group and the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 2 Summary of Significant Accounting Policies (continued)

SERVICE BENEFITS

These comprise the following:

(i) Retirement Benefits – The Company and some of the subsidiaries participate in defined contribution retirement benefit plan (Central Provident Fund for Singapore-incorporated subsidiaries and Employees Provident Fund for Malaysia-incorporated subsidiary). Payments made to the plan are charged as an expense as they fall due.

(ii) Employee Leave Entitlement – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(iii) Share-based Payments – The Group and the Company issue equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 20. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's and the Company's estimate of the number of equity instruments that will eventually vest.

The policy described above is applied to all equity-settled share-based payments that were granted after 22 November 2002 that vested after 1 January 2005. No amounts has been recognised in the financial statements in respect of other equity-settled share-based payments.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on Directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

### Rendering of services

Revenue from motor vehicle inspection, evaluation and assessment services is recognised as and when services are rendered.

Service revenue from testing, inspection and related consultancy services is recognised as and when services are completed.

Revenue and costs from vehicle inspection and evaluation consultancy projects are recognised by reference to the stage of completion of the project activity at the balance sheet date, as measured by the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a consultancy project cannot be estimated reliably, project revenue is recognised to the extent of project costs incurred that are probably recoverable. Project costs are recognised as expenses in the period in which they are incurred.

When it is probable that total project costs will exceed total project revenue, the expected loss is recognised as an expense immediately.

### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## 2 Summary of Significant Accounting Policies (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit and loss statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit and loss statement in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

## 3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 2, 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.

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, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying the Group's accounting policies

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements (apart from those involving estimation, which are dealt with below).

### 3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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.

**Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units 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 during the year (2007 : $Nil). The carrying amount of goodwill at the balance sheet date and impairment are disclosed in Note 12.

**Allowance for doubtful trade receivables**

The Group makes allowances for doubtful receivables based on an assessment of the recoverability of trade receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the receivables. The identification of doubtful receivables requires use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of the trade receivables and doubtful debts expenses in the period in which such estimate has been changed. The carrying amount of trade receivables as at 31 December 2008 is disclosed in Note 6.

### 4 Holding Company and Related Company/Party Transactions

The Company's immediate holding company is Comfort Group Ltd, incorporated in Singapore. The Company's ultimate holding company is ComfortDelGro Corporation Limited, incorporated in Singapore. Related companies in these financial statements refer to members of the ultimate 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 ultimate 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.

Significant intercompany transactions are as follows:

| | The Group | |
|---|---|---|
| | **2008** **$'000** | 2007 $'000 |
| Inspection fee income charged to related companies | **(1,694)** | (1,527) |
| Diesel outlet (variable rental) income charged to related company | **(392)** | (414) |
| Rental income charged to related company | **(213)** | (287) |
| Assessment fee charged to related company | **(233)** | (249) |
| Other fees charged to related companies | **(25)** | (32) |
| Testing fee income charged to related company | **(31)** | (40) |
| Corporate service charges paid to ultimate holding company | **338** | 289 |
| Other charges paid to ultimate holding company | **22** | 23 |
| Other charges paid to related companies | **73** | 87 |
| Rental expense paid to related companies | **142** | 105 |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related companies.

### 5 Cash and Bank Balances

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** **$'000** | 2007 $'000 | **2008** **$'000** | 2007 $'000 |
| Cash and bank balances | **1,945** | 1,649 | **201** | 87 |
| Fixed deposits with financial institutions | **25,746** | 12,366 | **24,840** | 11,480 |
| Total | **27,691** | 14,015 | **25,041** | 11,567 |

Fixed deposits bear interest at an effective interest rate of 0.40% to 3.70% (2007 : 1.88% to 3.88%) per annum and for a weighted average tenure of approximately 32 days (2007 : 30 days).

## 6 Trade Receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** **$'000** | 2007 $'000 | **2008** **$'000** | 2007 $'000 |
| Outside parties | **7,609** | 8,820 | **463** | 377 |
| Allowance for doubtful trade receivables | **(246)** | (352) | **–** | – |
| Allowance for discount allowed | **(192)** | (201) | **–** | – |
| Net | **7,171** | 8,267 | **463** | 377 |
| | | | | |
| Minority shareholders of a subsidiary | **137** | 138 | **–** | – |
| | | | | |
| Related companies (Note 4) | **333** | 358 | **852** | 557 |
| Total | **7,641** | 8,763 | **1,315** | 934 |

The average credit period on sale of goods and provision of services is 30 days (2007 : 30 days). An allowance has been made for estimated irrecoverable amounts from the provision of services to third parties of $246,000 (2007 : $352,000). This allowance has been determined by reference to past default experience. Before accepting any new corporate customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Approximately 51% (2007 : 64%) of the trade receivables are neither past due nor impaired. Included in the Group's trade receivable balance are debtors with a carrying amount of $3,617,000 (2007 : $2,955,000) which are past due at the reporting date for which the Group has not provided an allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. On the average, these trade receivables are past due for 47 days (2007 : 43 days).

