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DIRECTORS' STATEMENT

The Directors of VICOM Ltd (the "Company") and its subsidiaries (the "Group") present their statement together with the audited Consolidated Financial Statements of the Group for the financial year ended 31 December 2021 and the Statement of Financial Position and Statement of Changes in Equity of the Company as at 31 December 2021.

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 77 to 115 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 2021, 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)
Shim Phiau Wui, Victor	(Lead Independent Director)
Goh Yeow Tin	
June Seah Lee Kiang	
Soh Chung Hian, Daniel	
Tan Kim Siew	
Tan Poh Hong	
Wong Yoke Woon	

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options as stipulated in paragraph 3 of the 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 1967, except as follows:

	Shareholdings registered in name of Directors		
	At 1 January 2021	At 31 December 2021	At 21 January 2022
Interest in the Company			
(a) Ordinary shares			
Lim Jit Poh	760,000	760,000	760,000
Sim Wing Yew	40,000	40,000	40,000
Shim Phiau Wui, Victor (Deemed Interest)	24,000	24,000	24,000
Interest in related company, SBS Transit Ltd			
(a) Ordinary shares			
Sim Wing Yew	70,000	70,000	70,000
Interest in holding company, ComfortDelGro Corporation Limited			
(a) Ordinary shares			
Lim Jit Poh	244,425	244,425	244,425
Yang Ban Seng	7,168	399,668	399,668
Yang Ban Seng (Deemed Interest)	18,185	18,185	18,185
Sim Wing Yew	457,500	472,500	472,500
Shim Phiau Wui, Victor (Deemed Interest)	19,000	19,000	19,000
(b) Options to subscribe for ordinary shares			
Yang Ban Seng	330,000	–	–
(c) Unvested performance share awards under the ComfortDelGro Executive Share Award Scheme ("ESAS")			
		Number of unvested share held by Directors	
		At 1 January 2021	At 31 December 2021
Yang Ban Seng		225,000	362,500
Sim Wing Yew		52,500	67,500

DIRECTORS' STATEMENT

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 five independent non-executive Directors:

Soh Chung Hian, Daniel (Chairman)
June Seah Lee Kiang
Shim Phiau Wui, Victor
Tan Poh Hong
Wong Yoke Woon

The Audit and Risk Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act 1967, and the Code of Corporate Governance 2018.

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
21 February 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VICOM LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the Financial Statements of VICOM Ltd (the "Company") and its subsidiaries (the "Group") which comprise the Statements of Financial Position of the Group and the Company as at 31 December 2021, 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 77 to 115.

In our opinion, the accompanying 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 1967, (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 2021 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 *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.

Allowance for expected credit losses for trade receivables (Note 6)

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 of 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 other information is expected to be made available to us after the date of this auditor's report.

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.

Information Other than the Financial Statements and Auditor's Report Thereon (cont'd)

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VICOM LTD

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

- 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

21 February 2022

STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2021

	Note	The Group		The Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	5	75,360	93,196	71,057	89,384
Trade receivables	6	11,268	10,505	1,946	2,083
Other receivables and prepayments	7	1,037	1,764	285	431
Inventories		21	2	–	–
Total current assets		87,686	105,467	73,288	91,898
Non-current assets					
Subsidiaries	8	–	–	25,941	25,941
Associate	9	25	25	–	–
Financial assets at fair value through other comprehensive income	10	3,295	1,327	3,295	1,327
Vehicles, premises and equipment	11	97,434	89,754	34,260	36,589
Goodwill	12	11,325	11,325	–	–
Total non-current assets		112,079	102,431	63,496	63,857
Total assets		199,765	207,898	136,784	155,755
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	13	29,755	24,375	7,826	7,500
Due to subsidiaries	14	–	–	38,786	49,988
Provision for relocation costs	15	2,462	6,973	–	–
Lease liabilities	16	1,062	1,092	597	587
Income tax payable		5,851	6,773	3,074	4,415
Total current liabilities		39,130	39,213	50,283	62,490
Non-current liabilities					
Other payables	13	720	–	–	–
Deferred tax liabilities	17	999	1,542	28	63
Lease liabilities	16	30,702	31,691	24,299	24,896
Total non-current liabilities		32,421	33,233	24,327	24,959
Total liabilities		71,551	72,446	74,610	87,449
Capital, reserves and non-controlling interests					
Share capital	18	36,284	36,284	36,284	36,284
Other reserves	19	4,086	3,043	4,086	3,043
Foreign currency translation reserve		–	(16)	–	–
Accumulated profits		86,883	94,940	21,804	28,979
Equity attributable to shareholders of the Company		127,253	134,251	62,174	68,306
Non-controlling interests		961	1,201	–	–
Total equity		128,214	135,452	62,174	68,306
Total liabilities and equity		199,765	207,898	136,784	155,755

