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DIRECTORS' STATEMENT

The Directors present their statement together with the audited Consolidated Financial Statements of the Group for the financial year ended 31 December 2018 and the Statement of Financial Position and Statement of Changes in Equity of the Company as at 31 December 2018.

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 55 to 87 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended 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.

1 DIRECTORS

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

Lim Jit Poh	(Chairman)
Yang Ban Seng	(Deputy Chairman)
Sim Wing Yew	(Chief Executive Officer)
Goh Yeow Tin	(Lead Independent Director)
Seah Lee Kiang, June	
Shim Phyau Wui, Victor	
Soh Chung Hian	(Appointed on 1 May 2018)
Tan Kim Siew	(Appointed on 1 May 2018)
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.

DIRECTORS' STATEMENT

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 name of Directors		
	At 1 January 2018	**At 31 December 2018**	**At 21 January 2019**
Interest in the Company			
(a) Ordinary shares			
Lim Jit Poh	190,000	190,000	190,000
Sim Wing Yew	10,000	10,000	10,000
Shim Phyau Wui, Victor (Deemed Interest)	2,000	6,000	6,000
Interest in related company, SBS Transit Ltd			
(a) Ordinary shares			
Sim Wing Yew	230,000	230,000	230,000
Interest in holding company, ComfortDelGro Corporation Limited			
(a) Ordinary shares			
Lim Jit Poh	244,425	244,425	244,425
Yang Ban Seng	157,168	157,168	157,168
Yang Ban Seng (Deemed Interest)	18,185	18,185	18,185
Sim Wing Yew	500,000	500,000	500,000
Shim Phyau Wui, Victor (Deemed Interest)	19,000	19,000	19,000
(b) Options to subscribe for ordinary shares			
Yang Ban Seng	660,000	660,000	660,000
Sim Wing Yew	70,000	–	–

4 OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

5 OPTIONS EXERCISED

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

6 UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

7 AUDIT AND RISK COMMITTEE

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

Soh Chung Hian	(Appointed as a Member on 1 May 2018 and as Chairman on 1 January 2019)
Goh Yeow Tin	(Chairman until 31 December 2018)
Shim Phyau Wui, Victor	
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.

8 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
11 February 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VICOM LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying Financial Statements of VICOM Ltd (the "Company") and its subsidiaries (the "Group") which comprise the Statement of Financial Position of the Group and the Company as at 31 December 2018, and the Group Income Statement, Group Comprehensive Income Statement, Group Statement of Changes in Equity and Group Cash Flow Statement and Statement of Changes in Equity of the Company for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies, as set out on pages 55 to 87.

In our opinion, the Consolidated Financial Statements of the Group and the Statement of Financial Position and the Statement of Changes in Equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the Financial Statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current year. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Goodwill impairment review</u>

Under SFRS(I) 1-36 *Impairment of Assets*, the Group is required to test goodwill for impairment annually, or more frequently if there are indicators that goodwill might be impaired. This assessment requires the exercise of significant judgement about future market conditions, including growth rates and discount rates. The details of goodwill are disclosed in Notes 3 and 12 to the Financial Statements.

Our audit procedures included critically challenging the key assumptions on growth rate and discount rate used by Management in conducting the impairment review as disclosed in Note 3 to the Financial Statements. We performed sensitivity analysis around the key assumptions on growth rate and discount rate used in cash flow forecasts. We compared the growth rate to recent business performance, trend analysis and growth rate for the relevant country. For the discount rate, we compared it to the weighted average cost of capital. We found Management's key assumptions to be within the reasonable range of our expectations.

Allowance for expected credit losses for trade receivables

The Group makes allowances for expected credit losses based on an assessment of the recoverability of trade receivables. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation as disclosed in Note 3 to the Financial Statements.

Our audit procedures included critically challenging Management's assessment review for the allowance for expected credit losses. We have evaluated the design and implementation of key controls over the allowance for expected credit losses; assessed Management's assumptions about risk of default and expected credit loss rate; and assessed movement in the allowance for expected credit losses, write-off and recoveries of receivables. We found Management's key assumptions to be reasonable.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the Financial Statements and our auditor's report thereon. The Directors' Statement was obtained prior to the date of this auditor's report and the remaining other information included in the annual report is expected to be made available to us after that date.

Our opinion on the Financial Statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors 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 Act and SFRS(I)s, 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 Financial Statements and to maintain accountability of assets.

In preparing the Financial Statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VICOM LTD

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the Financial Statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tsia Chee Wah.

