Financial Statements

Contents

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 2010 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2010.

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)*
Goh Yeow Tin	*(Appointed on 1 September 2010)*
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 in paragraphs 3 and 5 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 name of Directors			Shareholdings in which Directors are deemed to have an interest		
Name of Directors and companies in which interests are held	**At 1 January 2010**	**At 31 December 2010**	**At 21 January 2011**	**At 1 January 2010**	**At 31 December 2010**	**At 21 January 2011**
Interest in the Company						
(a) Ordinary shares						
Lim Jit Poh	190,000	190,000	190,000	–	–	–
Kua Hong Pak	54,000	54,000	54,000	–	–	–
Heng Chye Kiou	50,000	210,000	210,000	1,280,000	1,280,000	1,280,000
Ho Kah Leong	32,500	39,000	39,000	–	–	–
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						
Heng Chye Kiou	300,000	280,000	280,000	–	–	–
Ho Kah Leong	6,500	–	–	–	–	–

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

Name of Directors and companies in which interests are held	Shareholdings registered in the name of Directors			Shareholdings in which Directors are deemed to have an interest		
	At 1 January 2010	At 31 December 2010	At 21 January 2011	At 1 January 2010	At 31 December 2010	At 21 January 2011
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	400,000	400,000	400,000	–	–	–
Kua Hong Pak	495,000	360,000	360,000	–	–	–
Interest in holding company, ComfortDelGro Corporation Limited						
(a) Ordinary shares						
Lim Jit Poh	844,425	844,425	844,425	–	–	–
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	–	–	–
(b) Options to subscribe for ordinary shares						
Lim Jit Poh	1,180,000	1,120,000	1,120,000	–	–	–
Kua Hong Pak	6,000,000	7,200,000	7,200,000	–	–	–
Heng Chye Kiou	940,000	1,100,000	1,100,000	–	–	–

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, 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 for salaries, bonuses and other benefits 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 for a period of 10 years 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, Lim Jit Poh and Sim Cheok Lim.

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 Remuneration Committee administering The 2001 Scheme.

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					
Date of grant	**Outstanding at 1 January 2010**	**Granted**	**Exercised**	**Outstanding at 31 December 2010**	**Subscription price per share**	**Expiry date**
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	24,000	–	6,000	18,000	$0.628	5 April 2012
7 October 2002	40,000	–	7,000	33,000	$0.600	6 October 2012
27 June 2003	12,000	–	–	12,000	$0.760	26 June 2013
19 December 2003	12,000	–	–	12,000	$0.865	18 December 2013
23 August 2004	8,000	–	–	8,000	$0.953	22 August 2014
24 February 2005	6,500	–	6,500	–	$0.998	23 February 2010
24 February 2005	8,000	–	–	8,000	$0.998	23 February 2015
21 November 2005	86,000	–	70,000	16,000	$0.933	20 November 2015
7 July 2006	114,000	–	70,000	44,000	$1.000	6 July 2016
20 June 2007	533,000	–	183,000	350,000	$1.657	19 June 2017
25 June 2008	609,000	–	235,000	374,000	$1.840	24 June 2018
1 July 2009	677,000	–	65,000	612,000	$1.793	30 June 2019
13 July 2010	–	823,000	–	823,000	$2.680	12 July 2020
	2,181,500	823,000	694,500	2,310,000		

5 SHARE OPTIONS (CONT'D)

(i) Details of the options granted to Directors during the financial year and since the commencement of The 2001 Scheme up to 31 December 2010 were as follows:

	Number of options to subscribe for ordinary shares			
Director	**Granted during the year ended 31 December 2010**	**Aggregate options granted since the commencement to 31 December 2010**	**Aggregate options exercised/lapsed since the commencement to 31 December 2010**	**Aggregate options outstanding at 31 December 2010**
Lim Jit Poh	–	160,000	160,000	–
Kua Hong Pak	–	54,000	54,000	–
Heng Chye Kiou	140,000	1,470,000	1,190,000	280,000
Ho Kah Leong	–	39,000	39,000	–
Ong Teong Wan	–	92,000	92,000	–
Sim Cheok Lim	–	80,000	80,000	–
Teo Geok Har, Nancy	–	80,000	80,000	–

(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 four non-executive and independent Directors:

Sim Cheok Lim *(Chairman)*
Goh Yeow Tin
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.

Report Of The Directors

6 AUDIT COMMITTEE (CONT'D)

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
10 February 2011

Statement of Directors

In the opinion of the Directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 37 to 76 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 2010 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company 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
10 February 2011

Independent Auditors' Report

to the Members of VICOM Ltd and its Subsidiaries

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of VICOM Ltd (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2010, the income statement, comprehensive income statement, statement of changes in equity and cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 76.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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 about 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 of the financial statements that give a true and fair view 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, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity 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 2010 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by 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
Singapore