### Movement in the allowance for doubtful debts

| | The Group | |
|---|---|---|
| | **2008** **$'000** | 2007 $'000 |
| Balance at beginning of the year | **352** | 562 |
| Amounts written off during the year | **(1)** | (49) |
| Write-back of allowance for doubtful trade receivables | **(105)** | (161) |
| Balance at end of the year | **246** | 352 |

The Group's and Company's trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** **$'000** | 2007 $'000 | **2008** **$'000** | 2007 $'000 |
| Malaysian Ringgit | **4** | – | **–** | – |
| UAE Dirham | **83** | 38 | **–** | – |
| United States Dollars | **30** | 188 | **–** | – |

## 7 Other Receivables and Prepayments

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** **$'000** | 2007 $'000 | **2008** **$'000** | 2007 $'000 |
| Receivables from: | | | | |
| Staff loans – current portion (Note 9) | **6** | 10 | **–** | – |
| Subsidiaries (Notes 4 and 8) | **–** | – | **163** | 166 |
| Other receivables | **207** | 218 | **7** | 38 |
| Interest receivable | **10** | 11 | **–** | – |
| Deposits | **578** | 278 | **11** | 8 |
| Prepayments | **120** | 80 | **57** | 57 |
| Total | **921** | 597 | **238** | 269 |

The staff loans are unsecured, bear interest at 2% (2007 : 2%) per annum and are repayable on a monthly basis.

## 8 Subsidiaries

| | The Company | |
|---|---|---|
| | **2008 $'000** | 2007 $'000 |
| Unquoted equity shares, at cost | **26,196** | 26,196 |

Details of subsidiaries at 31 December 2008 are as follows:

| Name of entity | Principal activity | Country of incorporation/ operation | Group's effective interest | | Cost of investment | |
|---|---|---|---|---|---|---|
| | | | **2008 %** | 2007 % | **2008 $'000** | 2007 $'000 |
| VICOM Inspection Centre Pte Ltd | Provision of vehicle inspection services | Singapore | **100** | 100 | **4,160** | 4,160 |
| VICOM Assessment Centre Pte Ltd | Provision of vehicle assessment services | Singapore | **51** | 51 | **255** | 255 |
| VICOM Unichamps Pte Ltd | Investment in environmental technology related business | Singapore | **60** | 60 | ***** | * |
| JIC Inspection Services Pte Ltd | Vehicle inspection and other related services | Singapore | **78** | 78 | **5,663** | 5,663 |
| Setsco Services Pte Ltd | Provision of testing, inspection and consultancy services | Singapore | **100** | 100 | **16,118** | 16,118 |
| **Subsidiaries of Setsco Services Pte Ltd** | | | | | | |
| Setsco Services (M) Sdn Bhd | Provision of testing, inspection and consultancy services | Malaysia | **100** | 100 | **–** | – |
| Setsco Consultancy International Pte Ltd # | Provision of professional inspection and engineering services | Singapore | **100** | – | **–** | – |
| | | | | | **26,196** | 26,196 |

* Cost of investment is $3.
# Setsco Consultancy International Pte Ltd was incorporated on 10 September 2008 and is dormant as at the balance sheet date. The accounts have not been audited.

All the companies are audited by Deloitte & Touche LLP, Singapore, except for Setsco Services (M) Sdn Bhd, which is audited by another firm of auditors, WT Ng & Co, Kuala Lumpur.

## 9 Staff Loans

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008 $'000** | 2007 $'000 | **2008 $'000** | 2007 $'000 |
| Staff loans | **24** | 52 | **–** | – |
| Less: Current portion (Note 7) | **(6)** | (10) | **–** | – |
| | **18** | 42 | **–** | – |

## 10 Club Memberships

| | The Group and The Company | |
|---|---|---|
| | **2008** **$'000** | 2007 $'000 |
| Transferable club memberships, at cost | **451** | 451 |
| Less: Provision for impairment | **(136)** | (136) |
| | **315** | 315 |
| Provision for impairment: | | |
| At beginning and end of year | **136** | 136 |

No additional provision for impairment has been recognised during the year.

## 11 Vehicles, Premises and Equipment

| | Leasehold buildings $'000 | Leasehold land $'000 | Furniture, fittings and equipment $'000 | Workshop machinery, tools and equipment $'000 | Motor vehicles $'000 | Computers and automated equipment $'000 | Capital work-in-progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| Cost or valuation: | | | | | | | | |
| At 1 January 2007 | 46,760 | 7,300 | 1,610 | 20,888 | 596 | 2,382 | 173 | 79,709 |
| Additions | 347 | – | 234 | 1,187 | 217 | 121 | 266 | 2,372 |
| Disposals | (37) | – | (176) | (665) | (135) | (215) | – | (1,228) |
| Reclassifications | 23 | – | – | 416 | – | – | (439) | – |
| Exchange differences | – | – | – | 1 | – | – | – | 1 |
| At 31 December 2007 | 47,093 | 7,300 | 1,668 | 21,827 | 678 | 2,288 | – | 80,854 |
| Additions | 144 | – | 128 | 3,795 | 165 | 123 | 97 | 4,452 |
| Disposals | – | – | (130) | (405) | – | (127) | – | (662) |
| Exchange differences | (1) | – | (2) | (10) | (5) | (1) | – | (19) |
| At 31 December 2008 | 47,236 | 7,300 | 1,664 | 25,207 | 838 | 2,283 | 97 | 84,625 |
| Comprising: | | | | | | | | |
| At cost | 47,236 | – | 1,664 | 25,207 | 838 | 2,283 | 97 | 77,325 |
| At valuation | – | 7,300 | – | – | – | – | – | 7,300 |
| Total | 47,236 | 7,300 | 1,664 | 25,207 | 838 | 2,283 | 97 | 84,625 |
| Accumulated depreciation: | | | | | | | | |
| At 1 January 2007 | 15,893 | 1,883 | 1,348 | 12,857 | 247 | 1,948 | – | 34,176 |
| Depreciation | 1,969 | 161 | 125 | 2,067 | 126 | 225 | – | 4,673 |
| Disposals | (22) | – | (160) | (569) | (135) | (208) | – | (1,094) |
| Exchange differences | – | – | – | – | – | 1 | – | 1 |
| At 31 December 2007 | 17,840 | 2,044 | 1,313 | 14,355 | 238 | 1,966 | – | 37,756 |
| Depreciation | 1,995 | 161 | 122 | 2,428 | 154 | 212 | – | 5,072 |
| Disposals | – | – | (131) | (395) | – | (127) | – | (653) |
| Exchange differences | (1) | – | (2) | (7) | (3) | (1) | – | (14) |
| At 31 December 2008 | 19,834 | 2,205 | 1,302 | 16,381 | 389 | 2,050 | – | 42,161 |
| Carrying amounts: | | | | | | | | |
| At 31 December 2008 | 27,402 | 5,095 | 362 | 8,826 | 449 | 233 | 97 | 42,464 |
| At 31 December 2007 | 29,253 | 5,256 | 355 | 7,472 | 440 | 322 | – | 43,098 |

