Financial Statements

Contents

Report of the Directors

The Directors present their report together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2014 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2014.

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)
Sim Wing Yew	(Chief Executive Officer)
Goh Yeow Tin	
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.

Report of the Directors

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	
Name of Directors and companies in which interests are held	**At 1 January 2014**	**At 31 December 2014**	**At 21 January 2015**
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
Ho Kah Leong	39,000	39,000	39,000
Ong Teong Wan	40,000	40,000	40,000
Sim Cheok Lim	80,000	100,000	100,000
Interest in related company, SBS Transit Ltd			
(a) Ordinary shares			
Lim Jit Poh	200,000	-	-
Sim Wing Yew	10,000	10,000	10,000
Kua Hong Pak	-	90,000	90,000
(b) Options to subscribe for ordinary shares			
Lim Jit Poh	100,000	-	-
Kua Hong Pak	90,000	-	-
Sim Wing Yew	340,000	340,000	340,000
Interest in holding company, ComfortDelGro Corporation Limited			
(a) Ordinary shares			
Lim Jit Poh	284,425	24,425	264,425
Kua Hong Pak	324,530	324,530	324,530
Sim Wing Yew	350,000	350,000	350,000
Ho Kah Leong	83,540	83,540	83,540
(b) Options to subscribe for ordinary shares			
Lim Jit Poh	960,000	720,000	480,000
Kua Hong Pak	7,200,000	7,200,000	7,200,000
Sim Wing Yew	520,000	370,000	370,000

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. It expired on 26 April 2011 and hence no option has been granted since then. The existing options granted will continue to vest according to the terms and conditions of The 2001 Scheme and the respective grants. The 2001 Scheme is administered by the Remuneration Committee comprising Messrs Teo Geok Har, Nancy (Chairman), Ho Kah Leong, Lim Jit Poh and Sim Cheok Lim.

Statutory information regarding options granted 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 2014**	**Exercised**	**Lapsed**	**Outstanding at 31 December 2014**	**Subscription price per share**	**Expiry date**
25 June 2008	29,000	(29,000)	-	-	$1.840	24 June 2018
1 July 2009	16,000	(16,000)	-	-	$1.793	30 June 2019
13 July 2010	98,000	(78,000)	-	20,000	$2.680	12 July 2020
	143,000	(123,000)	-	20,000		

(i) The last grant of share options was issued to the Directors of the Company on 24 February 2005 and expired on 23 February 2010. As such, there were no share options granted to the Directors since 24 February 2005 and no outstanding share options held by the Directors since 23 February 2010 as all options granted were exercised. Details of the options granted and exercised by the Directors since the commencement of The 2001 Scheme up to 31 December 2014 are not disclosed as there were no movements in options granted and exercised and such details had been disclosed in the prior years.

(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.

Report of the Directors

6 Audit and Risk Committee

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

Goh Yeow Tin (Chairman)
Ho Kah Leong
Ong Teong Wan
Teo Geok Har, Nancy

The Audit and Risk Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50 and the Code of Corporate Governance 2012.

In performing its functions, the Audit and Risk 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 four times during the year to discuss the scope and results of their respective audits, and at least once annually without the presence of Management. The Audit and Risk Committee has reviewed the independence of the external auditors, Deloitte & Touche LLP, including the scope of the non-audit services performed and confirmed that the auditors are independent.

In addition, the Audit and Risk Committee has reviewed the financial statements of the Group and of the Company before their submission to the Board of Directors of the Company and provided assurance to the Board on the adequacy of financial, operational, compliance and information technology controls.

The Audit and Risk Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risk Committee.

The Audit and Risk 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

Sim Wing Yew
Chief Executive Officer

Singapore
9 February 2015

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 41 to 74 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 2014 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

Sim Wing Yew
Chief Executive Officer

Singapore
9 February 2015

Independent Auditors' Report

To the Members of VICOM Ltd

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 2014, 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 information, as set out on pages 41 to 74.

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 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 2014 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
Chartered Accountants
Singapore