10 February 2011

Statements Of Financial Position

31 December 2010

	Note	The Group		The Company	
		2010 $'000	2009 $'000	2010 $'000	2009 $'000
ASSETS					
Current assets					
Cash and bank balances	5	49,083	42,377	46,987	40,001
Trade receivables	6	6,935	6,553	1,468	1,302
Other receivables and prepayments	7	1,498	861	887	633
Inventories		10	25	–	–
Total current assets		57,526	49,816	49,342	41,936
Non-current assets					
Subsidiaries	8	–	–	26,187	26,196
Associate	9	40	–	–	–
Other receivables and prepayments	7	103	26	–	–
Club memberships	10	315	315	315	315
Vehicles, premises and equipment	11	48,876	43,297	33,445	27,792
Goodwill	12	11,325	11,325	–	–
Total non-current assets		60,659	54,963	59,947	54,303
Total assets		118,185	104,779	109,289	96,239
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	13	18,745	18,707	41,086	36,560
Income tax payable		4,392	4,133	1,499	1,347
Total current liabilities		23,137	22,840	42,585	37,907
Non-current liability					
Deferred tax liabilities	14	1,728	1,168	375	160
Capital, reserves and non-controlling interests					
Share capital	15	31,355	30,296	31,355	30,296
Capital reserves	16	3,263	3,144	3,284	3,175
Accumulated profits		57,372	45,800	31,690	24,701
Equity attributable to shareholders of the Company		91,990	79,240	66,329	58,172
Non-controlling interests		1,330	1,531	–	–
Total equity		93,320	80,771	66,329	58,172
Total liabilities and equity		118,185	104,779	109,289	96,239

See accompanying notes to the financial statements.

Group Income Statement

Year Ended 31 December 2010

	Note	The Group 2010 $'000	The Group 2009 $'000
Revenue	21	83,978	77,953
Staff costs	17	(36,039)	(33,975)
Depreciation expense	11	(5,388)	(5,199)
Repairs and maintenance		(1,440)	(1,246)
Materials and consumables		(2,723)	(2,132)
Contract services		(3,816)	(3,678)
Premises costs		(2,737)	(2,331)
Insurance		(151)	(146)
Other operating expenses		(4,788)	(4,695)
Total operating expenses		(57,082)	(53,402)
Operating profit		26,896	24,551
Net income from investments		26	–
Interest income		162	149
Share of loss in associate		(10)	–
Profit before taxation		27,074	24,700
Taxation	18	(4,725)	(4,361)
Profit after taxation	19	22,349	20,339
Attributable to:			
Shareholders of the Company		22,165	20,037
Non-controlling interests		184	302
		22,349	20,339
Earnings per share (in cents):			
Basic	20	25.76	23.41
Diluted	20	25.59	23.33

See accompanying notes to the financial statements.

Group Comprehensive Income Statement

Year Ended 31 December 2010

	Note	The Group 2010 $'000	2009 $'000
Profit after taxation		22,349	20,339
Exchange differences arising on translation of foreign operations	16	10	(1)
Other comprehensive income (expense) for the year		10	(1)
Total comprehensive income for the year		22,359	20,338
Total comprehensive income attributable to:			
Shareholders of the Company		22,175	20,036
Non-controlling interests		184	302
		22,359	20,338

See accompanying notes to the financial statements.

Statements Of Changes In Equity

Year Ended 31 December 2010

	The Group					
	Attributable to shareholders of the Company					
	Share capital $'000	Capital reserves $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2009	**30,056**	**3,096**	**34,366**	**67,518**	**1,749**	**69,267**
Total comprehensive (expense) income for the year	–	(1)	20,037	20,036	302	20,338
Exercise of share options (Notes 15 and 16)	240	(9)	–	231	–	231
Recognition of share-based payments	–	58	–	58	–	58
Payment of dividends (Note 25)	–	–	(8,603)	(8,603)	–	(8,603)
Payment of dividends to non-controlling interests	–	–	–	–	(520)	(520)
Balance at 31 December 2009	**30,296**	**3,144**	**45,800**	**79,240**	**1,531**	**80,771**
Total comprehensive income for the year	–	10	22,165	22,175	184	22,359
Exercise of share options (Notes 15 and 16)	1,059	(31)	–	1,028	–	1,028
Recognition of share-based payments	–	140	–	140	–	140
Payment of dividends (Note 25)	–	–	(10,593)	(10,593)	–	(10,593)
Payment of dividends to non-controlling interests	–	–	–	–	(385)	(385)
Balance at 31 December 2010	**31,355**	**3,263**	**57,372**	**91,990**	**1,330**	**93,320**

See accompanying notes to the financial statements.

Statements Of Changes In Equity

Year Ended 31 December 2010

	The Company			
	Share capital $'000	Capital reserves $'000	Accumulated profits $'000	Total equity $'000
Balance at 1 January 2009	**30,056**	**3,126**	**17,144**	**50,326**
Total comprehensive income for the year	–	–	16,160	16,160
Exercise of share options (Notes 15 and 16)	240	(9)	–	231
Recognition of share-based payments	–	58	–	58
Payment of dividends (Note 25)	–	–	(8,603)	(8,603)
Balance at 31 December 2009	**30,296**	**3,175**	**24,701**	**58,172**
Total comprehensive income for the year	–	–	17,582	17,582
Exercise of share options (Notes 15 and 16)	1,059	(31)	–	1,028
Recognition of share-based payments	–	140	–	140
Payment of dividends (Note 25)	–	–	(10,593)	(10,593)
Balance at 31 December 2010	**31,355**	**3,284**	**31,690**	**66,329**

See accompanying notes to the financial statements.