GROUP INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2021

	Note	The Group	
		2021 \$'000	2020 \$'000
Revenue	20	100,892	86,452
Staff costs	21	(45,362)	(35,784)
Depreciation and amortisation	11	(7,249)	(7,334)
Contract services		(2,928)	(2,405)
Materials and consumables		(2,831)	(2,074)
Premises costs		(1,923)	(1,684)
Repairs and maintenance costs		(1,772)	(1,625)
Utilities and communication costs		(1,795)	(1,242)
Other operating costs		(6,056)	(4,977)
Total operating costs		(69,916)	(57,125)
Operating profit		30,976	29,327
Finance costs	22	(871)	(899)
Interest income		269	948
Profit before taxation		30,374	29,376
Taxation	23	(5,138)	(4,400)
Profit after taxation	24	25,236	24,976
Attributable to:			
Shareholders of the Company		24,776	24,494
Non-controlling interests		460	482
		25,236	24,976
Earnings per share (in cents):			
Basic	25	6.99	6.91
Diluted	25	6.99	6.91

GROUP COMPREHENSIVE INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2021

	Note	The Group	
		2021 \$'000	2020 \$'000
Profit after taxation		25,236	24,976
Items that may be reclassified subsequently to Profit or Loss			
Exchange differences arising on translation of foreign operations		16	(15)
Items that will not be reclassified subsequently to Profit or Loss			
Fair value adjustment on equity investments	10	1,043	(22)
Other comprehensive income for the year		1,059	(37)
Total comprehensive income for the year		26,295	24,939
Total comprehensive income attributable to:			
Shareholders of the Company		25,835	24,457
Non-controlling interests		460	482
		26,295	24,939

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

	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 2020	36,284	3,065	(1)	91,977	131,325	965	132,290
Total comprehensive income for the year							
Profit for the year	–	–	–	24,494	24,494	482	24,976
Other comprehensive income for the year	–	(22)	(15)	–	(37)	–	(37)
Total	–	(22)	(15)	24,494	24,457	482	24,939
Transactions recognised directly in equity							
Payment of dividends (Note 30)	–	–	–	(21,531)	(21,531)	–	(21,531)
Total	–	–	–	(21,531)	(21,531)	–	(21,531)
Payments to non-controlling interests	–	–	–	–	–	(246)	(246)
Balance at 31 December 2020	36,284	3,043	(16)	94,940	134,251	1,201	135,452
Total comprehensive income for the year							
Profit for the year	–	–	–	24,776	24,776	460	25,236
Other comprehensive income for the year	–	1,043	16	–	1,059	–	1,059
Total	–	1,043	16	24,776	25,835	460	26,295
Transactions recognised directly in equity							
Payment of dividends (Note 30)	–	–	–	(32,833)	(32,833)	–	(32,833)
Total	–	–	–	(32,833)	(32,833)	–	(32,833)
Payments to non-controlling interests	–	–	–	–	–	(700)	(700)
Balance at 31 December 2021	36,284	4,086	–	86,883	127,253	961	128,214

	The Company			Total equity \$'000
	Share capital \$'000	Other reserves \$'000	Accumulated profits \$'000	
Balance at 1 January 2020	36,284	3,065	35,260	74,609
Total comprehensive income for the year				
Profit for the year	–	–	15,250	15,250
Other comprehensive income for the year	–	(22)	–	(22)
Total	–	(22)	15,250	15,228
Transactions recognised directly in equity				
Payment of dividends (Note 30)	–	–	(21,531)	(21,531)
Total	–	–	(21,531)	(21,531)
Balance at 31 December 2020	36,284	3,043	28,979	68,306
Total comprehensive income for the year				
Profit for the year	–	–	25,658	25,658
Other comprehensive income for the year	–	1,043	–	1,043
Total	–	1,043	25,658	26,701
Transactions recognised directly in equity				
Payment of dividends (Note 30)	–	–	(32,833)	(32,833)
Total	–	–	(32,833)	(32,833)
Balance at 31 December 2021	36,284	4,086	21,804	62,174

GROUP CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2021

	2021 \$'000	2020 \$'000
Operating activities		
Profit before taxation	30,374	29,376
Adjustments for:		
Depreciation of vehicles, premises and equipment owned and right-of-use assets	7,249	7,334
Interest expense	871	899
Interest income	(269)	(948)
Gain on disposal of vehicles, premises and equipment	(4)	(30)
Allowance for expected credit losses	552	856
Operating cash flows before movements in working capital	38,773	37,487
Trade receivables	(1,315)	4,820
Other receivables and prepayments	723	(733)
Inventories	(19)	19
Trade and other payables	(1,025)	579
Cash generated from operations	37,137	42,172
Interest paid	(871)	(899)
Income tax paid	(6,603)	(4,556)
Net cash from operating activities	29,663	36,717
Investing activities		
Purchase of vehicles, premises and equipment	(12,282)	(15,001)
Interest received	273	1,744
Proceeds from disposal of vehicles, premises and equipment	35	37
Purchase of unquoted equity instruments held at fair value through other comprehensive income	(925)	–
Net cash used in investing activities	(12,899)	(13,220)
Financing activities		
Payments to non-controlling interests	(700)	(246)
Repayments of lease liabilities	(1,093)	(1,358)
Dividends paid (Note 30)	(32,833)	(21,531)
Net cash used in financing activities	(34,626)	(23,135)
Net effect of foreign exchange rates in consolidating subsidiaries	26	(17)
Net (decrease) increase in cash and cash equivalents	(17,836)	345
Cash and cash equivalents at beginning of year	93,196	92,851
Cash and cash equivalents at end of year (Note 5)	75,360	93,196

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

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 2021 and the Statement of Financial Position and Statement of Changes in Equity of the Company as at 31 December 2021 were authorised for issue by the Board of Directors on 21 February 2022.