9 February 2015

Statements of Financial Position

31 December 2014

	Note	The Group 2014 $'000	The Group 2013 $'000	The Company 2014 $'000	The Company 2013 $'000
ASSETS					
Current assets					
Cash and cash equivalents	5	91,028	78,535	88,653	76,097
Trade receivables	6	13,297	13,790	1,964	1,697
Other receivables and prepayments	7	1,190	1,311	442	365
Inventories		21	20	-	-
Total current assets		105,536	93,656	91,059	78,159
Non-current assets					
Subsidiaries	8	-	-	25,941	25,941
Associate	9	25	25	-	-
Other receivables and prepayments	7	-	323	-	-
Club memberships	10	283	315	283	315
Vehicles, premises and equipment	11	52,120	52,757	27,618	29,184
Goodwill	12	11,325	11,325	-	-
Total non-current assets		63,753	64,745	53,842	55,440
Total assets		169,289	158,401	144,901	133,599
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	13	21,413	20,985	3,887	3,407
Due to subsidiaries	14	-	-	38,927	37,994
Income tax payable		6,502	5,888	2,273	1,986
Total current liabilities		27,915	26,873	45,087	43,387
Non-current liability					
Deferred tax liabilities	15	1,486	1,460	208	191
Capital, reserves and non-controlling interests					
Share capital	16	36,225	35,912	36,225	35,912
Other reserves	17	3,078	3,100	3,078	3,100
Foreign currency translation reserve		(107)	(93)	-	-
Accumulated profits		99,707	90,170	60,303	51,009
Equity attributable to shareholders of the Company		138,903	129,089	99,606	90,021
Non-controlling interests		985	979	-	-
Total equity		139,888	130,068	99,606	90,021
Total liabilities and equity		169,289	158,401	144,901	133,599

See accompanying notes to the financial statements.

Group Income Statement

Year Ended 31 December 2014

	Note	The Group 2014 $'000	The Group 2013 $'000
Revenue	18	108,165	104,965
Staff costs	19	(47,078)	(45,256)
Depreciation and amortisation	11	(6,008)	(5,812)
Repairs and maintenance costs		(1,741)	(1,784)
Materials and consumables		(3,224)	(3,207)
Contract services		(4,285)	(4,881)
Premises costs		(3,622)	(3,343)
Utilities and communication costs		(2,097)	(2,046)
Other operating costs		(4,490)	(4,616)
Total operating expenses		(72,545)	(70,945)
Operating profit		35,620	34,020
Interest income		669	425
Profit before taxation		36,289	34,445
Taxation	20	(5,691)	(5,526)
Profit after taxation	21	30,598	28,919
Attributable to:			
Shareholders of the Company		30,142	28,448
Non-controlling interests		456	471
		30,598	28,919
Earnings per share (in cents):			
Basic	22	34.02	32.17
Diluted	22	34.01	32.15

See accompanying notes to the financial statements.

Group Comprehensive Income Statement

Year Ended 31 December 2014

	The Group	
	2014	**2013**
	$'000	**$'000**
Profit after taxation	30,598	28,919
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	(14)	(36)
Other comprehensive income for the year	(14)	(36)
Total comprehensive income for the year	30,584	28,883
Total comprehensive income attributable to:		
Shareholders of the Company	30,128	28,412
Non-controlling interests	456	471
	30,584	28,883

Statements of Changes in Equity

Year Ended 31 December 2014

	The Group						
	Attributable to shareholders of the Company						
	Share capital $'000	**Other reserves $'000**	**Foreign currency translation reserve $'000**	**Accumulated profits $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 January 2013	**35,200**	**3,154**	**(57)**	**78,249**	**116,546**	**952**	**117,498**
Total comprehensive income for the year							
Profit for the year	-	-	-	28,448	28,448	471	28,919
Other comprehensive income for the year	-	-	(36)	-	(36)	-	(36)
Total	-	-	(36)	28,448	28,412	471	28,883
Transactions recognised directly in equity							
Exercise of share options (Notes 16 and 17)	712	(54)	-	-	658	-	658
Payment of dividends (Note 27)	-	-	-	(16,527)	(16,527)	-	(16,527)
Total	712	(54)	-	(16,527)	(15,869)	-	(15,869)
Payments to non-controlling interests	-	-	-	-	-	(444)	(444)
Balance at 31 December 2013	**35,912**	**3,100**	**(93)**	**90,170**	**129,089**	**979**	**130,068**
Total comprehensive income for the year							
Profit for the year	-	-	-	30,142	30,142	456	30,598
Other comprehensive income for the year	-	-	(14)	-	(14)	-	(14)
Total	-	-	(14)	30,142	30,128	456	30,584
Transactions recognised directly in equity							
Exercise of share options (Notes 16 and 17)	313	(22)	-	-	291	-	291
Payment of dividends (Note 27)	-	-	-	(20,605)	(20,605)	-	(20,605)
Total	313	(22)	-	(20,605)	(20,314)	-	(20,314)
Payments to non-controlling interests	-	-	-	-	-	(450)	(450)
Balance at 31 December 2014	**36,225**	**3,078**	**(107)**	**99,707**	**138,903**	**985**	**139,888**