Group Cash Flow Statement

Year Ended 31 December 2010

	2010 $'000	2009 $'000
Operating activities		
Profit before taxation	27,074	24,700
Adjustments for:		
Depreciation expense	5,388	5,199
Interest income	(162)	(149)
Loss (Gain) on disposal of vehicles, premises and equipment	29	(15)
Share-based payment expense	140	58
Write-back for doubtful trade receivables	(20)	(71)
Share of loss in associate	10	–
Net income from investments	(26)	–
Operating cash flows before movements in working capital	32,433	29,722
Trade receivables	(362)	1,159
Other receivables and prepayments	(709)	83
Inventories	15	27
Trade and other payables	38	2,562
Cash generated from operations	31,415	33,553
Income tax paid	(3,906)	(4,075)
Net cash from operating activities	27,509	29,478
Investing activities		
Purchase of vehicles, premises and equipment	(11,092)	(7,915)
Funding from Land Transport Authority for Vehicle Emission Test Laboratory	98	1,859
Proceeds from disposal of vehicles, premises and equipment	20	24
Investment in associate	(50)	–
Interest received	167	132
Net cash used in investing activities	(10,857)	(5,900)
Financing activities		
Proceeds from exercise of share options	1,028	231
Dividends paid to non-controlling interests	(385)	(520)
Dividends paid (Note 25)	(10,593)	(8,603)
Net cash used in financing activities	(9,950)	(8,892)
Net effect of exchange rate changes in consolidating subsidiaries	4	–
Net increase in cash and cash equivalents	6,706	14,686
Cash and cash equivalents at beginning of year	42,377	27,691
Cash and cash equivalents at end of year (Note 5)	49,083	42,377

See accompanying notes to the financial statements.

1 GENERAL

The Company (Registration No. 198100320K) is incorporated in the Republic of Singapore with its registered office at 205 Braddell Road, Singapore 579701. Its principal place of business is at 385 Sin Ming Drive, Singapore 575718. The Company is listed on the Singapore Exchange Securities Trading Limited.

The principal activities of the Company are those of an investment holding company and the provision of motor vehicle evaluation and other related services. The principal activities of the companies in the Group include the provision of motor vehicle inspection services and provision of non-vehicle testing, inspection and consultancy services, as 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 2010 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2010 were authorised for issue by the Board of Directors on 10 February 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis, 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 ("FRS").

ADOPTION OF REVISED FINANCIAL STANDARDS – In the current financial year, the Group has adopted all the revised FRSs that are relevant to its operations and effective for annual periods beginning on 1 January 2010.

The following are the revised FRSs that are relevant to the Group:

FRS 27 (Revised)	–	Consolidation and Separate Financial Statements
FRS 103 (Revised)	–	Business Combinations

The adoption of these revised FRSs has no material effect on the amounts reported for the current or prior years.

REVISED STANDARD AND IMPROVEMENTS TO THE STANDARDS NOT YET ADOPTED – The Group has not applied the following accounting standards (including improvements to FRSs issued in October 2010) that have been issued as at the end of the reporting period but are not yet effective:

FRS 24 (Revised)	–	Related Party Disclosures
Improvements to FRS 1	–	Presentation of Financial Statements
Improvements to FRS 27	–	Consolidated and Separate Financial Statements
Improvements to FRS 103	–	Business Combinations
Improvements to FRS 107	–	Financial Instruments: Disclosures

These standards are not expected to have any material impact on the Group's financial statements when they are adopted.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Any changes in the Group's interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. The difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity of the Company.

The results of subsidiaries acquired or divested during the year are included in the Group comprehensive income statement from the effective date of acquisition or up to the effective date of divestment, as appropriate.

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

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's entity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling interests' share of changes in equity since the date of the combination. Losses are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

In the statement of financial position of the Company, investments in subsidiaries and associate 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 acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group to the former owners of the acquiree in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date except for deferred tax assets or liabilities are recognised and measured in accordance with FRS 12 Income Taxes. Acquisition-related costs are recognised in profit or loss as incurred.

The interest of the non-controlling shareholders in the acquiree is initially measured at the non-controlling interest'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 statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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.

Trade and other 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provision for impairment of receivables

Trade and other receivables are assessed for indicators of provision for impairment at the end of each reporting period. 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.

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.

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.

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, comprise of spare parts for the vehicle inspection equipment, are stated at cost. 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 its 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 its 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.

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 20 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 amount 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.

ASSOCIATE – An associate is an entity over which the Group does not have control but has met the requirements for equity accounting under FRS 28 Investments in Associates.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the Group's statements of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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. 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 acquisition, the excess is recognised immediately in profit or loss.

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

IMPAIRMENT OF TANGIBLE ASSETS – At the end of each reporting period, 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 only to the extent 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 immediately in profit or loss.

PROVISIONS – Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, 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 present value of the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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 end of the reporting period.

(iii) Share-based Payments – The Company issues 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 17. 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.

Fair value is measured using the Black-Scholes pricing model. 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.