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, and Singapore Financial Reporting Standards (International) (“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) 16 *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*.

ADOPTION OF NEW AND REVISED FINANCIAL STANDARDS – On 1 January 2021, the Group and the Company adopted all the new and revised SFRS(I)s pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I)s pronouncements does not result in changes to the Group’s and the Company’s accounting policies and has no material effect on the amounts reported for the current or prior years.

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

- Amendments to SFRS(I) 3 *Reference to the Conceptual Framework* ⁽¹⁾
- Amendments to SFRS(I) 1-37 *Onerous Contracts – Cost of Fulfilling a Contract* ⁽¹⁾
- Annual improvements to SFRS(I)s 2018-2020 ⁽¹⁾
- Amendments to SFRS(I) 1 *Classification of Liabilities as Current or Non-current* ⁽²⁾
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates* ⁽²⁾
- Amendments to SFRS(I) 1-12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* ⁽²⁾

(1) Applies to annual periods beginning on or after 1 January 2022.

(2) Applies to annual periods beginning on or after 1 January 2023.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

NEW/REVISED STANDARDS AND IMPROVEMENTS TO THE STANDARDS NOT YET ADOPTED (CONT'D)

Management anticipates that the adoption of the above SFRS(I) pronouncements in future periods will not have a material impact on the Financial Statements of the Group in the period of their initial adoption.

BASIS OF CONSOLIDATION – The Consolidated Financial Statements incorporate the Financial Statements of the Group and entities controlled by the Group and its subsidiaries. Control is achieved when the Group:

- 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 Group 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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date when the Group ceases to control the subsidiary.

Profit or Loss and each component of Other Comprehensive Income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group 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 Group.

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

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

In the Statement of Financial Position of the Company, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in Profit or Loss.

BUSINESS COMBINATIONS – The acquisition of subsidiaries 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

BUSINESS COMBINATIONS (CONT'D)

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.

Classification of financial assets

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

- the financial 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.

By default, all other financial assets are subsequently measured at fair value through Profit or Loss ("FVTPL").

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in Other Comprehensive Income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or fair value through other comprehensive income ("FVTOCI") criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FINANCIAL INSTRUMENTS (CONT'D)

Financial assets (cont'd)

Amortised cost and effective interest method

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.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in Other Comprehensive Income and accumulated in the Investment Revaluation Reserve. The cumulative gain or loss will not be reclassified to Profit or Loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated its investment in equity instruments, which comprises of an unquoted equity security and is not held for trading, as at FVTOCI on initial application of SFRS(I) 9 *Financial Instruments* (see Note 10).

Dividends on this investment in equity instruments is recognised in Profit or Loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

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. The internal credit rating of these financial assets are categorised as "Doubtful". The basis for recognition of ECL for financial assets with significant increase in credit risk since initial recognition is lifetime ECL – not credit impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FINANCIAL INSTRUMENTS (CONT'D)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

A default on a financial asset is when the counterparty fails to make contractual payments within a specific period after the credit period granted. The internal credit rating of these financial assets are categorised as "Non-performing". The basis for recognition of ECL for financial assets with evidence indicating credit-impaired is lifetime ECL – credit impaired.

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. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the Investment Revaluation Reserve is not reclassified to Profit or Loss, but is transferred to Retained Earnings.

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 or Loss.

NOTES TO THE FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

LEASES

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its leasehold buildings.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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.

When a contract includes lease and non-lease components, the Group applies SFRS(I) 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

The Group determines its incremental borrowing rate based on the quotes from reputable banks in accordance to the type of asset, tenure and country where the assets are situated.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Statements of Financial Position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

LEASES (CONT'D)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within vehicles, premises and equipment in the Statements of Financial Position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating costs' in the Group Income Statement.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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
Furniture, fittings and equipment	5 to 7
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
Computers and automated equipment	3 to 5

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 *Non-current Assets Held for Sale and Discontinued Operations*. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

GOODWILL – Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognised immediately in Profit or Loss.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any provision for impairment.

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

On divestment of a subsidiary, the attributable amount of goodwill is included in the determination of the Profit or Loss on divestment.

IMPAIRMENT OF 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

SERVICE BENEFITS – These comprise the following:

- (i) Retirement Benefits – The Company and some of the subsidiaries participate in defined contribution retirement benefit plan (Central Provident Fund for Singapore-incorporated subsidiaries and Employees Provident Fund for Malaysia-incorporated subsidiary). Payments made to the plan are charged as an expense as they fall due.
- (ii) Employee Leave Entitlement – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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 are recognised in Profit or Loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, 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 that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in Profit or Loss in the period in which they become receivable.

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.

Vehicle inspection services

Revenue from vehicle inspection services is recognised at a point in time upon completion of the inspection services.

Testing services

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

Interest income

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

Dividend income

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

Rental income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (CONT'D)

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.

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 3.2% (2020 : 1.5%).