Statements of Changes in Equity

Year Ended 31 December 2014

	The Company			
	Share capital $'000	**Other reserves $'000**	**Accumulated profits $'000**	**Total equity $'000**
Balance at 1 January 2013	**35,200**	**3,154**	**41,472**	**79,826**
Profit for the year, representing total comprehensive income for the year	-	-	26,064	26,064
Transactions recognised directly in equity				
Exercise of share options (Notes 16 and 17)	712	(54)	-	658
Payment of dividends (Note 27)	-	-	(16,527)	(16,527)
Total	712	(54)	(16,527)	(15,869)
Balance at 31 December 2013	**35,912**	**3,100**	**51,009**	**90,021**
Profit for the year, representing total comprehensive income for the year	-	-	29,899	29,899
Transactions recognised directly in equity				
Exercise of share options (Notes 16 and 17)	313	(22)	-	291
Payment of dividends (Note 27)	-	-	(20,605)	(20,605)
Total	313	(22)	(20,605)	(20,314)
Balance at 31 December 2014	**36,255**	**3,078**	**60,303**	**99,606**

See accompanying notes to the financial statements.

Group Cash Flow Statement

Year Ended 31 December 2014

	2014 $'000	2013 $'000
Operating activities		
Profit before taxation	36,289	34,445
Adjustments for:		
Depreciation and amortisation	6,008	5,812
Interest income	(669)	(425)
Loss on disposal of vehicles, premises and equipment	11	16
Allowance for doubtful trade receivables	216	129
Bad debts written off	3	1
Operating cash flows before movements in working capital	41,858	39,978
Trade receivables	274	(2,065)
Other receivables and prepayments	245	(726)
Inventories	(1)	(18)
Trade and other payables	428	256
Cash generated from operations	42,804	37,425
Income tax paid	(5,051)	(4,929)
Net cash from operating activities	37,753	32,496
Investing activities		
Purchase of vehicles, premises and equipment	(5,101)	(3,935)
Proceeds from disposal of vehicles, premises and equipment	27	5
Interest received	579	292
Net cash used in investing activities	(4,495)	(3,638)
Financing activities		
Proceeds from exercise of share options	291	658
Payments to non-controlling interests	(450)	(444)
Dividends paid (Note 27)	(20,605)	(16,527)
Net cash used in financing activities	(20,764)	(16,313)
Net effect of exchange rate changes in consolidating subsidiaries	(1)	(1)
Net increase in cash and cash equivalents	12,493	12,544
Cash and cash equivalents at beginning of year	78,535	65,991
Cash and cash equivalents at end of year (Note 5)	91,028	78,535

See accompanying notes to the financial statements.

Notes to the Financial Statements

31 December 2014

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 are in the business of testing services which include the provision of motor vehicle inspection services and provision of non-vehicle testing, inspection and consultancy services, 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 2014 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2014 were authorised for issue by the Board of Directors on 9 February 2015.

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 ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payments*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

ADOPTION OF NEW AND REVISED STANDARDS – In the current financial year, the Group has adopted all the new and revised FRSs that are relevant to its operations and effective for annual periods beginning on 1 January 2014.

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

NEW/REVISED STANDARDS AND IMPROVEMENTS TO THE STANDARDS NOT YET ADOPTED – The Group has not applied the following accounting standards that are relevant to the Group and have been issued as at the end of the reporting period but are not yet effective:

Amendments to FRS 19 (2011)	– Defined Benefits Plans: Employee Contributions
Improvements to Financial Reporting Standard (January 2014)	
FRS 109	– Financial Instruments
FRS 115	– Revenue from Contracts With Customers

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

2 Summary of Significant Accounting Policies (Cont'd)

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 power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group income statement and Group comprehensive income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

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 equity 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 associates 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 *Business Combinations* are recognised at their fair values at the acquisition date except for deferred tax assets or liabilities which 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 as 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.

Notes to the Financial Statements

31 December 2014

2 Summary of Significant Accounting Policies (Cont'd)

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.

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 impaired 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 impacted.

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. Subsequent recoveries of amounts previously written off are credited to profit or loss. 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 (net of any incentive received from lessor) are charged to profit or loss on a straight-line basis over the term of the relevant lease.

INVENTORIES – Inventories, comprise of spare parts for the testing services 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 acquired are recorded at cost less accumulated amortisation and any accumulated impairment losses.

Notes to the Financial Statements

31 December 2014

2 Summary of Significant Accounting Policies (Cont'd)

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 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 projects in progress comprising development and construction costs incurred during the period of construction are carried at cost, less any recognised provision for impairment. Depreciation on these assets, on the same basis as other vehicles, premises and equipment, commences when the assets are ready for their intended use.

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

Leasehold land and buildings	- Over the remaining lease period
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 and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

On disposal of an item of vehicles, premises and equipment, the difference between the sale proceeds and its carrying amount is recognised in profit or loss.

Fully depreciated vehicles, premises and equipment still in use are retained in the financial statements.

ASSOCIATES – An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds 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), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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.

Notes to the Financial Statements

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2 Summary of Significant Accounting Policies (Cont'd)

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 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 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.

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.

Where 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 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.