GOVERNMENT GRANTS – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group are deducted in reporting the related expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

Dividend income

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

INCOME TAX – Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets/liabilities are recognised for deductible/taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. The principal temporary differences arise from depreciation and future tax benefits from certain provisions not allowed for tax purposes until a later period. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised on 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 the end of each reporting period 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), 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 statement of financial position and statement of changes in equity 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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 or loss 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 other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

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 at the end of the reporting period. 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 recognised in other comprehensive income and accumulated in a separate component of equity.

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 recognised in other comprehensive income and accumulated in foreign currency translation reserve.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

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. 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 (CONT'D)

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.

Key sources of estimation uncertainty

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

Impairment review of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units ("CGU") to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. No provision for impairment has been recognised. The carrying amount of goodwill at the end of the reporting period and impairment is disclosed in Note 12.

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 4 years based on an estimated growth rate of approximately 4% (2009: 3%) per annum.

The discount rate applied to the forecast is assumed at 6.41% (2009: 6.48%) per annum.

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

As at 31 December 2010 and 31 December 2009, any reasonably possible changes to the key assumptions applied are not likely to cause the recoverable amount to be below the carrying amount of the CGU.

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 2010 is disclosed in Note 6.

Useful lives of vehicles, premises and equipment

As described in Note 2, the Group reviews the estimated useful lives of vehicles, premises and equipment at the end of each annual reporting period. During the financial year, Management determined that the estimated useful lives of vehicles, premises and equipment are appropriate and no material revision is required.

4 HOLDING COMPANY AND RELATED COMPANY/PARTY TRANSACTION

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

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

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

Significant related company transactions are as follows:

	The Group	
	2010 $'000	2009 $'000
Inspection fee income charged to related companies	(1,799)	(1,698)
Diesel outlet (variable rental) income charged to related company	(407)	(396)
Rental income charged to related companies	(211)	(207)
Assessment fee charged to related companies	(188)	(119)
Other fees charged to related companies	(36)	(35)
Testing fee income charged to related companies	(60)	(51)
Corporate service charges paid to holding company	350	350
Other charges paid to holding company	45	22
Other charges paid to related companies	89	78
Rental expense paid to related companies	124	127

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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cash and bank balances	1,705	1,837	347	306
Fixed deposits with financial institutions	47,378	40,540	46,640	39,695
Total	49,083	42,377	46,987	40,001

Fixed deposits are placed on a staggered basis based on the Group's cashflow projections, bear interest at effective interest rates of between 0.24% to 2.75% (2009: 0.21% to 2.50%) per annum and for a weighted average tenure of approximately 130 days (2009: 149 days). These deposits are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

6 TRADE RECEIVABLES

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Outside parties	6,734	6,362	525	393
Allowance for doubtful trade receivables	(130)	(175)	–	–
Allowance for discount allowed	(97)	(115)	–	–
Net	6,507	6,072	525	393
Non-controlling shareholders of a subsidiary	58	87	–	–
Holding company	1	–	–	–
Subsidiaries	–	–	824	749
Related companies	369	394	119	160
Total	6,935	6,553	1,468	1,302

The average credit period on sale of goods and provision of services is 30 days (2009: 30 days).

An allowance has been made for estimated irrecoverable amounts from the provision of services to outside parties of $130,000 (2009: $175,000). 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 75% (2009: 73%) 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 $1,640,000 (2009: $1,626,000) 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 45 days (2009: 43 days).

Movement in the allowance for doubtful debts

	The Group	
	2010 $'000	2009 $'000
Balance at beginning of the year	175	246
Amounts written off during the year	(25)	–
Write-back for doubtful trade receivables	(20)	(71)
Balance at end of the year	130	175

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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Denominated in:				
United States Dollars	–	102	–	–

7 OTHER RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Receivables from:				
Staff loans	13	18	–	–
Subsidiaries	–	–	–	124
Other receivables	623	619	343	413
Net GST recoverable	469	–	469	–
Interest receivable	22	27	22	21
Deposits	246	104	13	12
Prepayments	228	119	40	63
Total	1,601	887	887	633
Less: Non-current portion				
Staff loans	(7)	(12)	–	–
Deposits	(96)	(14)	–	–
	(103)	(26)	–	–
Current portion	1,498	861	887	633

The staff loans are unsecured, bear interest at 2% (2009: 2%) per annum and are repayable on a monthly basis.

8 SUBSIDIARIES

	The Company 2010 $'000	The Company 2009 $'000
Unquoted equity shares, at cost	26,196	26,196
Less: Provision for impairment	(9)	–
	26,187	26,196
Provision for impairment:		
Charge during and balance at end of year	9	–

Details of subsidiaries at 31 December 2010 are as follows:

Name of entity	Principal activity	Country of incorporation/ operation	Group's effective interest 2010 %	Group's effective interest 2009 %	Cost of investment 2010 $'000	Cost of investment 2009 $'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
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	100	–	–
					26,196	26,196

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 ASSOCIATE

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Unquoted equity shares, at cost	50	–	–	–
Less: Share of post-acquisition reserves	(10)	–	–	–
Net	40	–	–	–

a) Details of the associate at 31 December 2010 is as follows:

Associate of Setsco Consultancy International Pte Ltd	Principal activity	Country of incorporation/ operations	Group's effective interest		Cost of Investment	
			2010 %	2009 %	2010 $'000	2009 $'000
Setsco Middle East Laboratory LLC	Provision of testing, inspection, training, certification and consultancy services	Abu Dhabi, United Arab Emirates/Dormant	49	–	50	–

