CONTENTS

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 then ended and the Statement of Financial Position and Statement of Changes in Equity of the Company as at 31 December 2022.

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 70 to 109 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 2022, 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:

Tan Kim Siew	(Chairman)
Cheng Siak Kian	(Deputy Chairman) (Appointed on 1 January 2023)
Sim Wing Yew	(Chief Executive Officer)
Shim Phyau Wui, Victor	
Jackson Chia	(Appointed on 27 April 2022)
Ooi Beng Chin	(Appointed on 1 January 2023)
June Seah Lee Kiang	
Soh Chung Hian, Daniel	
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 2022 or date of appointment if later	At 31 December 2022	At 21 January 2023
Interest in the Company			
(a) Ordinary shares			
Lim Jit Poh	760,000	(See Note 1)	(See Note 1)
Sim Wing Yew	40,000	40,000	40,000
Shim Phyau 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	50,000
Interest in holding company, ComfortDelGro Corporation Limited			
(a) Ordinary shares			
Lim Jit Poh	244,425	(See Note 1)	(See Note 1)
Yang Ban Seng	399,668	512,168	(See Note 2)
Yang Ban Seng (Deemed Interest)	18,185	18,185	(See Note 2)
Sim Wing Yew	472,500	495,000	495,000
Shim Phyau Wui, Victor (Deemed Interest)	19,000	19,000	19,000
Jackson Chia	8,750	18,750	18,750

(b) Unvested performance share awards under the ComfortDelGro Executive Share Award Scheme ("ESAS")

	Number of unvested share held by Directors	
	At 1 January 2022 or date of appointment, if later	At 31 December 2022
Yang Ban Seng	362,500	450,000
Sim Wing Yew	67,500	85,000
Jackson Chia	36,250	66,250

Note:

(1) Mr Lim Jit Poh retired as Director of the Company on 27 April 2022.

(2) Mr Yang Ban Seng retired as Director of the Company on 31 December 2022.

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 Phyau 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 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 and two times respectively 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.

As Deloitte & Touche LLP would not be seeking re-appointment, the Audit and Risk Committee has recommended to the Board of Directors that Ernst & Young LLP be nominated for appointment as auditors in place of Deloitte & Touche LLP as auditors of the Company at the forthcoming Annual General Meeting.

DIRECTORS' STATEMENT

8 AUDITORS

The retiring auditors, Deloitte & Touche LLP would not be seeking re-appointment. Accordingly, Ernst & Young LLP would be nominated for appointment as auditors at the forthcoming Annual General Meeting of the Company.

ON BEHALF OF THE DIRECTORS

Tan Kim Siew
Chairman

Sim Wing Yew
Chief Executive Officer

Singapore
21 February 2023

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 2022, 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 70 to 109.

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 2022 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.

<u>Allowance for expected credit losses for trade receivables (Note 6)</u>

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 obtained an understanding of Management's process and relevant controls over the allowance for expected credit losses. We have also assessed Management's key assumptions including risk of default; assessed movement in the allowance for expected credit losses, write-off and recoveries of receivables; and evaluated the reasonableness of Management's estimate.

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

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

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

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

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.

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 Ang Poh Choo.

DELOITTE & TOUCHE LLP
Public Accountants and
Chartered Accountants
Singapore

21 February 2023

STATEMENTS OF FINANCIAL POSITION
31 DECEMBER 2022

	Note	The Group 2022 $'000	The Group 2021 $'000	The Company 2022 $'000	The Company 2021 $'000
ASSETS					
Current assets					
Cash and cash equivalents	5	60,491	75,360	56,374	71,057
Trade receivables	6	12,161	11,268	2,264	1,946
Other receivables and prepayments	7	1,522	1,037	542	285
Inventories		10	21	–	–
Total current assets		74,184	87,686	59,180	73,288
Non-current assets					
Prepayments	7	1,955	–	–	–
Subsidiaries	8	–	–	25,941	25,941
Associate	9	25	25	–	–
Financial assets at fair value through other comprehensive income	10	3,217	3,295	3,217	3,295
Vehicles, premises and equipment	11	96,259	97,434	32,722	34,260
Goodwill	12	11,325	11,325	–	–
Deferred tax assets	17	–	–	20	–
Total non-current assets		112,781	112,079	61,900	63,496
Total assets		186,965	199,765	121,080	136,784
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	13	24,130	29,755	6,951	7,826
Due to subsidiaries	14	–	–	30,595	38,786
Provision for relocation costs	15	306	2,462	–	–
Lease liabilities	16	944	1,062	624	597
Income tax payable		5,425	5,851	3,113	3,074
Total current liabilities		30,805	39,130	41,283	50,283
Non-current liabilities					
Other payables	13	720	720	–	–
Deferred tax liabilities	17	1,396	999	–	28
Lease liabilities	16	30,216	30,702	23,929	24,299
Total non-current liabilities		32,332	32,421	23,929	24,327
Total liabilities		63,137	71,551	65,212	74,610
Capital, reserves and non-controlling interests					
Share capital	18	36,284	36,284	36,284	36,284
Other reserves	19	4,008	4,086	4,008	4,086
Foreign currency translation reserve		(91)	–	–	–
Accumulated profits		82,716	86,883	15,576	21,804
Equity attributable to shareholders of the Company		122,917	127,253	55,868	62,174
Non-controlling interests		911	961	–	–
Total equity		123,828	128,214	55,868	62,174
Total liabilities and equity		186,965	199,765	121,080	136,784