Notes to the Financial Statements

31 December 2014

2 Summary of Significant Accounting Policies (Cont'd)

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 – Under The 2001 Scheme which expired on 26 April 2011, the Company issued share options to certain employees and Directors. Share options are measured at fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the share options is expensed on a straight-line basis over the vesting period with a corresponding adjustment against share option reserve, based on the Group's and the Company's estimate of the number of equity instruments that will eventually vest.

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.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales related taxes.

Rendering of services
Revenue from testing services is recognised as and when service is 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.

2 Summary of Significant Accounting Policies (Cont'd)

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.

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), 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 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 rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are translated at rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are translated 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 translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised 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 accumulate in the Group's currency translation reserve. Such translation differences are recognised in profit or loss 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 recognised in other comprehensive income and accumulated in the 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 applications of judgements are not expected to have a significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

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

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

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

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 rates of approximately 3.0% (2013 : 3.4%). The estimated growth rate is based on industry growth forecasts and does not exceed the average long-term growth rate for the relevant markets.

The discount rate applied to the forecast is assumed at 5.21% (2013 : 6.88%).

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

As at 31 December 2014 and 31 December 2013, 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 amount of the trade receivables and doubtful debts expenses in the period in which such estimate has been changed. The carrying amount of trade receivables is disclosed in Note 6.

Notes to the Financial Statements

31 December 2014

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Cont'd)

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.

Impairment of investments in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the value in use of these investments. The value in use calculation requires the Company to estimate the future cash flows expected from these investments and a suitable discount rate in order to calculate present value. Management has evaluated the recoverability of these investments based on such estimates. The carrying amount of investments in subsidiaries is disclosed in Note 8 to the financial statements.

4 Holding Company and Related Company/Party Transactions

The Company is a subsidiary of ComfortDelGro Corporation Limited, incorporated in the Republic of Singapore, which is also the Company's ultimate holding company. Related companies in these 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	
	2014	**2013**
	$'000	**$'000**
Testing services fee income charged to related companies	(2,080)	(2,140)
Diesel outlet (variable rental) income charged to related company	(432)	(419)
Rental income charged to related companies	(211)	(211)
Assessment fee charged to related companies	(343)	(319)
Other fees charged to related companies	(84)	(75)
Corporate service charges paid to holding company	350	350
Other charges paid to holding company	90	80
Other charges paid to related companies	397	339
Rental expense paid to related companies	198	174

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 Cash Equivalents

	The Group		**The Company**	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	2,560	2,715	703	597
Fixed deposits with financial institutions	88,468	75,820	87,950	75,500
Total	91,028	78,535	88,653	76,097

Fixed deposits are placed on a staggered basis based on the Group's cashflow projections, bear interest at effective interest rates of between 0.56% to 1.45% (2013 : 0.33% to 0.85%) per annum and for a weighted average tenure of approximately 371 days (2013 : 391 days). These deposits are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Notes to the Financial Statements

31 December 2014

6 Trade Receivables

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Outside parties	13,230	13,584	519	489
Allowance for doubtful trade receivables	(287)	(143)	(24)	(18)
Allowance for discount allowed	(221)	(194)	-	-
Net	12,722	13,247	495	471
Holding company (Note 4)	-	-	-	-
Subsidiaries (Note 4)	-	-	1,237	1,057
Related companies (Note 4)	575	543	232	169
Total	13,297	13,790	1,964	1,697

The average credit period on sale of goods and provision of services is 30 days (2013 : 30 days).

An allowance has been made for estimated irrecoverable amounts from the provision of services to outside parties of $287,000 (2013 : $143,000). 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 74% (2013 : 66%) of the Group's trade receivables are neither past due nor impaired. Included in the Group's trade receivable balance are debtors with a carrying amount of $3,235,000 (2013 : $4,560,000) 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 (2013 : 57 days).

Approximately 92% (2013 : 97%) of the Company's trade receivables are neither past due nor impaired. Included in the Company's trade receivable balance are debtors with a carrying amount of $126,000 (2013 : $30,000) which are past due at the reporting date for which the Company has not provided an allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances. On the average, these trade receivables are past due for 17 days (2013 : 20 days).

Movement in the allowance for doubtful debts

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of the year	143	229	18	81
Amounts written off during the year	(72)	(215)	-	(83)
Increase in allowance recognised in profit or loss	216	129	6	20
Balance at end of the year	287	143	24	18

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	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Denominated in:				
Malaysian ringgit	109	66	-	-
United States dollars	82	680	-	-

Notes to the Financial Statements

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7 Other Receivables and Prepayments

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Other receivables	420	575	-	-
Interest receivable	302	212	281	194
Deposits	216	485	12	13
Prepayments	252	362	149	158
Total	1,190	1,634	442	365
Less: Non-current portion				
Deposits	-	(323)	-	-
	-	(323)	-	-
Current portion	1,190	1,311	442	365

The Group's and Company's other receivables and interest receivable are due from outside parties and these receivables are current. The Company has not recognised any allowance as the management is of the view that these receivables are recoverable.