The associate was set up on 30 November 2010 and is dormant as at 31 December 2010. The accounts have not been audited.

b) Summarised financial information for the period ended 31 December 2010 in respect of the Group's associate is set out below:

	2010 $'000	2009 $'000
Total assets and net assets	77	–
Group's share of associate's net assets	38	–
Loss for the year	20	–
Group's share of associate's loss for the year	10	–

10 CLUB MEMBERSHIPS

	The Group and The Company 2010 $'000	2009 $'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
Group		
Cost or valuation:		
At 1 January 2009	47,236	7,300
Additions	529	–
Disposals	(25)	–
Transfers from capital work-in-progress	180	–
Exchange differences	–	–
At 31 December 2009	47,920	7,300
Additions	141	–
Disposals	(76)	–
Transfers from capital work-in-progress	129	–
Exchange differences	–	–
At 31 December 2010	48,114	7,300
Comprising:		
At cost	48,114	–
At valuation	–	7,300
Total	48,114	7,300
Accumulated depreciation:		
At 1 January 2009	19,834	2,205
Depreciation	1,844	161
Disposals	(25)	–
Exchange differences	–	–
At 31 December 2009	21,653	2,366
Depreciation	1,835	161
Disposals	(75)	–
Exchange differences	–	–
At 31 December 2010	23,413	2,527
Carrying amounts:		
At 31 December 2010	24,701	4,773
At 31 December 2009	26,267	4,934

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
1,664	25,207	838	2,283	97	84,625
91	4,726	508	79	109	6,042
(121)	(495)	–	(67)	–	(708)
–	26	–	–	(206)	–
–	(4)	–	–	–	(4)
1,634	29,460	1,346	2,295	–	89,955
113	1,594	137	147	8,878	11,010
(276)	(703)	(46)	(679)	–	(1,780)
5	629	–	–	(763)	–
–	8	3	1	–	12
1,476	30,988	1,440	1,764	8,115	99,197
1,476	30,988	1,440	1,764	8,115	91,897
–	–	–	–	–	7,300
1,476	30,988	1,440	1,764	8,115	99,197
1,302	16,381	389	2,050	–	42,161
122	2,700	201	171	–	5,199
(120)	(487)	–	(67)	–	(699)
–	(2)	(1)	–	–	(3)
1,304	18,592	589	2,154	–	46,658
138	2,894	246	114	–	5,388
(270)	(685)	(46)	(655)	–	(1,731)
–	4	2	–	–	6
1,172	20,805	791	1,613	–	50,321
304	10,183	649	151	8,115	48,876
330	10,868	757	141	–	43,297

11 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

	Leasehold buildings $'000	Leasehold land $'000
Company		
Cost or valuation:		
At 1 January 2009	37,069	7,300
Additions	475	–
Disposals	–	–
Transfers from capital work-in-progress	180	–
At 31 December 2009	37,724	7,300
Additions	109	–
Disposals	–	–
At 31 December 2010	37,833	7,300
Comprising:		
At cost	37,833	–
At valuation	–	7,300
Total	37,833	7,300
Accumulated depreciation:		
At 1 January 2009	15,669	2,205
Depreciation	1,440	161
Disposals	–	–
At 31 December 2009	17,109	2,366
Depreciation	1,467	161
Disposals	–	–
At 31 December 2010	18,576	2,527
Carrying amounts:		
At 31 December 2010	19,257	4,773
At 31 December 2009	20,615	4,934

	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
	1,039	148	109	415	97	46,177
	18	2,192	12	5	83	2,785
	(13)	(2)	–	(18)	–	(33)
	–	–	–	–	(180)	–
	1,044	2,338	121	402	–	48,929
	6	6	–	5	7,300	7,426
	(16)	–	–	(27)	–	(43)
	1,034	2,344	121	380	7,300	56,312
	1,034	2,344	121	380	7,300	49,012
	–	–	–	–	–	7,300
	1,034	2,344	121	380	7,300	56,312
	997	143	109	396	–	19,519
	14	24	1	11	–	1,651
	(13)	(2)	–	(18)	–	(33)
	998	165	110	389	–	21,137
	17	121	2	5	–	1,773
	(16)	–	–	(27)	–	(43)
	999	286	112	367	–	22,867
	35	2,058	9	13	7,300	33,445
	46	2,173	11	13	–	27,792

11 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

On 23 February 2009, the Company entered into an agreement with Land Transport Authority of Singapore (LTA) to set up a Vehicle Emission Test Laboratory to conduct vehicle emission tests and studies of which a portion of the set-up cost will be funded by LTA.

As at 31 December 2010, $4.7 million (2009: $4.7 million) has been incurred for the setting up of the laboratory and approximately $2.3 million (2009: $2.3 million), which was the grant that was received or receivable from LTA has been deducted against the cost of the assets in arriving at the carrying amounts of these assets. During the year, $98,000 (2009: $1,859,000) was received from LTA.

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	
	2010 $'000	2009 $'000
Leasehold land	–	75

Included in capital work-in-progress is a lump sum land premium of $7.3 million paid for the renewal of the lease for another 30 years effective from 1 January 2011.