## 11 Vehicles, Premises and Equipment (continued)

| | Leasehold buildings $'000 | Leasehold land $'000 | Furniture, fittings and equipment $'000 | Workshop machinery, tools and equipment $'000 | Motor vehicles $'000 | Computers and automated equipment $'000 | Capital work-in-progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | | |
| Cost or valuation: | | | | | | | | |
| At 1 January 2007 | 36,682 | 7,300 | 1,052 | 151 | 109 | 550 | 23 | 45,867 |
| Additions | 306 | – | 31 | – | – | 1 | – | 338 |
| Disposals | – | – | (8) | – | – | (77) | – | (85) |
| Reclassifications | 23 | – | – | – | – | – | (23) | – |
| At 31 December 2007 | 37,011 | 7,300 | 1,075 | 151 | 109 | 474 | – | 46,120 |
| Additions | 58 | – | 10 | 2 | – | 9 | 97 | 176 |
| Disposals | – | – | (46) | (5) | – | (68) | – | (119) |
| At 31 December 2008 | 37,069 | 7,300 | 1,039 | 148 | 109 | 415 | 97 | 46,177 |
| | | | | | | | | |
| Comprising: | | | | | | | | |
| At cost | 37,069 | – | 1,039 | 148 | 109 | 415 | 97 | 38,877 |
| At valuation | – | 7,300 | – | – | – | – | – | 7,300 |
| Total | 37,069 | 7,300 | 1,039 | 148 | 109 | 415 | 97 | 46,177 |
| | | | | | | | | |
| Accumulated depreciation: | | | | | | | | |
| At 1 January 2007 | 12,850 | 1,883 | 1,006 | 140 | 102 | 484 | – | 16,465 |
| Depreciation | 1,400 | 161 | 28 | 6 | 5 | 32 | – | 1,632 |
| Disposals | – | – | (9) | – | – | (70) | – | (79) |
| At 31 December 2007 | 14,250 | 2,044 | 1,025 | 146 | 107 | 446 | – | 18,018 |
| Depreciation | 1,419 | 161 | 18 | 2 | 2 | 18 | – | 1,620 |
| Disposals | – | – | (46) | (5) | – | (68) | – | (119) |
| At 31 December 2008 | 15,669 | 2,205 | 997 | 143 | 109 | 396 | – | 19,519 |
| | | | | | | | | |
| Carrying amounts: | | | | | | | | |
| At 31 December 2008 | 21,400 | 5,095 | 42 | 5 | – | 19 | 97 | 26,658 |
| | | | | | | | | |
| At 31 December 2007 | 22,761 | 5,256 | 50 | 5 | 2 | 28 | – | 28,102 |

If the leasehold land stated at valuation had been included in the financial statements at cost less depreciation, the carrying amount would have been as follows:

| | The Group and The Company | |
|---|---|---|
| | **2008 $'000** | 2007 $'000 |
| Leasehold land | **148** | 221 |

**11 Vehicles, Premises and Equipment** (continued)

Details of the Company's and the Group's major leasehold land and buildings are as follows:

| Held by | Group's effective interest | Location | Approximate land area | Tenure | Usage |
|---|---|---|---|---|---|
| The Company | 100% | No. 511 Bukit Batok Street 23 Singapore 659545 | 9,625 sq metre | 30 years from October 1995 with option to renew another 30 years | Inspection, assessment services |
| The Company | 100% | No. 385 Sin Ming Drive Singapore 575718 | 10,852.6 sq metre | 30 years from January 1981 with option to renew another 30 years | Inspection, assessment services |
| The Company | 100% | No. 501 Yishun Industrial Park A Singapore 768732 | 5,190.3 sq metre | 60 years from July 1983 | Inspection, assessment services |
| The Company | 100% | No. 501 Yishun Industrial Park A Singapore 768732 | 1,104.9 sq metre | 30 years from July 1983 with option to renew another 30 years | Inspection, assessment services |
| The Company | 100% | No. 23 Kaki Bukit Avenue 4 Singapore 415933 | 9,796.9 sq metre | 30 years from January 1997 with option to renew another 30 years | Inspection, assessment services |
| The Company | 100% | No. 20 Changi North Crescent Singapore 499613 | 6,015 sq metre | 30 years from May 1995 | Inspection services |
| Setsco Services Pte Ltd | 100% | No. 18 Teban Gardens Crescent Singapore 608925 | 9,829.7 sq metre | JTC Corporation granted an extension of lease for 30 years from 1 February 2009 | Testing, inspection and consultancy services |
| JIC Inspection Services Pte Ltd | 78% | No. 53 Pioneer Road Singapore 628505 | 9,190 sq metre | 30 years from December 1994 | Inspection services |
| JIC Inspection Services Pte Ltd | 78% | No. 15 Ang Mo Kio Street 63 Singapore 569117 | 2,145 sq metre | 14 months from 1 January 2008 and extended for a further 22 months | Inspection services |