DELOITTE & TOUCHE LLP
Public Accountants and
Chartered Accountants
Singapore

11 February 2019

STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2018

		The Group			The Company		
	Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
ASSETS							
Current assets							
Cash and cash equivalents	5	104,097	107,514	105,681	74,627	104,180	102,955
Trade receivables	6	16,857	13,417	13,259	2,334	2,294	2,125
Other receivables and prepayments	7	1,638	1,686	1,948	1,012	1,135	965
Inventories		28	20	21	–	–	–
Total current assets		122,620	122,637	120,909	77,973	107,609	106,045
Non-current assets							
Subsidiaries	8	–	–	–	25,941	25,941	25,941
Associate	9	25	25	25	–	–	–
Club memberships	10	155	187	219	155	187	219
Vehicles, premises and equipment	11	56,089	45,373	47,164	21,885	23,162	24,668
Goodwill	12	11,325	11,325	11,325	–	–	–
Total non-current assets		67,594	56,910	58,733	47,981	49,290	50,828
Total assets		**190,214**	**179,547**	**179,642**	**125,954**	**156,899**	**156,873**
LIABILITIES AND EQUITY							
Current liabilities							
Trade and other payables	13	22,804	22,872	21,298	6,757	6,057	5,168
Due to subsidiaries	14	–	–	–	15,704	38,832	36,194
Income tax payable		6,890	5,449	5,752	3,676	3,331	3,029
Total current liabilities		29,694	28,321	27,050	26,137	48,220	44,391
Non-current liabilities							
Provision for relocation costs	15	7,053	–	–	–	–	–
Deferred tax liabilities	16	1,661	1,917	1,769	244	282	263
Total non-current liabilities		8,714	1,917	1,769	244	282	263
Total liabilities		38,408	30,238	28,819	26,381	48,502	44,654
Capital, reserves and non-controlling interests							
Share capital	17	36,284	36,284	36,284	36,284	36,284	36,284
Other reserves	18	3,073	3,073	3,073	3,073	3,073	3,073
Foreign currency translation reserve		21	6	–	–	–	–
Accumulated profits		111,456	108,969	110,495	60,216	69,040	72,862
Equity attributable to shareholders of the Company		150,834	148,332	149,852	99,573	108,397	112,219
Non-controlling interests		972	977	971	–	–	–
Total equity		151,806	149,309	150,823	99,573	108,397	112,219
Total liabilities and equity		**190,214**	**179,547**	**179,642**	**125,954**	**156,899**	**156,873**

See accompanying notes to the Financial Statements.

GROUP INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2018

	Note	The Group 2018 $'000	The Group 2017 $'000
Revenue	19	100,063	97,034
Other income	20	7,743	–
Staff costs	21	(44,857)	(43,558)
Depreciation and amortisation	10, 11	(6,424)	(6,242)
Premises costs		(3,700)	(3,644)
Contract services		(3,395)	(3,541)
Materials and consumables		(2,461)	(2,515)
Repairs and maintenance costs		(1,669)	(1,699)
Utilities and communication costs		(1,507)	(1,405)
Other operating costs		(4,083)	(3,965)
Total operating costs		(68,096)	(66,569)
Operating profit		39,710	30,465
Interest income		1,427	1,511
Profit before taxation		41,137	31,976
Taxation	22	(5,978)	(5,042)
Profit after taxation	23	35,159	26,934
Attributable to:			
Shareholders of the Company		34,700	26,503
Non-controlling interests		459	431
		35,159	26,934
Earnings per share (in cents):			
Basic	24	39.15	29.90
Diluted	24	39.15	29.90

See accompanying notes to the Financial Statements.

GROUP COMPREHENSIVE INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2018

	The Group	
	2018 **$'000**	**2017** **$'000**
Profit after taxation	35,159	26,934
Items that may be reclassified subsequently to Profit or Loss		
Exchange differences arising on translation of foreign operations	15	6
Other comprehensive income for the year	15	6
Total comprehensive income for the year	35,174	26,940
Total comprehensive income attributable to:		
Shareholders of the Company	34,715	26,509
Non-controlling interests	459	431
	35,174	26,940

See accompanying notes to the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	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 2017 (as previously reported)	**36,284**	**3,073**	**(265)**	**110,760**	**149,852**	**971**	**150,823**
Reclassification on adoption of SFRS(I) 1*	–	–	265	(265)	–	–	–
Balance at 1 January 2017	36,284	3,073	–	110,495	149,852	971	150,823
Total comprehensive income for the year							
Profit for the year	–	–	–	26,503	26,503	431	26,934
Other comprehensive income for the year	–	–	6	–	6	–	6
Total	–	–	6	26,503	26,509	431	26,940
Transactions recognised directly in equity							
Payment of dividends (Note 29)	–	–	–	(28,029)	(28,029)	–	(28,029)
Total	–	–	–	(28,029)	(28,029)	–	(28,029)
Payments to non-controlling interests	–	–	–	–	–	(425)	(425)
Balance at 31 December 2017	**36,284**	**3,073**	**6**	**108,969**	**148,332**	**977**	**149,309**
Total comprehensive income for the year							
Profit for the year	–	–	–	34,700	34,700	459	35,159
Other comprehensive income for the year	–	–	15	–	15	–	15
Total	–	–	15	34,700	34,715	459	35,174
Transactions recognised directly in equity							
Payment of dividends (Note 29)	–	–	–	(32,213)	(32,213)	–	(32,213)
Total	–	–	–	(32,213)	(32,213)	–	(32,213)
Payments to non-controlling interests	–	–	–	–	–	(464)	(464)
Balance at 31 December 2018	**36,284**	**3,073**	**21**	**111,456**	**150,834**	**972**	**151,806**

* The Group has adopted SFRS(I) 1 on 1 January 2018 and applied the option to reset the cumulative foreign currency translation differences for all foreign operations to zero at the date of transition to SFRS(I) on 1 January 2017 (see Note 30).