Notes to the Financial Statements

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8 Subsidiaries

	The Company	
	2014 $'000	2013 $'000
Unquoted equity shares, at cost	25,941	25,941

Details of subsidiaries at 31 December 2014 are as follows:

Name of entity	Principal activity	Country of incorporation/ operation	Group's effective interest 2014 %	Group's effective interest 2013 %	Cost of investment 2014 $'000	Cost of investment 2013 $'000
VICOM Inspection Centre Pte Ltd	Provision of vehicle inspection services	Singapore	100	100	4,160	4,160
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	-	-
					25,941	25,941

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.

The Group is in compliance with Listing Rules 712 and 715 of The Singapore Exchange Securities Trading Limited as suitable auditing firms have been appointed to meet the Group's audit obligations. In accordance to Rule 716, the Audit and Risk Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for Setsco Services (M) Sdn Bhd would not compromise the standard and effectiveness of the audit of the Group.

Notes to the Financial Statements

31 December 2014

8 Subsidiaries (Cont'd)

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries 2014	Number of wholly-owned subsidiaries 2013
Provision of vehicle inspection services	Singapore	1	1
Provision of testing inspection and consultancy services	Singapore	1	1
Provision of professional inspection and engineering services	Singapore	1	1
Provision of testing inspection and consultancy services	Malaysia	1	1
		4	4

Principal activity	Place of incorporation and operation	Number of non wholly-owned subsidiaries 2014	Number of non wholly-owned subsidiaries 2013
Vehicle inspection and other related services	Singapore	1	1

Notes to the Financial Statements

31 December 2014

9 Associate

	The Group		The Company	
	2014 **$'000**	**2013** **$'000**	**2014** **$'000**	**2013** **$'000**
Unquoted equity shares, at cost	50	50	-	-
Less: Share of post-acquisition reserves	(25)	(25)	-	-
Net	25	25	-	-

a) Details of the associate at 31 December 2014 is as follows:

Associate of Setsco Consultancy International Pte Ltd	**Principal activity**	**Country of incorporation/ operations**	**Group's effective interest**		**Cost of investment**	
			2014 **%**	**2013** **%**	**2014** **$'000**	**2013** **$'000**
Setsco Middle East Laboratory LLC	Provision of testing, inspection, training, certification and consultancy services	Abu Dhabi, United Arab Emirates/ Dormant	49	49	50	50

The associate was set up on 30 November 2010 and has been dormant since 2012. The accounts have not been audited. The associate is insignificant.

b) Summarised financial information for the year ended 31 December 2014 in respect of the Group's associate is set out below:

	2014 **$'000**	**2013** **$'000**
Total assets	80	80
Total liabilities	(29)	(29)
Net assets	51	51
Group's share of associate's net assets	25	25
Loss for the year	-	-
Group's share of associate's loss for the year	-	-

Notes to the Financial Statements

31 December 2014

10 Club Memberships

	The Group and The Company	
	2014	**2013**
	$'000	**$'000**
Cost:		
At beginning and end of year	451	451
Accumulated amortisation:		
At beginning of year	-	-
Amortisation for the year	32	-
At end of the year	32	-
Accumulated impairment:		
At beginning and end of year	136	136
Carrying amounts at end of year	283	315

During the financial year, the Company has reassessed the useful life of the club membership from indefinite useful life to 10 years. Accordingly, the Company has amortised the club membership over 10 years.