**12 Goodwill**

| | The Group | |
|---|---|---|
| | **2008 $'000** | 2007 $'000 |
| Cost: | | |
| At beginning and end of year | **11,389** | 11,389 |
| Impairment: | | |
| At beginning and end of year | **64** | 64 |
| Carrying amount: | | |
| At beginning and end of year | **11,325** | 11,325 |

No provision for impairment has been recognised during the year (2007 : $Nil).

### 12 Goodwill (continued)

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

| | The Group | |
|---|---|---|
| | **2008** **$'000** | 2007 $'000 |
| Test and inspection services | **9,268** | 9,268 |
| Vehicle inspection business | **2,057** | 2,057 |
| | **11,325** | 11,325 |

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

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, growth rates and expected changes to profit margins during the period.

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 following four years based on an estimated growth rate of approximately 5% (2007 : 6.1%) per annum.

The discount rate applied to the forecast is assumed at 5.99% (2007 : 5.46%) per annum (which is also the Group's weighted average cost of capital).

The expected changes to profit margins are based on past performance and Management's expectation of market development.

The provision for impairment of $64,000 relates to a business undertaking from a related company which had ceased operations in January 2007.

### 13 Trade Payables

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** **$'000** | 2007 $'000 | **2008** **$'000** | 2007 $'000 |
| Outside parties | **2,784** | 2,945 | **429** | 255 |
| Ultimate holding company (Note 4) | **152** | 127 | **150** | 126 |
| Related companies (Note 4) | **43** | 21 | **4** | 9 |
| Total | **2,979** | 3,093 | **583** | 390 |

The average credit period on purchases of goods and services is 30 or 60 days (2007 : 30 or 60 days).

### 14 Other Payables

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** **$'000** | 2007 $'000 | **2008** **$'000** | 2007 $'000 |
| Subsidiaries (Note 8) | **–** | – | **26,194** | 18,565 |
| Related companies (Note 4) | **75** | 75 | **–** | – |
| Accruals | **9,483** | 7,907 | **355** | 314 |
| Deferred income | **1,468** | 1,039 | **–** | – |
| Others | **1,456** | 1,094 | **355** | 525 |
| Deposits received from customers | **684** | 627 | **389** | 339 |
| Total | **13,166** | 10,742 | **27,293** | 19,743 |

The payable to subsidiaries comprising funds held under central pooling is unsecured, bears interest at 0.40% to 2.12% (2007 : 2.16% to 3.26%) per annum and is repayable on demand. The payable to wholly owned subsidiaries is unsecured, interest-free and repayable on demand.

## 15 Deferred Tax Liabilities

The following are the major deferred tax liabilities recognised by the Group and Company, and the movements thereon, during the current and prior reporting periods:

| | Accelerated tax depreciation $'000 | Provisions $'000 | Total $'000 |
|---|---|---|---|
| **Group** | | | |
| At 1 January 2007 | 1,086 | (97) | 989 |
| Charge (Credit) to profit or loss for the year (Note 21) | 82 | (44) | 38 |
| Effect of change in tax rate (Note 21) | (109) | 10 | (99) |
| At 31 December 2007 | 1,059 | (131) | 928 |
| Charge (Credit) to profit or loss for the year (Note 21) | 164 | (42) | 122 |
| At 31 December 2008 | 1,223 | (173) | 1,050 |
| **Company** | | | |
| At 1 January 2007 | 71 | (51) | 20 |
| (Credit) Charge to profit or loss for the year | (19) | 1 | (18) |
| Effect of change in tax rate | (7) | 5 | (2) |
| At 31 December 2007 and 31 December 2008 | 45 | (45) | – |

## 16 Share Capital

| | The Group and The Company | | | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | Number of ordinary shares | | **$'000** | $'000 |
| Issued and paid up: | | | | |
| At beginning of year | **85,307,000** | 83,881,000 | **29,874** | 28,552 |
| Exercise of share options | **191,000** | 1,426,000 | **182** | 1,322 |
| At end of year | **85,498,000** | 85,307,000 | **30,056** | 29,874 |

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends.