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Goodwill impairment review (cont'd)

The discount rate applied to the forecast is 6.36% (2020 : 4.62%).

As at 31 December 2021 and 31 December 2020, 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	
	2021 \$'000	2020 \$'000
Inspection and testing services charged to related companies	(1,848)	(1,980)
Refuelling outlet (variable rental) income charged to related company	(255)	(228)
Rental income charged to related companies	(223)	(260)
Assessment fee charged to related companies	(73)	(172)
Other fees charged to related companies	(81)	(55)
Shared and corporate services charged by holding company	1,303	539
Others charged by holding company	92	91
Others charged by related companies	304	269
Lease expense charged by related companies	193	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.

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5 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash and bank balances	4,275	3,905	787	904
Fixed deposits with financial institutions	71,085	89,291	70,270	88,480
Total	75,360	93,196	71,057	89,384

Fixed deposits are placed on a staggered basis based on the Group's cash flow projections, bore interest at effective interest rates of between 0.27% to 0.48% (2020 : 0.25% to 0.92%) per annum and for a weighted average tenure of approximately 280 days (2020 : 165 days). These deposits are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

6 TRADE RECEIVABLES

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Outside parties	14,404	13,302	339	345
Allowance for expected credit losses	(3,347)	(2,852)	(30)	(72)
Allowance for discount allowed	(199)	(270)	–	–
Net	10,858	10,180	309	273
Holding company (Note 4)	5	–	–	–
Subsidiaries (Note 4)	–	–	1,518	1,726
Related companies (Note 4)	405	325	119	84
Total	11,268	10,505	1,946	2,083

The average credit period on sale of goods and provision of services is 30 days (2020 : 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 \$3,347,000 (2020 : \$2,852,000) and of the Company of \$30,000 (2020 : \$72,000). This allowance which has been determined by reference to past default experience and expected credit losses, ranging from 2% to 2.2% (2020 : 2% to 6.2%) 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 consider historical loss rates for each category of customers and adjust for forward-looking macroeconomic data.

Approximately 65% (2020 : 58%) of the Group's trade receivables are neither past due nor impaired. Included in the Group's trade receivable balances are debtors with a total carrying amount of \$1,767,000 (2020 : \$2,728,000) 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 19 days (2020 : 52 days).

Approximately 96% (2020 : 94%) of the Company's trade receivables are neither past due nor impaired. Included in the Company's trade receivable balances are debtors with a total carrying amount of \$42,000 (2020 : \$52,000) 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 15 days (2020 : 32 days).

6 TRADE RECEIVABLES (CONT'D)

Movements in allowance for expected credit losses:

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Balance at beginning of the year	2,852	2,128	72	152
Amounts written off during the year	(54)	(132)	(3)	–
Increase (Decrease) in allowance recognised in Profit or Loss	552	856	(39)	(80)
Exchange differences	(3)	–	–	–
Balance at end of the year	3,347	2,852	30	72

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Denominated in:				
Great Britain pound	3	–	–	–
United States dollar	61	72	–	–

As at 31 December 2021, 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 \$3,133,000 (2020 : \$2,640,000) and \$27,000 (2020 : \$67,000) respectively.

During the year, the credit impaired financial assets of the Group and the Company written off amounted to \$54,000 (2020 : \$132,000) and \$3,000 (2020 : \$Nil) respectively; and the allowance recognised in Profit or Loss amounted to \$545,000 (2020 : \$858,000) and reversal of \$39,000 (2020 : \$80,000) 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 \$2,000 (2020 : \$91,000) and \$2,000 (2020 : \$1,000) respectively.

7 OTHER RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Other receivables	513	570	141	133
Interest receivable	60	64	48	58
Deposits	174	141	7	6
Prepayments	290	263	89	159
Grant receivable	–	726	–	75
Total	1,037	1,764	285	431

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 have not recognised any allowance as the Management assessed the credit risk to be low.

Grant receivable is related to the amounts granted to the Group and the Company under the COVID-19 Government Relief Measures, mainly the Jobs Support Scheme ("JSS") initiative by the Singapore Government. The initiative was intended to defray certain manpower costs.

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8 SUBSIDIARIES

	The Company	
	2021 \$'000	2020 \$'000
Unquoted equity shares, at cost	25,941	25,941

Details of subsidiaries are as follows:

Name of entity	Principal activity	Country of incorporation/ operation	Company's effective interest		Cost of investment	
			2021 %	2020 %	2021 \$'000	2020 \$'000
VICOM Inspection Centre Pte Ltd	Provision of vehicle inspection services	Singapore	100	100	4,160	4,160
JIC Inspection Services Pte Ltd	Vehicle inspection and other related services	Singapore	78	78	5,663	5,663
Setsco Services Pte Ltd	Provision of testing, inspection and consultancy services	Singapore	100	100	16,118	16,118
<u>Subsidiaries of Setsco Services Pte Ltd</u>						
Setsco Consultancy International Pte Ltd	Provision of professional inspection and engineering services	Singapore	100	100	–	–
Setsco Services (M) Sdn Bhd ⁽¹⁾	Provision of testing, inspection and consultancy services	Malaysia	100	100	–	–
SETS Services DMCC ⁽²⁾	Building inspection services	United Arab Emirates	–	100	–	–
					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) SETS Services DMCC was dissolved during the financial year.