See accompanying notes to the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	The Company			
	Share capital $'000	Other reserves $'000	Accumulated profits $'000	Total equity $'000
Balance at 1 January 2017	**36,284**	**3,073**	**72,862**	**112,219**
Profit for the year, representing total comprehensive income for the year	–	–	24,207	24,207
Transactions recognised directly in equity				
Payment of dividends (Note 29)	–	–	(28,029)	(28,029)
Total	–	–	(28,029)	(28,029)
Balance at 31 December 2017	**36,284**	**3,073**	**69,040**	**108,397**
Profit for the year, representing total comprehensive income for the year	–	–	23,389	23,389
Transactions recognised directly in equity				
Payment of dividends (Note 29)	–	–	(32,213)	(32,213)
Total	–	–	(32,213)	(32,213)
Balance at 31 December 2018	**36,284**	**3,073**	**60,216**	**99,573**

See accompanying notes to the Financial Statements.

GROUP CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2018

	2018 $'000	2017 $'000
Operating activities		
Profit before taxation	41,137	31,976
Adjustments for:		
Depreciation and amortisation	6,424	6,242
Interest income	(1,427)	(1,511)
Gain on disposal of vehicles, premises and equipment and surrender of lease	(14,813)	(15)
Provision for relocation costs	7,053	–
Allowance for expected credit losses	305	272
Operating cash flows before movements in working capital	38,679	36,964
Trade receivables	(3,745)	(430)
Other receivables and prepayments	(3)	369
Inventories	(8)	1
Trade and other payables	(68)	1,574
Cash generated from operations	34,855	38,478
Income tax paid	(4,793)	(5,197)
Net cash from operating activities	30,062	33,281
Investing activities		
Purchase of vehicles, premises and equipment	(26,197)	(4,410)
Proceeds from disposal of vehicles, premises and equipment and surrender of lease	23,901	21
Interest received	1,478	1,404
Net cash used in investing activities	(818)	(2,985)
Financing activities		
Payments to non-controlling interests	(464)	(425)
Dividends paid (Note 29)	(32,213)	(28,029)
Net cash used in financing activities	(32,677)	(28,454)
Net effect of exchange rate changes in consolidating subsidiaries	16	(9)
Net (decrease) increase in cash and cash equivalents	(3,417)	1,833
Cash and cash equivalents at beginning of year	107,514	105,681
Cash and cash equivalents at end of year (Note 5)	104,097	107,514

See accompanying notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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 expressed in thousand ($'000) except when otherwise indicated.

The Consolidated Financial Statements of the Group for the financial year ended 31 December 2018 and the Statement of Financial Position and Statement of Changes in Equity of the Company as at 31 December 2018 were authorised for issue by the Board of Directors on 11 February 2019.

For all periods up to and including the year ended 31 December 2017, the Financial Statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These Financial Statements for the year ended 31 December 2018 are the first set that the Group and the Company have prepared in accordance with SFRS(I). Details of first-time adoption of SFRS(I) are included in Note 30.

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 SFRS(I)s.

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 Group 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 SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(1) 1-36 *Impairment of Assets*.

NEW/REVISED STANDARDS AND IMPROVEMENTS TO THE STANDARDS NOT YET ADOPTED – At the date of authorisation of these Financial Statements, the following SFRS(I) pronouncement was issued but not effective and is expected to have an impact to the Group and the Company in the periods of their initial application:

SFRS(I) 16 – *Leases* [1]

[1] Applies to annual periods beginning on or after 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

SFRS(I) 16 *Leases*

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

SFRS(I) 1-17 does not require the recognition of any right-of-use asset or liability for future payments for the operating leases the Group enters into. Under SFRS(I) 16, the Group may be required to recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. Additional disclosures may also be made with respect to leases, including any significant judgement and estimation made in distinguishing between leases and service contracts, on the basis of whether an identified asset controlled by the customer exists.

Management has performed an analysis of the requirements of the initial application of SFRS(I) 16 and expects the adoption of SFRS(I) 16 will result in certain operating lease arrangements being recorded in the Statements of Financial Position.

BASIS OF CONSOLIDATION – The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company and 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 those consistently by the Group.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

BUSINESS COMBINATIONS – The acquisition of subsidiaries are 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 SFRS(I) 3 *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 SFRS(I) 1-12 *Income Taxes*. Acquisition-related costs are recognised in Profit or Loss as incurred.

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

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 and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through Profit or Loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through Profit or Loss are recognised immediately in Profit or Loss.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

<u>Classification of financial assets</u>

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

<u>Amortised cost and effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets

The Group applies the simplified approach permitted by SFRS(I) 9 for trade receivables. The expected credit losses ("ECL") on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors as well as current and forecast general economic conditions at the reporting date. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the rate of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information, where relevant.

A default on a financial asset is when the counterparty fails to make contractual payments within a specific period after the credit period granted.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include taking into consideration observable data about the significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or past due event; it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Where receivables have been written off, the Group continues to recover the receivables due. Where recoveries are made, these are recognised in Profit or Loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is 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, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in Profit of Loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The Group as lessor

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

The Group as lessee

Rentals payable under operating leases (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.

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

INVENTORIES – Inventories, comprise of spare parts for the 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.

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 carrying amount 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 revalue its leasehold land subsequently.

However, this option of allowing the one-off revaluation is not available under SFRS(I). The Group and the Company have since applied to adopt the transition exemption to recognise the fair value of the property as the deemed cost at the date of revaluation. With the adoption of this exemption option, there will be no significant changes to the accounting of the property as the entity continues to apply the cost model of accounting.