**Share options**

As at 31 December 2008, employees held options over 1,670,000 ordinary shares (of which 659,000 are unvested) in aggregate. The number of options and their expiry dates are as follows:

| Number of options | Expiring on: |
|---|---|
| 28,000 | 30 May 2011 |
| 24,000 | 25 September 2011 |
| 24,000 | 5 April 2012 |
| 40,000 | 6 October 2012 |
| 12,000 | 26 June 2013 |
| 12,000 | 18 December 2013 |
| 6,500 | 22 August 2009 |
| 43,000 | 22 August 2014 |
| 6,500 | 23 February 2010 |
| 43,000 | 23 February 2015 |
| 86,000 | 20 November 2015 |
| 114,000 | 6 July 2016 |
| 572,000 | 19 June 2017 |
| 659,000 | 24 June 2018 |
| 1,670,000 | |

### 16 Share Capital (continued)

As at 31 December 2007, employees held options over 1,202,000 ordinary shares (of which 600,000 are unvested) in aggregate. The number of options and their expiry dates are as follows:

| Number of options | Expiring on: |
|---|---|
| 28,000 | 30 May 2011 |
| 24,000 | 25 September 2011 |
| 34,000 | 5 April 2012 |
| 52,000 | 6 October 2012 |
| 46,000 | 26 June 2008 |
| 27,000 | 26 June 2013 |
| 33,000 | 18 December 2008 |
| 26,000 | 18 December 2013 |
| 23,000 | 22 August 2009 |
| 43,000 | 22 August 2014 |
| 23,000 | 23 February 2010 |
| 43,000 | 23 February 2015 |
| 86,000 | 20 November 2015 |
| 114,000 | 6 July 2016 |
| 600,000 | 19 June 2017 |
| 1,202,000 | |

Share options granted under the employees share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are contained in Note 20(e).

### 17 Capital Reserves

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008 $'000** | 2007 $'000 | **2008 $'000** | 2007 $'000 |
| Currency translation reserve: | | | | |
| At beginning of year | **(10)** | (7) | **–** | – |
| Arising during the year | **(20)** | (3) | **–** | – |
| At end of year | **(30)** | (10) | **–** | – |
| | | | | |
| Share option reserve: | | | | |
| At beginning of year | **25** | 33 | **25** | 33 |
| Recognition of share-based payments | **31** | 19 | **31** | 19 |
| Exercise of share options | **(3)** | (27) | **(3)** | (27) |
| At end of year | **53** | 25 | **53** | 25 |
| | | | | |
| Revaluation reserve: | | | | |
| At beginning and end of year | **3,073** | 3,073 | **3,073** | 3,073 |
| | | | | |
| Net | **3,096** | 3,088 | **3,126** | 3,098 |

The revaluation reserve relates to valuation of leasehold land (Note 11), which is not available for distribution to the Company's shareholders.

The share option reserve arises on the grant of share options to employees under the employee share option plan. Further information about share-based payments to employees is set out in Notes 16 and 20(e).

## 18 Turnover

Turnover comprises the following amounts:

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Vehicle inspection business | **22,527** | 20,276 |
| Vehicle assessment | **2,601** | 2,577 |
| Test and inspection services | **43,684** | 37,334 |
| Rental income | **1,612** | 1,491 |
| Other related business | **3,287** | 2,934 |
| | **73,711** | 64,612 |

## 19 Other Operating Income

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Sundry income | **134** | 135 |

## 20 Staff Costs

a) Directors' remuneration (included in staff costs)

The remuneration of the Directors is determined by the Remuneration Committee having regard to the performance of the individual and the Group, as follows:

| | The Group | | | |
|---|---|---|---|---|
| **Remuneration band** | Salary % | Bonus % | Others % | Total compensation % |
| **2008** | | | | |
| $250,000 to $499,999 | | | | |
| Heng Chye Kiou | 49 | 41 | 10 | 100 |
| **2007** | | | | |
| $250,000 to $499,999 | | | | |
| Heng Chye Kiou | 51 | 38 | 11 | 100 |

The remuneration of all the other non-executive Directors is below $250,000 and comprised entirely of Directors' fees (Note 22).

**20 Staff Costs** (continued)

b) Key executives' remuneration (included in staff costs)

The remuneration of the key executives (excluding Directors of the Group) is determined by the Remuneration Committee having regard to the performance of the individuals and the Group, as follows:

| | The Group | | | |
|---|---|---|---|---|
| **Remuneration band** | Salary % | Bonus % | Others % | Total compensation % |
| **2008** | | | | |
| $250,000 to $499,999 | | | | |
| No. of executives : 2 | 52 | 36 | 12 | 100 |
| Below $250,000 | | | | |
| No. of executives : 3 | 60 | 31 | 9 | 100 |
| **2007** | | | | |
| $250,000 to $499,999 | | | | |
| No. of executives : 1 | 51 | 35 | 14 | 100 |
| Below $250,000 | | | | |
| No. of executives : 4 | 62 | 29 | 9 | 100 |

c) The remuneration of the Directors and key executives comprises mainly of short term benefits amounting to $1,687,000 (2007 : $1,375,000).

| | The Group | |
|---|---|---|
| | **2008 $'000** | 2007 $'000 |
| d) Cost of defined contribution plans (included in staff costs) | **2,747** | 2,584 |

The employees of the Company and some of the subsidiaries are members of defined contribution retirement scheme. The Company and these subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement scheme to fund the benefits. The only obligation of the Company and these subsidiaries with respect to the scheme is to make the specified contributions.