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

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	
		2021	2020
Provision of vehicle inspection services	Singapore	1	1
Provision of testing inspection and consultancy services	Singapore	1	1
Provision of professional inspection and engineering services	Singapore	1	1
Provision of testing inspection and consultancy services	Malaysia	1	1
Building inspection Services	United Arab Emirates	–	1
		4	5

Principal activity	Place of incorporation and operation	Number of non wholly-owned subsidiaries	
		2021	2020
Vehicle inspection and other related services	Singapore	1	1

9 ASSOCIATE

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Unquoted equity shares, at cost	50	50	–	–
Less: Share of post- acquisition reserves	(25)	(25)	–	–
Net	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		Cost of investment	
			2021 %	2020 %	2021 \$'000	2020 \$'000
Setsco Middle East Laboratory LLC	Provision of testing, inspection, training, certification and consultancy services	Abu Dhabi, United Arab Emirates/ Dormant	49	49	50	50

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

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9 ASSOCIATE (CONT'D)

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

	2021 \$'000	2020 \$'000
Total assets	80	80
Total liabilities	(29)	(29)
Net assets	51	51
Group's share of associate's net assets	25	25
Loss for the year	-	-
Group's share of associate's loss for the year	-	-

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

	<u>The Group and The Company</u>	
	2021 \$'000	2020 \$'000
Investment in unquoted equity shares designated as at FVTOCI		
Balance as at beginning of the year	1,327	1,349
Additions	925	-
Fair value adjustment	1,043	(22)
Balance as at end of the year	3,295	1,327

The investment in unquoted equity instrument represents an investment in research and development activities and/or the commercial application of this knowledge. The recoverability of these investments is uncertain and dependent on the outcome of these activities, which cannot presently be determined.

This investment in equity instrument is not held for trading. Instead, it is held for medium to long-term strategic purposes. Accordingly, Management has elected to designate this investment in equity instrument as at FVTOCI as they believe that recognising short-term fluctuations in the investment's fair value in Profit or Loss would not be consistent with the Group's strategy of holding this investment for long-term purposes and realising its performance potential in the long run.

No investment in equity investments measured at FVTOCI has been disposed of during the current reporting period.

11 VEHICLES, PREMISES AND EQUIPMENT

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
(a) Vehicles, premises and equipment owned	64,960	56,298	8,849	10,119
(b) Right-of-use assets classified within vehicles, premises and equipment owned	32,474	33,456	25,411	26,470
Total	97,434	89,754	34,260	36,589

(a) Vehicles, premises and equipment owned

	Leasehold buildings \$'000	Furniture, fittings and equipment \$'000	Workshop machinery, tools and equipment \$'000	Motor vehicles \$'000	Computers and automated equipment \$'000	Capital projects in progress \$'000	Total \$'000
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Group

Cost:

At 1 January 2020	65,619	1,495	42,789	4,094	2,268	1,222	117,487
Additions	48	123	1,706	38	232	12,854	15,001
Disposals	–	(31)	(964)	–	(59)	–	(1,054)
Exchange differences	2	–	2	1	–	–	5
At 31 December 2020	65,669	1,587	43,533	4,133	2,441	14,076	131,439
Additions	565	83	3,645	35	174	11,181	15,683
Disposals	–	(751)	(49)	–	(301)	–	(1,101)
Write-offs	–	–	(1,598)	–	–	–	(1,598)
Transfer from capital projects in progress	25,257	–	–	–	–	(25,257)	–
Exchange differences	(12)	–	(9)	(1)	(1)	–	(23)
At 31 December 2021	91,479	919	45,522	4,167	2,313	–	144,400

Accumulated depreciation:

At 1 January 2020	31,363	1,218	34,491	1,881	1,660	–	70,613
Depreciation	2,131	114	2,669	330	328	–	5,572
Disposals	–	(31)	(957)	–	(59)	–	(1,047)
Exchange differences	–	–	2	1	–	–	3
At 31 December 2020	33,494	1,301	36,205	2,212	1,929	–	75,141
Depreciation	2,451	106	2,316	315	285	–	5,473
Disposals	–	(738)	(31)	–	(301)	–	(1,070)
Write-offs	–	–	(91)	–	–	–	(91)
Exchange differences	(4)	–	(7)	(2)	–	–	(13)
At 31 December 2021	35,941	669	38,392	2,525	1,913	–	79,440

Carrying amounts:

At 31 December 2021	55,538	250	7,130	1,642	400	–	64,960
At 31 December 2020	32,175	286	7,328	1,921	512	14,076	56,298

During the year, the Group completed its relocation to its new premises in Bukit Batok. The Group wrote off assets with net book value of \$1,507,000 with respect to workshop machinery, tools and equipment as a result of the relocation. The net impact of the write-offs were offset against provision for relocation costs previously recognised.

The Group acquired vehicles, premises and equipment with an aggregate cost \$15,683,000 (2020 : \$15,001,000) out of which \$3,401,000 (2020 : \$Nil) remains unpaid and included as part of trade and other payables as at December 31, 2021.

