

Chairman's Statement

Introduction

Despite keen competition, VICOM Ltd delivered another strong set of results in 2014, reinforcing our position as Singapore's premier vehicle inspection and technical testing centre.

Our Businesses

In a year marked by persistently high Certificate of Entitlement (COE) premiums amidst a challenging environment, we continued to grow our business. In all, about 520,000 vehicles passed through our inspection lanes.

Significantly, we celebrated a milestone on 26 March 2014 when we conducted our 8,888,888th vehicle inspection. To mark the occasion, we presented the lucky vehicle owner a lifetime's worth of vehicle inspection services.

During the year, the Land Transport Authority (LTA) made several adjustments to the 25-year-old COE system in a bid to temper the rise in premiums. For example, a new criterion limiting the horsepower output for the Category 'A' COE was introduced. It also refined the COE quota system to make it more responsive to de-registrations. Hitherto, the COE quota was determined at every six month interval, taking into account the number of vehicles that were de-registered in the preceding six months. LTA has since decided to reduce this recycling period to a shorter three month period to enable better and more prompt matching of the number of new COEs to be issued to replace de-registered vehicles. Despite these actions, COE premiums remained high and many vehicle owners continued to hang onto their older cars.

Our non-vehicle inspection and testing services continued to grow during the year. We completed a number of major projects in the oil and gas and construction industries – both locally and overseas – including non-destructive testing for offshore oil platforms, as well as submersible rigs and jack-up rigs.

In Malaysia, we set up and managed a laboratory that monitors the quality of concrete materials used for the construction of the 24km long Penang Second Bridge, the longest bridge in Southeast Asia. We also provided surface friction testing services for a helicopter landing deck located at Johor Port in Pasir Gudang. Further afield, we performed glass inspection of the Flame Towers, the tallest skyscraper in Baku, Azerbaijan.

In the medical field, Setsco Services Pte Ltd's (SETSCO) clinical laboratory expanded its services to include testing for heavy metals and organics in blood and urine.

Corporate Social Responsibility

Corporate social responsibility is an integral part of our moral fabric – closely intertwined with everything that we do. In all that we do, we are constantly looking at ways in which we can help the communities we operate in to grow and flourish – in tandem with our business.

During the year, we reached out to the needy elderly as well as children and young adults receiving palliative care by donating taxi vouchers for their travel needs – and in so doing, helped our taxi drivers expand their customer base.

In the area of safety, we carried out extensive works at our inspection centres to further enhance safety for our customers. These include extending metal railing barriers and the installation of additional warning signs at our inspection centres.

SETSCO also organised several safety training and courses for our staff throughout the year. This training included safety orientation courses, first-aid, forklift driving, risk management and working at heights, among others. In May 2014, SETSCO successfully attained its Occupational Health and Safety Advisory Services (OHSAS) 18001:2007 recertification.

Financial Results

Group revenue increased by 3.0% or \$3.2 million to \$108.2 million in 2014 while net profit attributable to shareholders grew by 6.0% or \$1.7 million to \$30.1 million. Earnings per ordinary share was 34.02 cents, up from 32.17 cents a year ago.

Net asset value per ordinary share was \$1.57 compared to \$1.46 previously.

The Board has recommended a one-tier tax-exempt final dividend of 8.75 cents per ordinary share and a one-tier tax-exempt special dividend of 9.50 cents per ordinary share to be approved at the Annual General Meeting to be convened on 21 April 2015. Together with the one-tier tax-exempt interim dividend of 8.75 cents per ordinary share paid earlier, the total dividend of 27.0 cents per ordinary share for the year is higher than the 2013 figure of 22.5 cents, a rise of 20.0%. It represents about 79.4% of the Group's profit after tax and is better than our declared dividend policy of 50% and 2013's 70%.

Rankings

Our ranking in the annual Business Times Governance and Transparency Index is high for a company of our size. We ranked

Revenue at a Glance

Revenue (\$'mil)

108.2



37th out of 644 listed companies covered in 2014, a quantum leap from 52nd position in 2013. We outperformed the FTSE ST All Share Index and FTSE ST Mid-Cap Index by 21.5 and 24 percent points respectively. As at end of December 2014, our market capitalisation stood at \$554.8 million, 28.0% more than 2013.

The Year Ahead

In our pursuit of excellence, we will continue to build up the resilience of our inspection systems and spruce up our inspection centres. Plans are already in the pipeline to convert an area of our Sin Ming office into a one-stop centre for our ancillary services, so that customers are served quicker and more efficiently.

We will also continue to leverage on technology to improve work efficiency and increase productivity. For example two Automated Payment Machines that accept both cash and cashless payments were put on trial at one of our inspection centres in December 2014. We intend to install more of such machines in 2015 given the positive feedback we have received from customers.

For SETSCO, the challenge continues as the construction sector slows. The oil and gas sector will also be affected by the high volatility of the crude oil price. We remain positive as we continue to expand into new businesses and geographies.

Appreciation

I wish to thank Mr Sim Wing Yew, the Executive Director and Chief Executive Officer for his leadership in managing the Group. I also wish to express my appreciation to the Management and Staff for their fortitude and tenacity in the face of challenges.

I would also like to extend my appreciation to my fellow Directors for their valued wisdom and efforts in guiding the Board.

To our Clients, thank you for your continued support. We will continue to work hard to serve you better.

To our Business Associates, Union Leaders and the Authorities, thank you for your partnership and support.

And finally, to our Shareholders, thank you for your continued confidence and trust in us.

Lim Jit Poh

Chairman
March 2015