e) Share-based payments

### Equity-settled share option scheme

The Company has a share option scheme for some employees and all Directors of the Company. The scheme is administered by the Remuneration Committee. Options are exercisable at a subscription price determined with reference to the market price of the shares at the time of grant of the options. The vesting period is 1 year. If the options remain unexercised after a period of 10 years (5 years for non-executive Directors) from the date of the grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

| | The Group and The Company | | | |
|---|---|---|---|---|
| | **2008** | | 2007 | |
| | Number of share options | Weighted average exercise price $ | Number of share options | Weighted average exercise price $ |
| Outstanding at the beginning of the year | **1,202,000** | **1.2499** | 2,118,000 | 0.8932 |
| Granted during the year | **659,000** | **1.8400** | 600,000 | 1.6570 |
| Lapsed during the year | **–** | **–** | (90,000) | 0.9695 |
| Exercised during the year | **(191,000)** | **0.9376** | (1,426,000) | 0.9091 |
| Outstanding at the end of the year | **1,670,000** | **1.5185** | 1,202,000 | 1.2499 |
| Exercisable at the end of the year | **1,011,000** | **1.3089** | 602,000 | 0.8442 |

**20 Staff Costs** (continued)

The weighted average share price at the date of exercise for share options exercised during the year was $1.7627 (2007 : $1.6596). The options outstanding at the end of the year have an average remaining contractual life of 8.13 years (2007 : 8 years). For further details on the exercise prices of the options outstanding at the end of the year, please refer to the Report of the Directors.

In 2008, options were granted on 25 June. The estimated fair value of the options granted on this date was $0.0507. In 2007, options were granted on 20 June. The estimated fair value of the options granted on this date was $0.0488.

From 2006 onwards, no options would be granted to non-executive Directors.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

| | **2008** | 2007 |
|---|---|---|
| Weighted average share price ($) | **1.830** | 1.680 |
| Weighted average exercise price ($) | **1.840** | 1.657 |
| Expected volatility (%) | **17.19** | 14.16 |
| Expected life (years) | **3** | 3 |
| Risk free rate (%) | **1.65** | 2.51 |
| Expected dividend yield (%) | **10.0** | 8.7 |

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years (2007 : 3 years). The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group and the Company recognised total expenses of $31,000 (2007 : $19,000) related to equity-settled share-based payment transactions during the year.

**21 Taxation**

| | **The Group** | |
|---|---|---|
| | **2008** **$'000** | 2007 $'000 |
| Taxation charge in respect of profit for the financial year: | | |
| Current taxation | | |
| Singapore | **3,912** | 3,403 |
| Foreign | **19** | 42 |
| Deferred tax (Note 15) | **8** | (61) |
| Adjustment in respect of overprovision in prior years: | | |
| Current taxation | **(220)** | (172) |
| Deferred tax (Note 15) | **114** | – |
| | **3,833** | 3,212 |

The taxation charge varied from the amount of taxation charge determined by applying the Singapore income tax rate of 18% (2007 : 18%) to profit before taxation as a result of the following differences:

| | **The Group** | |
|---|---|---|
| | **2008** **$'000** | 2007 $'000 |
| Profit before taxation | **20,018** | 17,020 |
| Taxation at the domestic income tax rate of 18% | **3,603** | 3,064 |
| Non-allowable items | **452** | 546 |
| Tax-exempt income | **(115)** | (110) |
| Overprovision in prior years | **(106)** | (172) |
| Effect of change in tax rate | **–** | (99) |
| Utilisation of deferred tax benefit previously not recognised | **(1)** | (17) |
| | **3,833** | 3,212 |

## 21 Taxation (continued)

The Group has tax loss carryforwards available for offsetting against future taxable income as follows:

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| Amount at beginning of year | **10** | 225 |
| Adjustment to prior year | **(4)** | (97) |
| Amount utilised in current year | **(6)** | (118) |
| Amount at end of year | **–** | 10 |
| | | |
| Deferred tax benefit on above unrecorded | **–** | 2 |

The Group has temporary differences from capital allowances available for offsetting against future taxable income as follows:

| | The Group | |
|---|---|---|
| | 2008 $'000 | 2007 $'000 |
| Amount at beginning of year | **32** | – |
| Adjustment to prior year | **2** | 10 |
| Amount in current year | **–** | 22 |
| Amount utilised in current year | **(34)** | – |
| Amount at end of year | **–** | 32 |
| | | |
| Deferred tax benefit on above not recorded | **–** | 6 |

The realisation of future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

## 22 Profit After Taxation

In addition to the charges and (credits) disclosed elsewhere in the notes to the profit and loss statement, this item includes the following charges (credits):

| | The Group | |
|---|---|---|
| | 2008 $'000 | 2007 $'000 |
| Directors' fees | **205** | 202 |
| Foreign currency exchange adjustment loss | **10** | 5 |
| Loss on disposal of vehicles, premises and equipment | **1** | 18 |
| Write-back of allowance for doubtful trade receivables | **(105)** | (161) |
| Bad debts written off | **59** | 15 |
| Audit fees: | | |
| Auditors of the Company | | |
| – Current | **68** | 66 |
| – Overprovision in prior years | **–** | (2) |
| Other auditors | **2** | 2 |
| Non-audit fees: | | |
| Auditors of the Company | | |
| – Current | **23** | 22 |
| – Overprovision in prior years | **(1)** | – |
| Other auditors | | |
| – Overprovision in prior years | **(5)** | – |

## 23 Earnings Per Share

Earnings per share is calculated by dividing the Group's net profit attributable to shareholders of the Company for the year by the weighted average number of ordinary shares in issue during the financial year as follows:

| | 2008 | 2007 |
|---|---|---|
| Profit attributable to shareholders of the Company ($'000) | **15,794** | 13,500 |
| Weighted average number of ordinary shares in issue (thousands) | **84,873** | 84,761 |
| Basic earnings per share (in cents) | **18.61** | 15.93 |