Notes to the Financial Statements

31 December 2014

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 projects in progress $'000	Total $'000
Group								
Cost or valuation:								
At 1 January 2013	58,108	14,813	2,325	34,581	1,855	1,740	155	113,577
Additions	370	-	171	2,907	468	93	112	4,121
Disposals	(294)	-	(1,149)	(1,314)	(67)	(462)	(4)	(3,290)
Transfers from capital projects in progress	45	-	124	11	-	-	(180)	-
Exchange differences	(33)	-	(1)	(16)	(6)	(1)	-	(57)
At 31 December 2013	58,196	14,813	1,470	36,169	2,250	1,370	83	114,351
Additions	432	-	125	3,641	584	85	523	5,390
Disposals	(3,138)	-	(515)	(3,684)	(140)	(311)	-	(7,788)
Transfers from capital projects in progress	72	-	-	55	-	-	(127)	-
Exchange differences	(13)	-	-	(6)	(3)	-	-	(22)
At 31 December 2014	55,549	14,813	1,080	36,175	2,691	1,144	479	111,931
Comprising:								
At cost	55,549	7,513	1,080	36,175	2,691	1,144	479	104,631
At valuation	-	7,300	-	-	-	-	-	7,300
Total	55,549	14,813	1,080	36,175	2,691	1,144	479	111,931
Accumulated depreciation:								
At 1 January 2013	26,839	3,349	1,444	24,723	1,054	1,664	-	59,073
Depreciation	1,882	411	280	2,840	309	90	-	5,812
Disposals	(294)	-	(1,137)	(1,311)	(66)	(461)	-	(3,269)
Exchange differences	(2)	-	(2)	(13)	(4)	(1)	-	(22)
At 31 December 2013	28,425	3,760	585	26,239	1,293	1,292	-	61,594
Depreciation	1,933	411	294	2,893	371	74	-	5,976
Disposals	(3,138)	-	(513)	(3,656)	(132)	(311)	-	(7,750)
Exchange differences	(1)	-	-	(6)	(2)	-	-	(9)
At 31 December 2014	27,219	4,171	366	25,470	1,530	1,055	-	59,811
Carrying amounts:								
At 31 December 2014	28,330	10,642	714	10,705	1,161	89	479	52,120
At 31 December 2013	29,771	11,053	885	9,930	957	78	83	52,757

Notes to the Financial Statements

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11 Vehicles, Premises and Equipment (Cont'd)

	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 projects in progress $'000	Total $'000
Company								
Cost or valuation:								
At 1 January 2013	38,126	14,813	1,029	2,368	80	266	-	56,682
Additions	231	-	48	28	55	13	-	375
Disposals	(284)	-	(854)	(132)	-	(158)	-	(1,428)
At 31 December 2013	38,073	14,813	223	2,264	135	121	-	55,629
Additions	124	-	34	3	-	35	10	206
Disposals	-	-	(26)	(3)	-	(23)	-	(52)
At 31 December 2014	38,197	14,813	231	2,264	135	133	10	55,783
Comprising:								
At cost	38,197	7,513	231	2,264	135	133	10	48,483
At valuation	-	7,300	-	-	-	-	-	7,300
Total	38,197	14,813	231	2,264	135	133	10	55,783
Accumulated depreciation:								
At 1 January 2013	20,930	3,349	994	533	75	248	-	26,129
Depreciation	1,178	412	18	126	3	7	-	1,744
Disposals	(284)	-	(854)	(132)	-	(158)	-	(1,428)
At 31 December 2013	21,824	3,761	158	527	78	97	-	26,445
Depreciation	1,183	411	23	129	14	12	-	1,772
Disposals	-	-	(26)	(3)	-	(23)	-	(52)
At 31 December 2014	23,007	4,172	155	653	92	86	-	28,165
Carrying amounts:								
At 31 December 2014	15,190	10,641	76	1,611	43	47	10	27,618
At 31 December 2013	16,249	11,052	65	1,737	57	24	-	29,184

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11 Vehicles, Premises and Equipment (Cont'd)

During the year, the Group acquired vehicles, premises and equipment with an aggregate cost of $5,390,000 (2013 : $4,121,000) of which $289,000 (2013 : $186,000) was paid in the previous financial years and recorded as deposits.

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

Held by	Group's effective interest	Location	Approximate land area (Sq m)	Tenure	Usage
The Company	100%	No. 511 Bukit Batok Street 23 Singapore 659545	9,625.0	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	30 years from January 2011	Inspection, assessment services
The Company	100%	No. 501 Yishun Industrial Park A Singapore 768732	5,190.3	60 years from July 1983	Inspection services
The Company	100%	No. 501 Yishun Industrial Park A Singapore 768732	1,104.9	30 years from July 2013	Inspection services
The Company	100%	No. 23 Kaki Bukit Avenue 4 Singapore 415933	9,796.9	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	6,015.0	30 years from May 1995	Inspection services
Setsco Services Pte Ltd	100%	No. 18 Teban Gardens Crescent Singapore 608925	9,829.7	30 years from February 2009	Testing, inspection and consultancy services
Setsco Services (M) Sdn Bhd	100%	31 Jln Industri Mas 12 Taman Mas 47100 Puchong Selangor Darul Ehsan West Malaysia	791.5	99 years from December 2009	Testing, inspection and consultancy services
JIC Inspection Services Pte Ltd	78%	No. 53 Pioneer Road Singapore 628505	9,190.0	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	12 months from March 2013, renewed for another 3 years from March 2014	Inspection services

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12 Goodwill

	The Group	
	2014	**2013**
	$'000	**$'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	
	2014	**2013**
	$'000	**$'000**
Testing and inspection services	9,268	9,268
Vehicle inspection services	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.