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	9,625.0 sq metre	30 years from October 1995 with option to renew another 30 years	Inspection, testing and assessment services
The Company	100%	No. 385 Sin Ming Drive Singapore 575718	10,852.6 sq metre	30 years from January 2011	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 services
The Company	100%	No. 501 Yishun Industrial Park A Singapore 768732	1,104.9 sq metre	24 years from July 1989 with option to renew another 30 years	Inspection 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

11 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

Held by	Group's effective interest	Location	Approximate land area	Tenure	Usage
The Company	100%	No. 20 Changi North Crescent Singapore 499613	6,015.0 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	30 years from February 2009	Testing, inspection and consultancy services
JIC Inspection Services Pte Ltd	78%	No. 53 Pioneer Road Singapore 628505	9,190.0 sq metre	30 years from December 1994	Inspection services
JIC Inspection Services Pte Ltd	78%	No. 15 Ang Mo Kio Street 63 Singapore 569117	2,145.0 sq metre	12 months from January 2011	Inspection services

12 GOODWILL

	The Group	
	2010 $'000	2009 $'000
Carrying amount:		
At beginning and end of year	11,325	11,325

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

	The Group	
	2010 $'000	2009 $'000
Test and inspection services	9,268	9,268
Vehicle inspection services	2,057	2,057
	11,325	11,325

13 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Outside parties	2,862	4,025	531	782
Holding company	160	151	154	142
Subsidiaries	–	–	39,174	34,735
Related companies	55	127	4	2
Accruals	11,152	10,882	348	277
Deferred income	1,214	1,277	–	–
Others	1,437	1,453	471	215
Deposits received from customers	1,865	792	404	407
Total	18,745	18,707	41,086	36,560

The average credit period on purchases of goods and services is 30 or 60 days (2009: 30 or 60 days).

Included in the payable to subsidiaries of $38,748,000 (2009: $34,350,000) are funds held under central pooling which is unsecured and repayable on demand. Subsidiaries, except wholly-owned subsidiaries, receive interest at the rate of 0.24% (2009: 0.21%) per annum.

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

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
United States Dollars	22	22	–	–
United Arab Emirates Dirham	16	–	–	–
Japanese Yen	30	–	–	–

14 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 2009	1,223	(173)	1,050
Charge to profit or loss for the year (Note 18)	112	65	177
Effect of change in tax rate (Note 18)	(69)	10	(59)
At 31 December 2009	1,266	(98)	1,168
Charge to profit or loss for the year (Note 18)	547	13	560
At 31 December 2010	1,813	(85)	1,728

14 DEFERRED TAX LIABILITIES (CONT'D)

	Accelerated tax depreciation $'000	Provisions $'000	Total $'000
Company			
At 1 January 2009	45	(45)	–
Charge to profit or loss for the year	118	42	160
Effect of change in tax rate	(3)	3	–
At 31 December 2009	160	–	160
Charge to profit or loss for the year	215	–	215
At 31 December 2010	375	–	375

15 SHARE CAPITAL

	The Group and The Company			
	2010	2009	2010	2009
	Number of ordinary shares		$'000	$'000
Issued and paid up:				
At beginning of year	85,663,500	85,498,000	30,296	30,056
Exercise of share options	694,500	165,500	1,059	240
At end of year	86,358,000	85,663,500	31,355	30,296

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 2010, employees held options of 2,310,000 ordinary shares (of which 823,000 are unvested) in aggregate. The number of options and their expiry dates are as follows:

Number of options	Expiring on:
18,000	5 April 2012
33,000	6 October 2012
12,000	26 June 2013
12,000	18 December 2013
8,000	22 August 2014
8,000	23 February 2015
16,000	20 November 2015
44,000	6 July 2016
350,000	19 June 2017
374,000	24 June 2018
612,000	30 June 2019
823,000	12 July 2020
2,310,000	

15 SHARE CAPITAL (CONT'D)

As at 31 December 2009, employees held options of 2,181,500 ordinary shares (of which 677,000 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
8,000	22 August 2014
6,500	23 February 2010
8,000	23 February 2015
86,000	20 November 2015
114,000	6 July 2016
533,000	19 June 2017
609,000	24 June 2018
677,000	30 June 2019
2,181,500	

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 17(e).

16 CAPITAL RESERVES

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Currency translation reserve:				
At beginning of year	(31)	(30)	–	–
Arising during the year	10	(1)	–	–
At end of year	(21)	(31)	–	–
Share option reserve:				
At beginning of year	102	53	102	53
Recognition of share-based payments	140	58	140	58
Exercise of share options	(31)	(9)	(31)	(9)
At end of year	211	102	211	102
Revaluation reserve:				
At beginning and end of year	3,073	3,073	3,073	3,073
Net	3,263	3,144	3,284	3,175

16 CAPITAL RESERVES (CONT'D)

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 from 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 15 and 17(e).

17 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** %
2010				
$250,000 to $499,999				
Heng Chye Kiou	45	46	9	100
2009				
$250,000 to $499,999				
Heng Chye Kiou	45	45	10	100

The remuneration of all the other non-executive Directors is below $250,000 and comprised entirely of Directors' fees (Note 19).