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares which are the share options granted to employees and Directors. A calculation is done to determine the number of shares that could have been acquired at market price (determined as the average share price of the Company's shares for the financial year) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the 'unpurchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution.

| | 2008 | 2007 |
|---|---|---|
| Profit attributable to shareholders of the Company ($'000) | **15,794** | 13,500 |
| Weighted average number of ordinary shares in issue (thousands) | **84,873** | 84,761 |
| Adjustments for share options (thousands) | **225** | 295 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share (thousands) | **85,098** | 85,056 |
| Diluted earnings per share (in cents) | **18.56** | 15.87 |

## 24 Business Segments Information

**Business segments**

For management purposes, the Group is currently organised into five operating divisions – vehicle inspection business, vehicle assessment, test and inspection services, rental income and other related business.

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's profit and loss statement that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and property, plant and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire property, plant and equipment, and intangible assets directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of accounts payable and accruals.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. These transfers are eliminated on consolidation.

## 24 Business Segments Information (continued)

(a) Business segments

| | Vehicle inspection business $'000 | Vehicle assessment $'000 | Test and inspection services $'000 | Rental income $'000 | Other related business $'000 | Elimination $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2008** | | | | | | | |
| Turnover | | | | | | | |
| External sales | **22,527** | **2,601** | **43,684** | **1,612** | **3,287** | **–** | **73,711** |
| Inter-segment sales | **1** | **–** | **3** | **6,303** | **–** | **(6,307)** | **–** |
| Total | **22,528** | **2,601** | **43,687** | **7,915** | **3,287** | **(6,307)** | **73,711** |
| Result | | | | | | | |
| Segment result | **7,061** | **56** | **5,572** | **4,882** | **2,257** | **–** | **19,828** |
| Interest income | | | | | | | **190** |
| Profit before taxation | | | | | | | **20,018** |
| Taxation | | | | | | | **(3,833)** |
| Profit after taxation | | | | | | | **16,185** |
| Minority interests | | | | | | | **(391)** |
| Profit attributable to shareholders of the Company | | | | | | | **15,794** |
| Other Information | | | | | | | |
| Additions to vehicles, premises and equipment | **245** | **4** | **4,027** | **–** | **176** | **–** | **4,452** |
| Depreciation expense | **1,324** | **42** | **2,086** | **–** | **1,620** | **–** | **5,072** |
| Balance Sheet | | | | | | | |
| Assets | | | | | | | |
| Segment assets | **7,166** | **510** | **18,744** | **–** | **52,367** | **–** | **78,787** |
| Goodwill | **2,057** | **–** | **9,268** | **–** | **–** | **–** | **11,325** |
| Unallocated corporate assets | | | | | | | **315** |
| Consolidated total assets | | | | | | | **90,427** |
| Liabilities | | | | | | | |
| Segment liabilities | **2,351** | **141** | **11,894** | **–** | **1,759** | **–** | **16,145** |
| Unallocated corporate liabilities | | | | | | | **5,015** |
| Consolidated total liabilities | | | | | | | **21,160** |

## 24 **Business Segments Information** (continued)

(a) Business segments (continued)

| | Vehicle inspection business $'000 | Vehicle assessment $'000 | Test and inspection services $'000 | Rental income $'000 | Other related business $'000 | Elimination $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2007** | | | | | | | |
| Turnover | | | | | | | |
| External sales | 20,276 | 2,577 | 37,334 | 1,491 | 2,934 | – | 64,612 |
| Inter-segment sales | 1 | – | 2 | 5,837 | – | (5,840) | – |
| Total | 20,277 | 2,577 | 37,336 | 7,328 | 2,934 | (5,840) | 64,612 |
| Result | | | | | | | |
| Segment result | 5,834 | (30) | 4,722 | 4,404 | 1,832 | – | 16,762 |
| Interest income | | | | | | | 258 |
| Profit before taxation | | | | | | | 17,020 |
| Taxation | | | | | | | (3,212) |
| Profit after taxation | | | | | | | 13,808 |
| Minority interests | | | | | | | (308) |
| Profit attributable to shareholders of the Company | | | | | | | 13,500 |
| Other Information | | | | | | | |
| Additions to vehicles, premises and equipment | 468 | 16 | 1,550 | – | 338 | – | 2,372 |
| Depreciation expense | 1,361 | 82 | 1,598 | – | 1,632 | – | 4,673 |
| Balance Sheet | | | | | | | |
| Assets | | | | | | | |
| Segment assets | 8,399 | 689 | 17,168 | – | 40,300 | – | 66,556 |
| Goodwill | 2,057 | – | 9,268 | – | – | – | 11,325 |
| Unallocated corporate assets | | | | | | | 315 |
| Consolidated total assets | | | | | | | 78,196 |
| Liabilities | | | | | | | |
| Segment liabilities | 2,372 | 141 | 9,677 | – | 1,645 | – | 13,835 |
| Unallocated corporate liabilities | | | | | | | 4,407 |
| Consolidated total liabilities | | | | | | | 18,242 |

(b) Geographical segments

The Group operates predominantly in Singapore. As such, there is no secondary reporting format.