All other vehicles, premises and equipment are stated at historical cost less accumulated depreciation.

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 of the assets, other than capital projects in progress, over their estimated useful lives, using the straight-line method, on the following bases:

	Number of years
Leasehold land and buildings	Over the remaining lease period
Computers and automated equipment	3 to 5
Workshop machinery, tools and equipment	
– General workshop machinery, tools and equipment	3 to 10
– Specialised inspection and testing equipment	20
Motor vehicles	5 to 10
Furniture, fittings and equipment	5 to 7

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 SFRS(I) 5. 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IMPAIRMENT OF NON-FINANCIAL ASSETS EXCLUDING GOODWILL – At the end of each reporting year, the Group reviews the carrying amounts of its non-financial 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.

Intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if there is an indication that the asset may be impaired.

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 has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 year, taking into account the risks and uncertainties surrounding the obligation.

DEFERRED INCOME – Deferred income arises from advance receipts from customers that are recognised to Profit or Loss when the services are rendered.

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.

GOVERNMENT GRANTS – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grant will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the Statement of Financial Position and transferred to Profit or Loss on a systematic and rational basis over the useful lives of the related assets.

Government grants in relation to expenses incurred are recognised as other operating income in the period which they become receivable.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

REVENUE RECOGNITION – The Group recognises revenue from the following major sources:

- Vehicle inspection services; and
- Testing and inspection testing

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product to a customer or when services are rendered.

<u>Vehicle inspection services</u>

Revenue from vehicle inspection services is recognised upon completion of the inspection services.

<u>Testing and inspection testing</u>

Revenue from testing services for aerospace, marine and offshore, biotechnology, oil and petrochemical, building construction and electronics manufacturing industries is recognised upon completion of the final test report.

<u>Interest income</u>

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

<u>Dividend income</u>

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

<u>Rental income</u>

Rental income is recognised on a straight-line basis over the term of the relevant lease.

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 year.

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associate, 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 year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Current and deferred tax are recognised as an expense or income in Profit or Loss, except when they relate to items credited or debited outside Profit or Loss (either in Other Comprehensive Income or directly in equity), in which case the tax is also recognised outside Profit or Loss (either in Other Comprehensive Income or directly in equity), 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 year, monetary items denominated in foreign currencies are translated at rates prevailing at the end of each reporting year. 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.

The Group has applied the option to reset the cumulative foreign currency translation differences for all foreign operations to zero at the date of transition to SFRS(I) on 1 January 2017. As a result, the cumulative foreign currency translation loss was reclassified from foreign currency translation reserve to accumulated profits as at 1 January 2017. After the date of transition, any gain or loss on disposal of any foreign operation will exclude translation differences that arose before the date of transition.

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.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of a foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS IN THE GROUP CASH FLOW STATEMENT – Cash and cash equivalents in the Group Cash Flow Statement comprise cash on hand and other short-term highly liquid investments 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

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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:

Goodwill impairment review

The Group tests goodwill annually for impairment, or more frequently if there are indicators 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 and growth rates.

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 2.5% (2017 : 2.6%). The estimated growth rate does not exceed the average long-term growth rate for the relevant country in which the CGU operates.

The discount rate applied to the forecast is 5.39% (2017 : 5.08%).

As at 31 December 2018 and 31 December 2017, 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 expected credit losses

The Group makes allowances for expected credit losses based on an assessment of the recoverability of trade receivables. The impairment provisions for trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The identification of loss allowance 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 loss allowance in the period in which such estimate has been changed. The carrying amount of trade receivables is disclosed in Note 6.

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	
	2018 $'000	2017 $'000
Inspection and testing services charged to related companies	(2,132)	(2,231)
Refuelling outlet (variable rental) income charged to related company	(248)	(312)
Rental income charged to related companies	(508)	(516)
Assessment fee charged to related companies	(262)	(358)
Other fees charged to related companies	(55)	(100)
Corporate service charges paid to holding company	361	350
Other charges paid to holding company	111	113
Other charges paid to related companies	137	186
Rental expense paid to related companies	180	178

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 debts allowance in respect of the amounts owed by related companies.

5 CASH AND CASH EQUIVALENTS

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Cash and bank balances	29,422	3,705	3,102	717	1,050	895
Fixed deposits with financial institutions	74,675	103,809	102,579	73,910	103,130	102,060
Total	104,097	107,514	105,681	74,627	104,180	102,955

Fixed deposits are placed on a staggered basis based on the Group's cash flow projections, bore interest at effective interest rates of between 1.50% to 1.99% (2017 : 1.27% to 1.70%) per annum and for a weighted average tenure of approximately 376 days (2017 : 412 days). These deposits are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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6 TRADE RECEIVABLES

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Outside parties	18,491	14,897	14,505	855	819	799
Allowance for expected credit losses	(1,814)	(1,542)	(1,298)	(110)	(79)	(86)
Allowance for discount allowed	(376)	(423)	(413)	–	–	–
Net	16,301	12,932	12,794	745	740	713
Subsidiaries (Note 4)	–	–	–	1,408	1,433	1,312
Related companies (Note 4)	556	485	465	181	121	100
Total	16,857	13,417	13,259	2,334	2,294	2,125

The average credit period on sale of goods and provision of services is 30 days (2017 : 30 days).