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11 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

	Leasehold buildings \$'000	Furniture, fittings and equipment \$'000	Workshop machinery, tools and equipment \$'000	Motor vehicles \$'000	Computers and automated equipment \$'000	Total \$'000
<u>Company</u>						
Cost:						
At 1 January 2020	38,987	361	2,530	231	589	42,698
Additions	47	41	2	–	41	131
Disposals	–	(13)	–	–	(2)	(15)
At 31 December 2020	39,034	389	2,532	231	628	42,814
Additions	128	17	–	–	25	170
Disposals	–	(7)	–	–	–	(7)
At 31 December 2021	39,162	399	2,532	231	653	42,977
Accumulated depreciation:						
At 1 January 2020	28,970	286	1,356	139	442	31,193
Depreciation	1,218	36	133	12	117	1,516
Disposals	–	(12)	–	–	(2)	(14)
At 31 December 2020	30,188	310	1,489	151	557	32,695
Depreciation	1,228	30	131	12	39	1,440
Disposals	–	(7)	–	–	–	(7)
At 31 December 2021	31,416	333	1,620	163	596	34,128
Carrying amounts:						
At 31 December 2021	7,746	66	912	68	57	8,849
At 31 December 2020	8,846	79	1,043	80	71	10,119

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 19 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 5 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 3 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 3 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 21 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 21 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 3 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 86 years 11 months unexpired	Testing, inspection and consultancy services.

NOTES TO THE FINANCIAL STATEMENTS

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11 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

Held by	Group's effective interest	Location	Approximate land area	Tenure	Usage
JIC Inspection Services Pte Ltd	78%	No. 53 Pioneer Road Singapore 628505	9,190.0 sq metre	30 years from December 1994 2 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 2020, 1 years 2 months unexpired	Inspection services.

(b) Right-of-use assets classified within vehicles, premises and equipment owned

The Group and Company lease several land and buildings and motor vehicles. The average lease term is 25 years (2020 : 25 years), where the Group and Company make periodic lease payments, which are used for its day to day operations.

	Land \$'000	Buildings \$'000	Motor vehicles \$'000	Total \$'000
Group				
Cost:				
At 1 January 2020	57,701	1,082	–	58,783
Additions	–	–	106	106
Lease modifications	–	521	–	521
At 31 December 2020	57,701	1,603	106	59,410
Additions	720	74	–	794
At 31 December 2021	58,421	1,677	106	60,204
Accumulated depreciation:				
At 1 January 2020	23,430	762	–	24,192
Depreciation for the year	1,319	431	12	1,762
At 31 December 2020	24,749	1,193	12	25,954
Depreciation for the year	1,499	224	53	1,776
At 31 December 2021	26,248	1,417	65	27,730
Carrying amount:				
At 31 December 2021	32,173	260	41	32,474
At 31 December 2020	32,952	410	94	33,456

11 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

	Land \$'000	Building \$'000	Total \$'000
Company			
Cost:			
At 1 January 2020	48,480	19	48,499
Lease modification	–	13	13
At 31 December 2020 and 31 December 2021	48,480	32	48,512
Accumulated depreciation:			
At 1 January 2020	20,966	18	20,984
Depreciation for the year	1,051	7	1,058
At 31 December 2020	22,017	25	22,042
Depreciation for the year	1,053	6	1,059
At 31 December 2021	23,070	31	23,101
Carrying amount:			
At 31 December 2021	25,410	1	25,411
At 31 December 2020	26,463	7	26,470

12 GOODWILL

	The Group	
	2021 \$'000	2020 \$'000
Carrying amount:		
At beginning and end of year	11,325	11,325

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

	The Group	
	2021 \$'000	2020 \$'000
Testing and inspection services	9,268	9,268
Vehicle inspection services	2,057	2,057
	11,325	11,325

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

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13 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Outside parties	5,455	3,907	2,370	1,849
Holding company (Note 4)	462	467	146	301
Related companies (Note 4)	61	96	3	3
Accruals	18,703	14,416	4,410	4,197
Deferred income	1,782	1,569	115	137
Deposits received from customers	1,301	1,096	487	475
Deferred grant income	–	1,232	–	123
Others	2,711	1,592	295	415
Total	30,475	24,375	7,826	7,500
Analysed as:				
Current	29,755	24,375	7,826	7,500
Non-current	720	–	–	–
Total	30,475	24,375	7,826	7,500

The average credit period on purchases of goods and services is 30 days (2020 : 30 days).

Deferred grant income is related to the amounts granted to the Group and the Company under the COVID-19 Government Relief Measures, mainly the JSS initiative by the Singapore Government. The initiative was intended to defray certain manpower costs.

14 DUE TO SUBSIDIARIES

Included in the payable to subsidiaries is an amount of \$36,538,000 (2020 : \$47,418,000) pertaining to funds held under central pooling which is unsecured and repayable on demand. The non-wholly-owned subsidiary receives interest at the rate of 0.27% to 0.48% (2020 : 0.25% to 0.65%) 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 JTC Corporation. The relocation to the new premise in Bukit Batok has taken place during the year and the remaining balance of the provision for relocation costs relates to calibration of equipment and mechanical and electrical works on the new premises which are expected to be completed within the next financial year.