## 25 Contingent Liabilities

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008 $'000** | 2007 $'000 | **2008 $'000** | 2007 $'000 |
| Bankers' guarantees (unsecured) | **54** | 54 | **–** | – |

## 26 Capital Expenditure Commitments

Capital commitments contracted but not provided for in the financial statements:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008 $'000** | 2007 $'000 | **2008 $'000** | 2007 $'000 |
| Expenditure contracted for: | | | | |
| Vehicles, premises and equipment | **1,445** | 864 | **242** | 19 |

## 27 Operating Lease Arrangements

### The Group and the Company as lessee

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008 $'000** | 2007 $'000 | **2008 $'000** | 2007 $'000 |
| Minimum lease payments under operating leases recognised as an expense in the year | **1,384** | 1,184 | **807** | 769 |

The annual rentals for certain premises are subject to review every year at a variable rate up to a maximum of 5.5% (2007 : 5.5%) of the immediate preceding years' annual rent. Leases are negotiated for an average term of 30 years and rentals are fixed for an average of a year.

At the balance sheet date, the Group and the Company have commitments in respect of non-cancellable operating leases, at prevailing rental rates, as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008 $'000** | 2007 $'000 | **2008 $'000** | 2007 $'000 |
| Within one year | **1,372** | 1,235 | **823** | 778 |
| In the second to fifth year inclusive | **4,706** | 4,588 | **3,275** | 3,110 |
| After five years | **19,191** | 19,326 | **12,728** | 12,837 |
| | **25,269** | 25,149 | **16,826** | 16,725 |

### The Group and the Company as lessor

The Group and the Company rent out their lettable space in Singapore. Rental income earned by the Group and the Company during the year were $1,612,000 (2007 : $1,491,000) and $7,833,000 (2007 : $7,243,000) respectively.

At the balance sheet date, the Group and the Company have contracted with tenants for the following future minimum lease payments:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008 $'000** | 2007 $'000 | **2008 $'000** | 2007 $'000 |
| Within one year | **1,406** | 1,306 | **1,836** | 1,732 |
| In the second to fifth year inclusive | **1,085** | 800 | **1,085** | 802 |
| Total | **2,491** | 2,106 | **2,921** | 2,534 |

## 28 Additional Information on Financial Assets and Liabilities

### Financial Risk Management of the Group

The Group recognises that management of financial risk is an important aspect in its drive towards creating shareholders' value. It is the Group's policy not to participate in speculative financial instruments. Management oversees financial risk management and regularly reviews its policy governing risk management practices.

## 28 Additional Information on Financial Assets and Liabilities (continued)

### Foreign exchange risk

The Group operates predominantly in Singapore and therefore is not exposed to any material foreign currency exchange risk.

### Interest rate risk

The Group's exposure to interest rate risks relate primarily to its fixed deposit placements with financial institutions. The Group's policy is to obtain the most favourable interest rate available without exposing itself to any unnecessary risk. Interest rate risk is managed by placing deposits on varying maturities and terms. Based on the current interest rate level, any future variations in interest rates are not expected to have significant impact on the Group's results.

### Credit risk

The Group has policies in place to ensure that customers are of adequate financial standing and have appropriate credit history. In its management of credit risk, the Group practices credit review and sets counterparty credit limits. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the large, diversified and unrelated customer base.

The carrying amount of financial assets represents the Group's maximum exposure to credit risk.

### Liquidity risk

The Group regularly reviews its liquidity reserves comprising free cashflows from its operations and undrawn credit facilities with banks. It ensures that there is sufficient credit lines available to support its liquidity needs.

### Fair values of financial assets and financial liabilities

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.

### Capital risk management policies and objectives

The Group's capital management objectives are to safeguard its ability to continue as a going concern and to maximise shareholder value. Management monitors the gross and net gearing of the Group and its implication on weighted average cost of capital in deciding the optimal capital structure. The objectives and policies determine the Group's decisions on the amount of dividend payment to shareholder as well as the sources of capital, be it equity or debt.

## 29 Dividends

(a) During the financial year, the Company paid dividends as follows:

| | **2008<br>$'000** | 2007<br>$'000 |
|---|---|---|
| **Final** | | |
| Normal dividend in respect of the previous financial year: | | |
| – 2.75 cents (2007 : 5.65 cents per ordinary share less tax at 18%) per ordinary share tax-exempt (one-tier) | **2,348** | 3,915 |
| Special dividend in respect of the previous financial year: | | |
| – Nil cents (2007 : 5.00 cents per ordinary share less tax at 18%) | **–** | 3,465 |
| **Interim** | | |
| Normal dividend in respect of the current financial year: | | |
| – 5.00 cents (2007 : 3.00 cents per ordinary share less tax at 18%) per ordinary share tax-exempt (one-tier) | **4,274** | 2,097 |
| Special dividend in respect of the current financial year: | | |
| – Nil cents (2007 : 12.50 cents per ordinary share less tax at 18%) | **–** | 8,740 |
| Total | **6,622** | 18,217 |

(b) Subsequent to the balance sheet date, the Directors of the Company recommended that a final one-tier tax-exempt dividend be paid at 4.25 cents per ordinary share totalling $3,634,000 for the financial year just ended.

The dividends are subject to approval by shareholders at the forthcoming Annual General Meeting and hence the proposed dividends have not been accrued as a liability for the current financial year.

# Statement of Directors

In the opinion of the Directors, the consolidated financial statements of the Group and the balance sheet of the Company as set out on pages 30 to 57 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

**Lim Jit Poh**
Chairman

**Heng Chye Kiou**
Chief Executive Officer

Singapore
11 February 2009