Before accepting any new corporate customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

An allowance has been made for estimated irrecoverable amounts from the provision of services to outside parties of the Group of $1,814,000 (2017 : $1,542,000) and of the Company of $110,000 (2017 : $79,000). This allowance which has been determined by reference to past default experience and expected credit losses, ranging from 2% to 3.2% (2017 : 2% to 5.4%) for receivable that are current to more than 180 days past due. The expected credit losses incorporate forward looking estimates. In calculating the expected credit loss rates, the Group and the Company considers historical loss rates for each category of customers and adjust for forward-looking macroeconomic data.

Approximately 57% (2017 : 59%) 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 $6,299,000 (2017 : $4,576,000) 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 63 days (2017 : 50 days).

Approximately 91% (2017 : 91%) 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 $99,000 (2017 : $123,000) 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 32 days (2017 : 36 days).

Movements in allowance for expected credit losses:

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Balance at beginning of the year	1,542	1,298	789	79	86	21
Amounts written off during the year	(33)	(28)	(237)	–	(2)	(3)
Increase (Decrease) in allowance recognised in Profit or Loss	305	272	746	31	(5)	68
Balance at end of the year	1,814	1,542	1,298	110	79	86

6 TRADE RECEIVABLES (CONT'D)

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		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Denominated in:						
Malaysian ringgit	–	25	4	–	–	–
Great Britain Pound	26	–	–	–	–	–
United States dollar	118	135	145	–	–	–

As at 31 December 2018, included in the gross carrying amounts of the trade receivables and allowance of the Group and the Company are credit impaired financial assets amounting to $1,483,000 (2017 : $1,263,000) and $103,000 (2017 : $59,000) respectively.

During the year, the credit impaired financial assets of the Group and the Company written off amounted to $33,000 (2017 : $28,000) and $Nil (2017 : $2,000) respectively; and the allowance recognised in Profit or Loss amounted to $240,000 (2017 : $186,000) and $31,000 (2017 : reversal of $15,000) respectively.

During the year, the gross carrying amounts of trade receivables of the Group and the Company transferred from lifetime expected credit losses to credit impaired financial assets amounted to $13,000 (2017 : $80,000) and $13,000 (2017 : $Nil) respectively.

7 OTHER RECEIVABLES AND PREPAYMENTS

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Other receivables	430	445	780	89	67	–
Interest receivable	860	911	804	829	871	778
Deposits	123	78	118	9	11	10
Prepayments	225	252	246	85	186	177
Total	1,638	1,686	1,948	1,012	1,135	965

The Group's and Company's other receivables and interest receivable are due from outside parties and these receivables are current. The Group and Company has not recognised any allowance as the Management assessed the credit risk to be low.

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8 SUBSIDIARIES

	The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Unquoted equity shares, at cost	25,941	25,941	25,941

Details of subsidiaries are as follows:

			Company's effective interest			Cost of investment		
Name of entity	Principal activity	Country of incorporation /operation	31 December 2018 %	31 December 2017 %	1 January 2017 %	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
VICOM Inspection Centre Pte Ltd	Provision of vehicle inspection services	Singapore	100	100	100	4,160	4,160	4,160
JIC Inspection Services Pte Ltd	Vehicle inspection and other related services	Singapore	78	78	78	5,663	5,663	5,663
Setsco Services Pte Ltd	Provision of testing, inspection and consultancy services	Singapore	100	100	100	16,118	16,118	16,118
Subsidiaries of Setsco Services Pte Ltd								
Setsco Services (M) Sdn Bhd (1)	Provision of testing, inspection and consultancy services	Malaysia	100	100	100	–	–	–
Setsco Consultancy International Pte Ltd	Provision of professional inspection and engineering services	Singapore	100	100	100	–	–	–
SETS Services DMCC (2)	Building inspection services	United Arab Emirates	100	100	100	–	–	–
						25,941	25,941	25,941

All the companies are audited by Deloitte & Touche LLP, Singapore, except for as indicated below:

(1) Audited by WT Ng & Co, Malaysia
(2) Audited by Ethics Plus Public Accountants, United Arab Emirates

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 auditor for Setsco Services (M) Sdn Bhd and SETS Services DMCC would not compromise the standard and effectiveness of the audit of the Group.

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 31 December 2018	31 December 2017	1 January 2017
Provision of vehicle inspection services	Singapore	1	1	1
Provision of testing inspection and consultancy services	Singapore	1	1	1
Provision of professional inspection and engineering services	Singapore	1	1	1
Provision of testing inspection and consultancy services	Malaysia	1	1	1
Building inspection services	United Arab Emirates	1	1	1
		5	5	5

Principal activity	Place of incorporation and operation	Number of non wholly-owned subsidiaries 31 December 2018	31 December 2017	1 January 2017
Vehicle inspection and other related services	Singapore	1	1	1

9 ASSOCIATE

	The Group 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	The Company 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Unquoted equity shares, at cost	50	50	50	–	–	–
Less: Share of post-acquisition reserves	(25)	(25)	(25)	–	–	–
Net	25	25	25	–	–	–

a) Details of the associate is as follows:

Associate of Setsco Consultancy International Pte Ltd	Principal activity	Country of incorporation/ operations	Group's effective interest 31 December 2018 %	31 December 2017 %	1 January 2017 %	Cost of investment 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Setsco Middle East Laboratory LLC	Provision of testing, inspection, training, certification and consultancy services	Abu Dhabi, United Arab Emirates/ Dormant	49	49	49	50	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.