(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** %
2010				
$250,000 to $499,999				
No. of executives: 2	52	37	11	100
Below $250,000				
No. of executives: 3	57	35	8	100
2009				
$250,000 to $499,999				
No. of executives: 2	51	37	12	100
Below $250,000				
No. of executives: 3	57	34	9	100

(c) The remuneration of the Directors and key executives comprises mainly of short term benefits amounting to $1,917,000 (2009: $1,784,000).

17 STAFF COSTS (CONT'D)

(d)

	The Group	
	2010	2009
	$'000	$'000
Cost of defined contribution plans (included in staff costs)	3,097	2,975

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

(e) Share-based Payments (included in staff costs)

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. Information on the share option plan is disclosed in paragraph 5 to the Report of the Directors. 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 granted will lapse when the option holder ceases to be a full-time employee or a Director of the Group, subject to certain exceptions at the discretion of the Remuneration Committee.

	The Group and The Company			
	2010		2009	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Outstanding at the beginning of the year	2,181,500	1.61	1,670,000	1.52
Granted during the year	823,000	2.68	677,000	1.79
Exercised during the year	(694,500)	1.48	(165,500)	1.40
Outstanding at the end of the year	2,310,000	2.03	2,181,500	1.61
Exercisable at the end of the year	1,487,000	1.67	1,504,500	1.53

The weighted average share price at the date of exercise for share options exercised during the year was $2.72 (2009: $1.84). The options outstanding at the end of the year have an average remaining contractual life of 8.1 years (2009: 7.9 years).

In 2010, options were granted on 13 July 2010 (2009: 1 July 2009). The estimated fair value of the options granted on that date was $0.24 (2009: $0.12) each.

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

17 STAFF COSTS (CONT'D)

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

	2010	2009
Prevailing share price at date of grant ($)	2.77	1.80
Exercise price ($)	2.68	1.79
Expected volatility (%)	19.49	17.93
Expected life (years)	3.00	3.00
Risk free rate (%)	1.34	2.05
Expected dividend yield (%)	5.16	6.28

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 5 years (2009: 5 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 recognised total expenses of $140,000 (2009: $58,000) related to equity-settled share-based payment transactions during the year.

18 TAXATION

	The Group	
	2010 $'000	2009 $'000
Taxation charge in respect of profit for the financial year:		
Current taxation		
Singapore	4,380	4,075
Foreign	23	34
Deferred tax (Note 14)	243	42
Adjustment in respect of (over) under provision in prior years:		
Current taxation	(238)	134
Deferred tax (Note 14)	317	76
	4,725	4,361

The taxation charge varied from the amount of taxation charge determined by applying the Singapore income tax rate of 17% (2009: 17%) to profit before taxation as a result of the following differences:

	The Group	
	2010 $'000	2009 $'000
Profit before taxation	27,074	24,700
Taxation at the domestic income tax rate of 17% (2009: 17%)	4,603	4,199
Non-allowable items	86	67
Tax-exempt income	(104)	(104)
Underprovision in prior years (net)	79	210
Effect of change in tax rate	-	(59)
Effect of different tax rates of subsidiary operating in other jurisdiction	3	5
Deferred tax benefit not recognised	58	43
	4,725	4,361

18 TAXATION (CONT'D)

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

	2010 $'000	2009 $'000
Amount at beginning of year	252	–
Adjustment to prior year	(74)	–
Amount in current year	342	252
Amount at end of year	520	252
Deferred tax benefit on above unrecorded	88	43

No deferred tax asset has been recognised in the financial statements due to the unpredictability of profit streams in a subsidiary.

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

19 PROFIT AFTER TAXATION

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

	The Group	
	2010 $'000	2009 $'000
Directors' fees	238	218
Foreign currency exchange adjustment (gain) loss	(7)	3
Loss (Gain) on disposal of vehicles, premises and equipment	29	(15)
Write-back for doubtful trade receivables	(20)	(71)
Bad debts written off	–	45
Government grants	(15)	(23)
Audit fees:		
Auditors of the Company		
– Current	69	71
– Overprovision in prior year	(1)	–
Other auditors	2	2
Non-audit fees:		
Auditors of the Company		
– Current	25	25
– Overprovision in prior years	–	(3)

20 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:

	2010	2009
Profit attributable to shareholders of the Company ($'000)	22,165	20,037
Weighted average number of ordinary shares in issue (thousands)	86,060	85,594
Basic earnings per share (in cents)	25.76	23.41

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from share options.

	2010	2009
Profit attributable to shareholders of the Company ($'000)	22,165	20,037
Weighted average number of ordinary shares in issue (thousands)	86,060	85,594
Adjustments for share options (thousands)	556	302
Weighted average number of ordinary shares for the purpose of diluted earnings per share (thousands)	86,616	85,896
Diluted earnings per share (in cents)	25.59	23.33

21 SEGMENT INFORMATION

The Group operates predominantly in Singapore.

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is organised into vehicle inspection business, vehicle assessment, test and inspection services, rental income and other related business. Other related business include commissions from road tax renewal and sale of mainly motor insurance policies, In-vehicle Unit (IU) services, Vehicle Inspection and Type Approval System (VITAS), car evaluation services, emission certification and testing, and consultancy projects.

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's income 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.