Movements in provision for relocation costs:

	The Group	
	2021 \$'000	2020 \$'000
Balance at beginning of the year	6,973	6,589
Additions	–	384
Utilisation	(3,004)	–
Write-off of vehicles, premises and equipment owned (Note 11)	(1,507)	–
Balance at end of the year	2,462	6,973

16 LEASE LIABILITIES

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Maturity analysis:				
Within one year	1,907	1,963	1,263	1,269
In the second to fifth year inclusive	6,301	6,706	4,855	4,972
After five years	39,432	40,858	31,370	32,515
	47,640	49,527	37,488	38,756
Less: Future finance charges	(15,876)	(16,744)	(12,592)	(13,273)
Total	31,764	32,783	24,896	25,483
Analysed as:				
Current	1,062	1,092	597	587
Non-current	30,702	31,691	24,299	24,896
Total	31,764	32,783	24,896	25,483

The Group does not face significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Reconciliation of lease liabilities arising from financing activities

The table below details changes in the Group's lease liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's Cash Flow Statement as cash flows from financing activities.

	Non-cash changes			
	January 1, 2021 \$'000	Financing cash flows \$'000	New lease liabilities \$'000	December 31, 2021 \$'000
Lease liabilities	32,783	(1,093)	74	31,764

	Non-cash changes			
	January 1, 2020 \$'000	Financing cash flows \$'000	New lease liabilities \$'000	December 31, 2020 \$'000
Lease liabilities	33,514	(1,358)	627	32,783

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17 DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation \$'000	Provisions \$'000	Total \$'000
Group			
At 1 January 2020	1,522	26	1,548
Charge (Credit) to Profit or Loss for the year (Note 23)	81	(87)	(6)
At 31 December 2020	1,603	(61)	1,542
Credit to Profit or Loss for the year (Note 23)	(30)	(513)	(543)
At 31 December 2021	1,573	(574)	999
Company			
At 1 January 2020	377	(184)	193
Credit to Profit or Loss for the year	(23)	(107)	(130)
At 31 December 2020	354	(291)	63
Credit to Profit or Loss for the year	(26)	(9)	(35)
At 31 December 2021	328	(300)	28

18 SHARE CAPITAL

	The Group and the Company			
	2021	2020	2021	2020
	Number of ordinary shares		\$'000	\$'000
Issued and paid up:				
At 1 January	354,568,000	88,642,000	36,284	36,284
Issuance of new shares arising from share split	–	265,926,000	–	–
At 31 December	354,568,000	354,568,000	36,284	36,284

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

On 12 June 2020, the Company completed and effected the share split of every one (1) existing ordinary share in the capital of the Company held by shareholders of the Company into four (4) ordinary shares ("Share Split").

19 OTHER RESERVES

	The Group and the Company		
	Revaluation reserve \$'000	Capital reserve \$'000	Total \$'000
Balance at 1 January 2020	(8)	3,073	3,065
Revaluation changes during the year in other comprehensive income	(22)	–	(22)
Balance at 31 December 2020	(30)	3,073	3,043
Revaluation changes during the year in other comprehensive income	1,043	–	1,043
Balance at 31 December 2021	1,013	3,073	4,086

20 REVENUE

	The Group	
	2021 \$'000	2020 \$'000
Inspection and testing services	96,802	81,797
Rental income	2,214	2,549
Others	1,876	2,106
	100,892	86,452

Majority of the revenue is derived from Singapore.

21 STAFF COSTS

Included in the staff costs are as follows:

- a) The remuneration of the Directors (executive and non-executive) and key executives comprises mainly of short term benefits amounting to \$2,889,000 (2020 : \$2,570,000).

b)

	The Group	
	2021 \$'000	2020 \$'000
Cost of defined contribution plans (included in staff costs)	3,997	3,607
Government grant income (included in staff costs)	(2,727)	(7,861)

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.

The Group received wage support for local employees under the JSS from the Singapore Government as part of the Government's measures to support businesses during the period of economic uncertainty impacted by COVID-19. Government grant income was recognised in Profit or Loss on a systemic basis over the period impacted by COVID-19 in which the related salary costs for which the grant was intended to compensate is recognised as expenses. The period impacted by COVID-19 was determined to be 17 months commencing from April 2020. Government grant income related to JSS of \$1,392,000 (2020: \$5,641,000) was recognised during the year.

22 FINANCE COSTS

	The Group	
	2021 \$'000	2020 \$'000
Interest on lease liabilities	871	899

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23 TAXATION

	The Group	
	2021 \$'000	2020 \$'000
Taxation charge in respect of profit for the financial year:		
Current taxation		
Singapore	5,779	4,786
Foreign	2	9
Deferred tax (Note 17)	(561)	(210)
Adjustments in respect of (over) under provision in prior years:		
Current taxation	(100)	(389)
Deferred tax (Note 17)	18	204
	5,138	4,400

The taxation charge varied from the amount of taxation charge determined by applying the Singapore income tax rate of 17% (2020 : 17%) to profit before taxation as a result of the following differences:

	The Group	
	2021 \$'000	2020 \$'000
Profit before taxation	30,374	29,376
Taxation at the domestic income tax rate of 17% (2020 : 17%)	5,164	4,994
Non-allowable (taxable) items	143	(343)
Tax-exempt income	(81)	(70)
Overprovision in prior years (net)	(82)	(185)
Effect of different tax rates of subsidiary operating in other jurisdiction	(6)	4
	5,138	4,400