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9 ASSOCIATE (CONT'D)

b) Summarised financial information in respect of the Group's associate is set out below:

	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Total assets	80	80	80
Total liabilities	(29)	(29)	(29)
Net assets	51	51	51
Group's share of associate's net assets	25	25	25
Loss for the year	–	–	–
Group's share of associate's loss for the year	–	–	–

10 CLUB MEMBERSHIPS

	The Group and The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Cost:			
At beginning and end of year	451	451	451
Accumulated amortisation:			
At beginning of year	128	96	64
Amortisation for the year	32	32	32
At end of the year	160	128	96
Accumulated impairment:			
At beginning and end of year	136	136	136
Carrying amount at end of year	155	187	219

Club membership is amortised over 10 years.

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	Total $'000
Group							
Cost:							
At 1 January 2017*	56,725	14,813	1,260	37,972	3,017	1,494	115,281
Additions	391	–	100	2,562	566	791	4,410
Disposals	–	–	(46)	(770)	(159)	(80)	(1,055)
Exchange differences	14	–	–	11	4	1	30
At 31 December 2017	57,130	14,813	1,314	39,775	3,428	2,206	118,666
Additions	23,649	–	145	1,588	741	74	26,197
Disposals	(15,317)	–	(43)	(888)	(625)	(80)	(16,953)
Exchange differences	(2)	–	–	(3)	–	–	(5)
At 31 December 2018	65,460	14,813	1,416	40,472	3,544	2,200	127,905
Accumulated depreciation:							
At 1 January 2017	31,156	4,994	860	28,053	1,939	1,115	68,117
Depreciation	2,075	412	184	2,932	460	147	6,210
Disposals	–	–	(45)	(765)	(159)	(80)	(1,049)
Exchange differences	4	–	–	8	3	–	15
At 31 December 2017	33,235	5,406	999	30,228	2,243	1,182	73,293
Depreciation	2,241	412	148	2,783	519	289	6,392
Disposals	(6,262)	–	(43)	(876)	(604)	(80)	(7,865)
Exchange differences	–	–	–	(4)	–	–	(4)
At 31 December 2018	29,214	5,818	1,104	32,131	2,158	1,391	71,816
Carrying amounts:							
At 31 December 2018	36,246	8,995	312	8,341	1,386	809	56,089
At 31 December 2017	23,895	9,407	315	9,547	1,185	1,024	45,373

* The Group has adopted SFRS(I)s on 1 January 2018 and has elected the option to use fair value as deemed cost for the leasehold land at the date of revaluation which was in March 1995. Subsequent depreciation is based on that deemed cost and starts from the date for which the Group established the deemed cost.

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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	Total $'000
Company							
Cost:							
At 1 January 2017*	38,394	14,813	280	2,283	159	450	56,379
Additions	38	–	18	216	–	115	387
Disposals	–	–	(7)	–	–	(1)	(8)
At 31 December 2017	38,432	14,813	291	2,499	159	564	56,758
Additions	499	–	58	9	72	13	651
Disposals	–	–	(1)	–	–	(12)	(13)
At 31 December 2018	38,931	14,813	348	2,508	231	565	57,396
Accumulated depreciation:							
At 1 January 2017	25,378	4,995	193	919	75	151	31,711
Depreciation	1,183	411	35	151	28	86	1,894
Disposals	–	–	(8)	–	–	(1)	(9)
At 31 December 2017	26,561	5,406	220	1,070	103	236	33,596
Depreciation	1,202	411	38	149	25	103	1,928
Disposals	–	–	(1)	–	–	(12)	(13)
At 31 December 2018	27,763	5,817	257	1,219	128	327	35,511
Carrying amounts:							
At 31 December 2018	11,168	8,996	91	1,289	103	238	21,885
At 31 December 2017	11,871	9,407	71	1,429	56	328	23,162

* The Company has adopted SFRS(I)s on 1 January 2018 and has elected the option to use fair value as deemed cost for the leasehold land at the date of revaluation which was in March 1995. Subsequent depreciation is based on that deemed cost and starts from the date for which the Company established the deemed cost.

11 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

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	Tenure	Usage
The Company	100%	No. 385 Sin Ming Drive Singapore 575718	10,852.6 sq metre	30 years from January 2011 22 years unexpired	Inspection and assessment services
The Company	100%	No. 23 Kaki Bukit Avenue 4 Singapore 415933	9,796.9 sq metre	30 years from January 1997 with option to renew another 30 years 8 years unexpired	Inspection and assessment services
The Company	100%	No. 511 Bukit Batok Street 23 Singapore 659545	9,625.0 sq metre	30 years from October 1995 with option to renew another 30 years 6 years 9 months unexpired	Inspection, testing and assessment services
The Company	100%	No. 20 Changi North Crescent Singapore 499613	6,015.0 sq metre	30 years from May 1995 6 years 4 months unexpired	Inspection services
The Company	100%	No. 501 Yishun Industrial Park A Singapore 768732	5,190.3 sq metre	60 years from July 1983 24 years 6 months unexpired	Inspection services
The Company	100%	No. 501 Yishun Industrial Park A Singapore 768732	1,104.9 sq metre	30 years from July 2013 24 years 6 months unexpired	Inspection services
Setsco Services Pte Ltd	100%	No. 531 Bukit Batok Street 23 Singapore 659547	7,554.5 sq metre	7 years from October 2018 with option to renew another 30 years 6 years 9 months unexpired	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 sq metre	99 years from December 2009 89 years 11 months unexpired	Testing, inspection and consultancy services
JIC Inspection Services Pte Ltd	78%	No. 53 Pioneer Road Singapore 628505	9,190.0 sq metre	30 years from December 1994 5 years 11 months unexpired	Inspection services
JIC Inspection Services Pte Ltd	78%	No. 15 Ang Mo Kio Street 63 Singapore 569117	2,145.0 sq metre	3 years from March 2014, renewed for another 3 years from March 2017 1 years 2 months unexpired	Inspection services