See accompanying notes to the Financial Statements.

GROUP INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2022

	Note	The Group 2022 $'000	2021 $'000
Revenue	20	108,304	100,892
Staff costs	21	(49,895)	(45,362)
Depreciation and amortisation	11	(7,268)	(7,249)
Utilities and communication costs		(3,227)	(1,795)
Materials and consumables		(3,168)	(2,831)
Contract services		(2,851)	(2,928)
Premises costs		(1,894)	(1,923)
Repairs and maintenance costs		(1,787)	(1,772)
Other operating costs		(5,564)	(6,056)
Total operating costs		(75,654)	(69,916)
Operating profit		32,650	30,976
Finance costs	22	(848)	(871)
Interest income		749	269
Profit before taxation		32,551	30,374
Taxation	23	(5,990)	(5,138)
Profit after taxation	24	26,561	25,236
Attributable to:			
Shareholders of the Company		26,184	24,776
Non-controlling interests		377	460
		26,561	25,236
Earnings per share (in cents):			
Basic	25	7.38	6.99
Diluted	25	7.38	6.99

See accompanying notes to the Financial Statements.

GROUP COMPREHENSIVE INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2022

	Note	The Group 2022 $'000	The Group 2021 $'000
Profit after taxation		26,561	25,236
Items that may be reclassified subsequently to Profit or Loss			
Exchange differences arising on translation of foreign operations		(91)	16
Items that will not be reclassified subsequently to Profit or Loss			
Fair value adjustment on equity investments	10	(78)	1,043
Other comprehensive income for the year		(169)	1,059
Total comprehensive income for the year		26,392	26,295
Total comprehensive income attributable to:			
Shareholders of the Company		26,015	25,835
Non-controlling interests		377	460
		26,392	26,295

See accompanying notes to the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2022

	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 2021	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
Total comprehensive income for the year							
Profit for the year	–	–	–	26,184	26,184	377	26,561
Other comprehensive income for the year	–	(78)	(91)	–	(169)	–	(169)
Total	–	(78)	(91)	26,184	26,015	377	26,392
Transactions recognised directly in equity							
Payment of dividends (Note 30)	–	–	–	(30,351)	(30,351)	–	(30,351)
Total	–	–	–	(30,351)	(30,351)	–	(30,351)
Payments to non-controlling interests	–	–	–	–	–	(427)	(427)
Balance at 31 December 2022	36,284	4,008	(91)	82,716	122,917	911	123,828

See accompanying notes to the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2022

	The Company			
	Share capital $'000	**Other reserves $'000**	**Accumulated profits $'000**	**Total equity $'000**
Balance at 1 January 2021	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
Total comprehensive income for the year				
Profit for the year	–	–	24,123	24,123
Other comprehensive income for the year	–	(78)	–	(78)
Total	–	(78)	24,123	24,045
Transactions recognised directly in equity				
Payment of dividends (Note 30)	–	–	(30,351)	(30,351)
Total	–	–	(30,351)	(30,351)
Balance at 31 December 2022	36,284	4,008	15,576	55,868

See accompanying notes to the Financial Statements.

GROUP CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2022

	2022 $'000	2021 $'000
Operating activities		
Profit before taxation	32,551	30,374
Adjustments for:		
Depreciation of vehicles, premises and equipment owned and right-of-use assets	7,268	7,249
Interest expense	848	871
Interest income	(749)	(269)
Loss (Gain) on disposal of vehicles, premises and equipment	846	(4)
(Writeback) Allowance for expected credit losses	(664)	552
Operating cash flows before movements in working capital	40,100	38,773
Trade receivables	(229)	(1,315)
Other receivables and prepayments	(2,210)	723
Inventories	11	(19)
Trade and other payables and provision for relocation costs	(5,414)	(1,025)
Cash generated from operations	32,258	37,137
Interest paid	(848)	(871)
Income tax paid	(6,019)	(6,603)
Net cash from operating activities	25,391	29,663
Investing activities		
Purchase of vehicles, premises and equipment	(8,909)	(12,282)
Interest received	519	273
Proceeds from disposal of vehicles, premises and equipment	46	35
Purchase of unquoted equity instruments held at fair value through other comprehensive income	–	(925)
Net cash used in investing activities	(8,344)	(12,899)
Financing activities		
Payments to non-controlling interests	(427)	(700)
Repayments of lease liabilities	(1,087)	(1,093)
Dividends paid (Note 30)	(30,351)	(32,833)
Net cash used in financing activities	(31,865)	(34,626)
Net effect of foreign exchange rates in consolidating subsidiaries	(51)	26
Net decrease in cash and cash equivalents	(14,869)	(17,836)
Cash and cash equivalents at beginning of year	75,360	93,196
Cash and cash equivalents at end of year (Note 5)	60,491	75,360