24 PROFIT AFTER TAXATION

In addition to the charges and (credits) disclosed elsewhere in the notes to the Group Income Statement, this item includes the following charges (credits):

	The Group	
	2021 \$'000	2020 \$'000
Directors' fees	546	492
Foreign currency exchange adjustment loss (gain)	69	(60)
Gain on disposal of vehicles, premises and equipment	(4)	(30)
Allowance for expected credit losses	552	856
Government grant (COVID-19 related)	1,802	7,717
Audit fees:		
Auditors of the Company	69	61
Other auditors	2	2
Non-audit fees:		
Auditors of the Company	22	24
Other auditors	1	1

Excluding the Government grant (COVID-19 related) of \$1,802,000 (2020 : \$7,717,000), the Group would have recorded Operating Profit of \$29,174,000 (2020 : \$21,610,000).

25 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:

	2021	2020
Profit attributable to shareholders of the Company (\$'000)	24,776	24,494
Weighted average number of ordinary shares in issue (thousands)	354,568	354,568
Basic earnings per share (in cents)	6.99	6.91

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 2021 and 31 December 2020.

26 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.

27 CAPITAL EXPENDITURE COMMITMENTS

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

	The Group	
	2021 \$'000	2020 \$'000
Purchase of vehicles, premises and equipment	4,502	15,443

28 OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31 December 2021, the Group is committed to \$143,000 (2020 : \$190,000) for short-term leases.

The Group as lessor

Disclosure required by SFRS(I) 16

Operating leases, in which the Group is the lessor, relate to lettable space in Singapore owned by the Group with lease terms of between 1 to 4 years, with no extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Group, as they relate to property which is located in a location with a constant increase in value over the last 14 years. The Group did not identify any indications that this situation will change.

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28 OPERATING LEASE ARRANGEMENTS (CONT'D)

The Group as lessor (cont'd)

Maturity analysis of operating lease payments:

	2021 \$'000	2020 \$'000
Year 1	1,672	1,214
Year 2	1,158	749
Year 3	57	586
Total	2,887	2,549

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Financial Assets				
Amortised cost	87,375	105,202	73,199	91,739
Financial assets at FVTOCI	3,295	1,327	3,295	1,327
Financial Liabilities				
Amortised cost	27,392	20,478	46,010	56,753
Lease liabilities	31,764	32,783	24,896	25,483

(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.

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.

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

(b) Financial risk management policies and objectives (cont'd)

Credit risk management (cont'd)

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses ("ECL")
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Trade receivables: Lifetime ECL – not credit impaired Other financial assets: 12-month ECL
Doubtful	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
Non-performing	Amount is > 150 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

Cash and deposits are placed with reputable financial institutions.

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, except for lease liabilities as disclosed in Note 16.

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).

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

(b) *Financial risk management policies and objectives (cont'd)*

Fair values of financial assets and financial liabilities (cont'd)

Fair value hierarchy

The table below analyses financial instruments by the levels in the fair value hierarchy based on inputs to valuation techniques.

	Level 3	
	<u>The Group and The Company</u>	
	2021	2020
	\$'000	\$'000
Financial assets at fair value through other comprehensive income	3,295	1,327

The fair value of the investment is based on the net value of the investment provided by an independent third party. Any significant increase or decrease in the unobservable input relating to the projected share price based on latest round of financing can result in a higher or lower fair value measurement respectively.

Equity price risk management

Equity price risk relates to price risk which exists due to changes in market prices that will affect the Group's income or the value of its holdings in investment. The objective of the Group's investment risk management is to manage and control the price risk exposures within acceptable parameters, while optimising the return on risk.

The Company is exposed to equity price risk changes arising from its investment in an unquoted equity instrument.

Equity price sensitivity

A 10% increase in the equity price of the underlying investment in the unquoted equity instrument at the reporting date would increase the fair value reserve for the year by \$330,000 (2020 : \$133,000).

A 10% decrease in the equity price of the underlying investment in the unquoted equity instrument would have an equal but opposite effect on the fair value reserve.

This analysis assumes that all other variables remain constant.

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 2021 and 2020.

30 DIVIDENDS

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

	2021 \$'000	2020 \$'000
Tax-exempt one-tier final dividend in respect of the previous financial year: – 6.22 cents (2020 : 6.07 cents) per ordinary share	22,054	21,531
Tax- exempt one-tier interim dividend in respect of the current financial year: – 3.04 cents (2020 : Nil cents) per ordinary share	10,779	–
Total	32,833	21,531

(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 3.24 cents per ordinary share totalling \$11,488,000 be paid for the financial year ended 31 December 2021; and
- (ii) a tax-exempt one-tier special dividend of 2.00 cents per ordinary share totalling \$7,091,000 be paid for the financial year ended 31 December 2021.

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 3.04 cents per ordinary share (2020 : Nil cents per ordinary share), total distributions paid and proposed in respect of the financial year ended 31 December 2021 will be 8.28 cents per ordinary share (2020 : 6.22 cents per ordinary share).