NOTES TO THE FINANCIAL STATEMENTS
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12 GOODWILL

	The Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Carrying amount:			
At beginning and end of year	11,325	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		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Testing and inspection services	9,268	9,268	9,268
Vehicle inspection services	2,057	2,057	2,057
	11,325	11,325	11,325

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

13 TRADE AND OTHER PAYABLES

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Outside parties	3,437	3,607	2,888	2,148	1,935	1,282
Holding company (Note 4)	115	207	97	75	161	58
Related companies	29	52	35	1	1	2
Accruals	15,498	15,351	14,570	3,381	3,121	3,052
Deferred income	1,025	998	899	111	53	–
Deposits received from customers	1,339	1,307	1,420	731	520	488
Others	1,361	1,350	1,389	310	266	286
Total	22,804	22,872	21,298	6,757	6,057	5,168

The average credit period on purchases of goods and services is 30 days (2017 : 30 days).

14 DUE TO SUBSIDIARIES

Included in the payable to subsidiaries is an amount of $13,822,000 (2017 : $37,120,000) 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 1.62% to 1.99% (2017 : 1.26% to 1.64%) per annum.

15 PROVISION FOR RELOCATION COSTS

This pertains to estimated cost, including moving cost and calibration cost of equipment, in relation to the relocation package offered by Jurong Town Corporation and deferred until the relocation to the new premise which is expected to take place in 2020.

16 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 2017	1,982	(213)	1,769
(Credit) Charge to Profit or Loss for the year (Note 22)	(1)	149	148
At 31 December 2017	1,981	(64)	1,917
(Credit) Charge to Profit or Loss for the year (Note 22)	(382)	126	(256)
At 31 December 2018	1,599	62	1,661
Company			
At 1 January 2017	400	(137)	263
Charge to Profit or Loss for the year	4	15	19
At 31 December 2017	404	(122)	282
Credit to Profit or Loss for the year	(5)	(33)	(38)
At 31 December 2018	399	(155)	244

17 SHARE CAPITAL

	The Group and the Company					
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	Number of ordinary shares			$'000	$'000	$'000
Issued and paid up:						
At beginning and end of year	88,642,000	88,642,000	88,642,000	36,284	36,284	36,284

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

18 OTHER RESERVES

	The Group and the Company		
	Revaluation reserve $'000	Capital reserve $'000	Total $'000
Balance at 1 January 2017 (previously reported)	3,073	–	3,073
Reclassification on adoption of SFRS(I) 1*	(3,073)	3,073	–
Balance at 1 January 2017 (restated), at 31 December 2017 and at 31 December 2018	–	3,073	3,073

* The Group and the Company have applied the transition exemption under SFRS(I) to recognise the fair value of the property as the deemed cost at the date of revaluation. Accordingly, the one-off revaluation reserve for the leasehold land (Note 11) valued in March 1995 is classified to capital reserve within other reserves.

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19 REVENUE

	The Group	
	2018	2017
	$'000	$'000
Inspection and testing services	95,255	92,290
Rental income	2,911	2,908
Others	1,897	1,836
	100,063	97,034

Majority of the revenue is derived from Singapore.

20 OTHER INCOME

	The Group	
	2018	2017
	$'000	$'000
Gain on surrender of lease	14,796	–
Provision for relocation costs	(7,053)	–
	7,743	–

21 STAFF COSTS

a) The remuneration of the Directors (executive and non-executive) and key executives comprises mainly of short term benefits amounting to $2,588,000 (2017 : $2,398,000).

b)

	The Group	
	2018	2017
	$'000	$'000
Cost of defined contribution plans (included in staff costs)	3,789	3,830

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.

22 TAXATION

	The Group	
	2018	2017
	$'000	$'000
Taxation charge (credit) in respect of profit for the financial year:		
Current taxation		
Singapore	6,367	5,148
Foreign	53	54
Deferred tax (Note 16)	(63)	117
Adjustments in respect of (over) under provision in prior years:		
Current taxation	(186)	(308)
Deferred tax (Note 16)	(193)	31
	5,978	5,042

22 TAXATION (CONT'D)

The taxation charge varied from the amount of taxation charge determined by applying the Singapore income tax rate of 17% (2017 : 17%) to profit before taxation as a result of the following differences:

	The Group	
	2018 $'000	2017 $'000
Profit before taxation	41,137	31,976
Taxation at the domestic income tax rate of 17% (2017 : 17%)	6,993	5,436
Non-(taxable) allowable items	(529)	420
Tax-exempt income	(120)	(106)
Overprovision in prior years (net)	(379)	(277)
Tax benefits under Productivity and Innovation Credit Scheme	–	(451)
Effect of different tax rates of subsidiary operating in other jurisdiction	13	20
	5,978	5,042

23 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	
	2018 $'000	2017 $'000
Directors' fees	465	415
Foreign currency exchange adjustment loss	23	25
Gain on:		
Disposal of vehicles, premises and equipment	(17)	(15)
Surrender of lease	(14,796)	–
Provision for relocation costs	7,053	–
Allowance for expected credit losses	305	272
Cost of inventories recognised as expense	5	20
Government Grants:		
Special Employment Credit Scheme	(85)	(133)
Wage Credit Scheme	(277)	(239)
Temporary Employment Credit	(53)	(179)
Audit fees:		
Auditors of the Company	64	64
Other auditors	4	4
Non-audit fees:		
Auditors of the Company	27	41
Other auditors	1	1

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24 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:

	2018	2017
Profit attributable to shareholders of the Company ($'000)	34,700	26,503
Weighted average number of ordinary shares in issue (thousands)	88,642	88,642
Basic earnings per share (in cents)	39.15	29.90

Fully diluted earnings per share is the same as the basic earnings per share as there is no dilutive shares outstanding at the end of financial year ended 31 December 2018 and 31 December 2017.

25 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.

26 CAPITAL EXPENDITURE COMMITMENTS

The Group has the following capital commitments contracted but not provided for in the Financial Statements:

	The Group	
	2018 $'000	2017 $'000
Purchase of vehicles, premises and equipment	1,335	1,294

27 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	The Group	
	2018 $'000	2017 $'000
Minimum lease payments under operating leases recognised as an expense in the year	1,976	2,038

The annual rentals for certain premises are subject to review every year at a variable rate up to a maximum of 5.5% (2017 : 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	
	2018 $'000	2017 $'000
Within one year	1,998	1,994
In the second to fifth year inclusive	7,152	7,244
After five years	6,881	14,328
Total	16,031	23,566

27 OPERATING LEASE ARRANGEMENTS (CONT'D)

The Group as lessor

The Group rents out their lettable space in Singapore. Rental income earned by the Group during the year was $2,911,000 (2017 : $2,908,000).

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

	The Group	
	2018 $'000	2017 $'000
Within one year	2,447	2,197
In the second to fifth year inclusive	3,212	2,503
Total	5,659	4,700

28 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Financial Assets						
Receivables (including cash and cash equivalent)	122,367	122,365	120,642	77,888	107,423	105,868
Financial Liabilities						
Amortised Cost	27,493	20,567	18,979	21,619	44,316	40,874

(b) *Financial risk management policies and objectives*

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 these risks.

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.

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28 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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 stringent credit review and sets counterparty credit limits. There is no significant concentration of credit risk.

Cash and deposits are kept with reputable 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 as disclosed in the notes to the Financial Statements.

Liquidity risk management

The Group regularly reviews its liquidity position 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 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.

No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

29 DIVIDENDS

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

	2018 $'000	2017 $'000
Tax-exempt one-tier final dividend in respect of the previous financial year:		
– 22.88 cents (2017 : 8.50 cents) per ordinary share	20,281	7,535
Tax-exempt one-tier special dividend in respect of the previous financial year:		
– nil cents (2017 : 10.00 cents) per ordinary share	–	8,864
Tax- exempt one-tier interim dividend in respect of the current financial year:		
– 13.46 cents (2017 : 13.12 cents) per ordinary share	11,932	11,630
Total	32,213	28,029

(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 23.17 cents per ordinary share totalling $20,538,000 be paid for the financial year ended 31 December 2018; and

(ii) a tax-exempt one-tier special dividend of 8.62 cents per ordinary share totalling $7,641,000 be paid for the financial year ended 31 December 2018.

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.

Together with the tax exempt one-tier interim dividend of 13.46 cents per ordinary share (2017 : 13.12 cents per ordinary share), total distributions paid and proposed in respect of the financial year ended 31 December 2018 will be 45.25 cents per ordinary share (2017 : 36.00 cents per ordinary share).

30 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

Singapore-incorporated companies listed on the Singapore Exchange are required to apply a new financial reporting framework, the SFRS(I)s, that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018.

The Group has adopted a new financial reporting framework, SFRS(I)s on 1 January 2018 and has prepared its financial information under SFRS(I)s for the year ended 31 December 2018. In adopting SFRS(I)s, the Group is required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International).* The Group's and Company's opening Statements of Financial Position under SFRS(I)s has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I)s.

The Group has applied the option to reset the cumulative foreign currency translation differences for all foreign operations to zero at the date of transition to SFRS(I) on 1 January 2017. As a result, a cumulative foreign currency translation loss of $265,000 was reclassified from foreign currency translation reserve to accumulated profits as at 1 January 2017. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

The Group has reclassified the revaluation reserve relating to a property to capital reserve within other reserves at the date of transition on 1 January 2017 in accordance with SFRS(I) 1.

The transition to SFRS(I) and the initial application of SFRS(I) 15 have no impact to the Group Operating Profit and the Group Cash Flow Statement. The adoption of SFRS(I)s has no material impact on the Group's Financial Statements.