13 Trade and Other Payables

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Outside parties	3,018	3,458	607	605
Holding company (Note 4)	81	85	50	55
Related companies	56	86	2	12
Accruals	14,849	12,877	2,317	1,990
Deferred income	842	1,005	-	-
Deposits received from customers	947	2,164	486	489
Others	1,620	1,310	425	256
Total	21,413	20,985	3,887	3,407

The average credit period on purchases of goods and services is 30 days (2013 : 30 days).

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	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Japanese Yen	-	9	-	-

14 Due to Subsidiaries

Included in the payable to subsidiaries is an amount of $36,937,000 (2013 : $36,117,000) pertaining to funds held under central pooling which is unsecured and repayable on demand. Subsidiaries, except wholly-owned subsidiaries, receive interest at the rate of 0.68% to 1.43% (2013 : 0.33% to 0.78%) per annum.

Notes to the Financial Statements

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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 2013	1,546	(185)	1,361
Charge (Credit) to profit or loss for the year (Note 20)	134	(35)	99
At 31 December 2013	1,680	(220)	1,460
Charge (Credit) to profit or loss for the year (Note 20)	101	(75)	26
At 31 December 2014	1,781	(295)	1,486
Company			
At 1 January 2013	382	(156)	226
Charge (Credit) to profit or loss for the year	2	(37)	(35)
At 31 December 2013	384	(193)	191
Charge to profit or loss for the year	2	15	17
At 31 December 2014	386	(178)	208

16 Share Capital

	The Group and The Company			
	2014	2013	2014	2013
	Number of ordinary shares		$'000	$'000
Issued and paid up:				
At beginning of year	88,499,000	88,227,000	35,912	35,200
Exercise of share options	123,000	272,000	313	712
At end of year	88,622,000	88,499,000	36,225	35,912

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

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31 December 2014

16 Share Capital (Cont'd)

Share options

As at 31 December 2014, employees held options of 20,000 ordinary shares in aggregate. The number of options and their expiry dates are as follows:

Number of options	Expiring on:
20,000	12 July 2020

As at 31 December 2013, employees held options of 143,000 ordinary shares in aggregate. The number of options and their expiry dates are as follows:

Number of options	Expiring on:
29,000	24 June 2018
16,000	30 June 2019
98,000	12 July 2020
143,000	

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 19(e).

17 Other Reserves

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Share option reserve:				
At beginning of year	27	81	27	81
Exercise of share options	(22)	(54)	(22)	(54)
At end of year	5	27	5	27
Revaluation reserve:				
At beginning and end of year	3,073	3,073	3,073	3,073
Net	3,078	3,100	3,078	3,100

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 16 and 19(e).

18 Revenue

	The Group	
	2014 $'000	2013 $'000
Inspection and testing services	104,267	101,149
Rental income	2,556	2,530
Others	1,342	1,286
	108,165	104,965

Notes to the Financial Statements

31 December 2014

19 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 %**
2014				
$250,000 to $499,999				
Sim Wing Yew	48	47	5	100
2013				
$250,000 to $499,999				
Sim Wing Yew	50	44	6	100

The remuneration of all the other non-executive Directors is below $250,000 and comprised entirely of Directors' fees (Note 21).

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 %**
2014				
$250,000 to $499,999 No. of executives: 3	51	38	11	100
Below $250,000 No. of executives: 3	62	32	6	100
2013				
$250,000 to $499,999 No. of executives: 3	51	37	12	100
Below $250,000 No. of executives: 2	60	33	7	100

The Code of Corporate Governance 2012 recommends the disclosure of the remuneration of the Directors and the Group's top five key executives. The Board had considered this matter carefully and has decided against such disclosure. Given the wage disparities in the industry and the likely competitive pressures resulting from such disclosures, it is felt that the disadvantages of disclosure will outweigh the benefits.

Notes to the Financial Statements

31 December 2014

19 Staff Costs (Cont'd)

c) The remuneration of the Directors and key executives comprises mainly of short term benefits amounting to $2,495,000 (2013 : $2,148,000).

d)

	The Group	
	2014 $'000	2013 $'000
Cost of defined contribution plans (included in staff costs)	4,305	4,012

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)

Share option scheme

The Company has a share option scheme for certain employees and Directors of the Company which expired on 26 April 2011 and hence no option has been granted since then. The existing options granted will continue to vest according to the terms and conditions of the scheme and the respective grants. The scheme is administered by the Remuneration Committee. Information on the share option plans 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			
	2014		2013	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Outstanding at the beginning of the year	143,000	2.41	415,000	2.42
Exercised during the year	(123,000)	2.37	(272,000)	2.42
Outstanding at the end of the year	20,000	2.68	143,000	2.41
Exercisable at the end of the year	20,000	2.68	143,000	2.41

The weighted average share price at the date of exercise for share options exercised during the year was $5.66 (2013 : $4.95). The options outstanding at the end of the year have an average remaining contractual life of 5.5 years (2013 : 6.0 years).