21 SEGMENT INFORMATION (CONT'D)

	Vehicle inspection business $'000	Vehicle assessment $'000	Test and inspection services $'000	Rental income $'000	Other related business $'000	Elimination $'000	Total $'000
Group							
2010							
REVENUE							
External sales	25,517	1,858	51,295	1,792	3,516	–	83,978
Inter-segment sales	2	–	109	6,706	787	(7,604)	–
Total	25,519	1,858	51,404	8,498	4,303	(7,604)	83,978
RESULT							
Operating profit (loss)	9,544	(354)	9,830	5,261	2,615	–	26,896
Net income from investments							26
Interest income							162
							27,084
Share of loss in associate							(10)
Profit before taxation							27,074
Taxation							(4,725)
Profit after taxation							22,349
Non-controlling interests							(184)
Profit attributable to shareholders of the Company							22,165
OTHER INFORMATION							
Additions to vehicles, premises and equipment	8,071	12	2,672	–	255	–	11,010
Depreciation expense	2,396	10	2,771	–	211	–	5,388
STATEMENT OF FINANCIAL POSITION							
ASSETS							
Segment assets	49,262	621	44,454	–	12,208	–	106,545
Goodwill	2,057	–	9,268	–	–	–	11,325
Unallocated corporate assets							315
Consolidated total assets							118,185
LIABILITIES							
Segment liabilities	2,714	132	13,986	–	1,913	–	18,745
Unallocated corporate liabilities							6,120
Consolidated total liabilities							24,865

21 SEGMENT INFORMATION (CONT'D)

	Vehicle inspection business $'000	Vehicle assessment $'000	Test and inspection services $'000	Rental income $'000	Other related business $'000	Elimination $'000	Total $'000
Group							
2009							
REVENUE							
External sales	23,042	2,105	47,686	1,729	3,391	–	77,953
Inter-segment sales	2	–	108	6,416	722	(7,248)	–
Total	23,044	2,105	47,794	8,145	4,113	(7,248)	77,953
RESULT							
Operating profit (loss)	8,060	(198)	8,789	5,314	2,586	–	24,551
Interest income							149
Profit before taxation							24,700
Taxation							(4,361)
Profit after taxation							20,339
Non-controlling interests							(302)
Profit attributable to shareholders of the Company							20,037
OTHER INFORMATION							
Additions to vehicles, premises and equipment	197	13	3,045	–	2,787	–	6,042
Depreciation expense	2,459	22	2,604	–	114	–	5,199
STATEMENT OF FINANCIAL POSITION							
ASSETS							
Segment assets	42,827	987	39,798	–	9,527	–	93,139
Goodwill	2,057	–	9,268	–	–	–	11,325
Unallocated corporate assets							315
Consolidated total assets							104,779
LIABILITIES							
Segment liabilities	2,708	144	13,952	–	1,903	–	18,707
Unallocated corporate liabilities							5,301
Consolidated total liabilities							24,008

22 CAPITAL EXPENDITURE COMMITMENTS

As at 31 December 2010, the Group has the following capital commitments contracted but not provided for in the financial statements:

	The Group	
	2010	2009
	$'000	$'000
Purchase of vehicles, premises and equipment	8,253	965

23 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	The Group	
	2010	2009
	$'000	$'000
Minimum lease payments under operating leases recognised as an expense in the year	1,532	1,259

The annual rentals for certain premises are subject to review every year at a variable rate up to a maximum of 5.5% (2009: 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 end of the reporting period, the Group has commitments in respect of non-cancellable operating leases, at prevailing rental rates, as follows:

	The Group	
	2010	2009
	$'000	$'000
Within one year	1,598	1,393
In the second to fifth year inclusive	4,949	4,614
After five years	18,346	17,940
	24,893	23,947

The Group as lessor

The Group rents out their lettable space in Singapore. Rental income earned by the Group during the year was $1,792,000 (2009: $1,729,000).

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	The Group	
	2010	2009
	$'000	$'000
Within one year	1,164	1,495
In the second to fifth year inclusive	497	1,006
Total	1,661	2,501

24 FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

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.

Foreign exchange risk management

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

Interest rate risk management

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 management

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. Cash and deposits are kept with creditworthy financial institutions. There is no significant concentration of credit risk.

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

Liquidity risk management

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 capital structure of the Group consists of equity attributable to shareholders of the Company, comprising issued capital, reserves and retained earnings.

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. These objectives determine the Group's decisions on the amount of dividends to be paid to shareholders and the sources of capital to be raised, be it equity or debt.

25 DIVIDENDS

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

	2010 $'000	2009 $'000
Final dividend in respect of the previous financial year:		
– 6.00 cents (2009: 4.25 cents) per ordinary share tax-exempt one-tier	5,154	3,637
Interim dividend in respect of the current financial year:		
– 6.30 cents (2009: 5.80 cents) per ordinary share tax-exempt one-tier	5,439	4,966
Total	10,593	8,603

(b) Subsequent to the statement of financial position, the Directors of the Company recommended that:

(i) a tax-exempt one-tier final dividend of 6.6 cents per ordinary share totalling $5,700,000 be paid for the financial year ended 31 December 2010; and

(ii) a tax-exempt one-tier special dividend of 3.2 cents per ordinary share totalling $2,763,000 be paid for the financial year ended 31 December 2010.

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.