No options were granted since 2011.

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

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20 Taxation

	The Group	
	2014	**2013**
	$'000	**$'000**
Taxation charge (credit) in respect of profit for the financial year:		
Current taxation		
Singapore	5,875	5,443
Foreign	45	60
Deferred tax (Note 15)	211	61
Adjustments in respect of under (over) provision in prior years:		
Current taxation	(255)	(76)
Deferred tax (Note 15)	(185)	38
	5,691	5,526

The taxation charge varied from the amount of taxation charge determined by applying the Singapore income tax rate of 17% (2013 : 17%) to profit before taxation as a result of the following differences:

	The Group	
	2014	**2013**
	$'000	**$'000**
Profit before taxation	36,289	34,445
Taxation at the domestic income tax rate of 17% (2013 : 17%)	6,169	5,856
Non-allowable items	381	444
Tax-exempt income	(135)	(105)
Overprovision in prior years (net)	(440)	(38)
Tax benefits under Productivity and Innovation Credit Scheme	(290)	(650)
Effect of different tax rates of subsidiary operating in other jurisdiction	6	19
	5,691	5,526

Notes to the Financial Statements

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21 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	
	2014 $'000	2013 $'000
Directors' fees	351	325
Foreign currency exchange adjustment loss	15	67
Loss on disposal of vehicles, premises and equipment	11	16
Allowance for doubtful trade receivables	216	129
Bad debts written off	3	1
Cost of inventories recognised as expense	5	5
Government Grants:		
Special Employment Credit Scheme	(164)	(159)
Wage Credit Scheme	(381)	-
Audit fees:		
Auditors of the Company	64	62
Other auditors	2	2
Non-audit fees:		
Auditors of the Company	22	21
Other auditors	1	1

22 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:

	2014	2013
Profit attributable to shareholders of the Company ($'000)	30,142	28,448
Weighted average number of ordinary shares in issue (thousands)	88,610	88,417
Basic earnings per share (in cents)	34.02	32.17

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.

	2014	2013
Profit attributable to shareholders of the Company ($'000)	30,142	28,448
Weighted average number of ordinary shares in issue (thousands)	88,610	88,417
Adjustments for share options (thousands)	11	73
Weighted average number of ordinary shares for the purpose of diluted earnings per share (thousands)	88,621	88,490
Diluted earnings per share (in cents)	34.01	32.15

Notes to the Financial Statements

31 December 2014

23 Segment Information

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

24 Capital Expenditure Commitments

The Group has the following capital commitments contracted but not provided for in the financial statements:

	The Group	
	2014 $'000	2013 $'000
Purchase of vehicles, premises and equipment	1,020	1,922

25 Operating Lease Arrangements

The Group as lessee

	The Group	
	2014 $'000	2013 $'000
Minimum lease payments under operating leases recognised as an expense in the year	1,982	2,002

The annual rentals for certain premises are subject to review every year at a variable rate up to a maximum of 5.5% (2013 : 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	
	2014 $'000	2013 $'000
Within one year	1,999	1,709
In the second to fifth year inclusive	6,846	6,321
After five years	18,634	20,527
Total	27,479	28,557

The Group as lessor

The Group rents out their lettable space in Singapore. Rental income earned by the Group during the year was $2,556,000 (2013 : $2,530,000).

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

	The Group	
	2014 $'000	2013 $'000
Within one year	1,808	1,710
In the second to fifth year inclusive	1,895	1,559
Total	3,703	3,269

Notes to the Financial Statements

31 December 2014

26 Financial Instruments, 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.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

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 practises 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 cash flows from its operations and credit facilities with banks. It ensures that there are 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.

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

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

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

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

Capital risk management policies and objectives
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance.

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. The Group's overall strategy remains unchanged from 2013.

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27 Dividends

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

	2014 $'000	2013 $'000
Final dividend in respect of the previous financial year: - 8.1 cents (2013 : 7.5 cents) per ordinary share tax-exempt one-tier	7,178	6,622
Special dividend in respect of the previous financial year: - 6.4 cents (2013 : 3.2 cents) per ordinary share tax-exempt one-tier	5,672	2,826
Interim dividend in respect of the current financial year: - 8.75 cents (2013 : 8.0 cents) per ordinary share tax-exempt one-tier	7,755	7,079
Total	20,605	16,527

(b) Subsequent to the end of the reporting period, the Directors of the Company recommended that:

(i) a tax-exempt one-tier final dividend of 8.75 cents per ordinary share totalling $7,755,000 be paid for the financial year ended 31 December 2014; and

(ii) a tax-exempt one-tier special dividend of 9.50 cents per ordinary share totalling $8,419,000 be paid for the financial year ended 31 December 2014.

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.