See accompanying notes to the Financial Statements.

1 GENERAL

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

The principal activities of the Company are those of an investment holding company and the provision of motor vehicle evaluation and other related services. The principal activities of the companies in the Group 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 2022 and the Statement of Financial Position and Statement of Changes in Equity of the Company as at 31 December 2022 were authorised for issue by the Board of Directors on 21 February 2023.

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 Companies Act 1967 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 2022, 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) 1: *Classification of Liabilities as Current or Non-current* (2)
- Amendments to SFRS(I) 1-1: *Non-current Liabilities with Covenants* (2)
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies* (1)
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates* (1)
- Amendments to SFRS(I) 1-12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (1)

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

(2) Applies to annual periods beginning on or after 1 January 2024.

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 the Group's accounting policies.

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

<u>Classification of financial assets</u>

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 aforegoing, 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.

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.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FINANCIAL INSTRUMENTS (CONT'D)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, the 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FINANCIAL INSTRUMENTS (CONT'D)

Financial liabilities and equity instruments (cont'd)

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

LEASES (CONT'D)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

LEASES (CONT'D)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IMPAIRMENT OF NON-FINANCIAL ASSETS EXCLUDING GOODWILL (CONT'D)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. A provision for impairment is recognised immediately in Profit or Loss.

Where provision for impairment subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no provision for impairment been recognised for the asset (cash-generating unit) in prior years. A reversal of provision for impairment is recognised immediately in Profit or Loss.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the present value of the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation.

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

SERVICE BENEFITS – These comprise the following:

(i) Retirement Benefits – The Company and some of the subsidiaries participate in defined contribution retirement benefit plan (Central Provident Fund for Singapore-incorporated subsidiaries and Employees Provident Fund for Malaysia-incorporated subsidiary). Payments made to the plan are charged as an expense as they fall due.

(ii) Employee Leave Entitlement – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

GOVERNMENT GRANTS – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grant will be received.

Government grants 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

- Vehicle inspection services; and
- Testing and inspection testing.

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

<u>Vehicle inspection services</u>

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

<u>Testing services</u>

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.

<u>Interest income</u>

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

<u>Dividend income</u>

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

<u>Rental income</u>

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

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

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INCOME TAX (CONT'D)

Current and deferred tax are recognised as an expense or income in Profit or Loss, except when they relate to items credited or debited outside Profit or Loss (either in Other Comprehensive Income or directly in equity), in which case the tax is also recognised outside Profit or Loss (either in Other Comprehensive Income or directly in equity), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual Financial Statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Consolidated Financial Statements of the Group and the Statement of Financial Position and Statement of Changes in Equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the Consolidated Financial Statements.

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting year, monetary items denominated in foreign currencies are translated at rates prevailing at the end of each reporting year. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in Profit or Loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in Profit or Loss for the period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in Other Comprehensive Income. For such non-monetary items, any exchange component of that gain or loss is also recognised in Other Comprehensive Income.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in Other Comprehensive Income and accumulate in the Group's currency translation reserve. Such translation differences are recognised in Profit or Loss in the period in which the foreign operation is disposed of.

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) 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 years based on a range of estimated growth rates of approximately 2.3% to 4.0% (2021 : 3.2%). Cash flows beyond the five-year period have been extrapolated using 2.3% (2021: 3.2%) per annum growth rate.

The discount rate applied to the forecast is 7.36% (2021 : 6.36%).

As at 31 December 2022 and 31 December 2021, 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 by reference to past default experience and different loss patterns for different customer segments, and incorporate forward looking estimates.

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	
	2022 $'000	2021 $'000
Inspection and testing services charged to related companies	(1,745)	(1,848)
Refuelling outlet (variable rental) income charged to related company	(242)	(255)
Rental income charged to related companies	(215)	(223)
Assessment fee charged to related companies	(101)	(73)
Other fees charged to related companies	(67)	(81)
Shared services charged by holding company	1,267	1,035
Corporate services charged by holding company	333	268
Others charged by holding company	–	92
Others charged by related companies	348	304
Lease expense charged by related companies	192	193

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad debts allowance in respect of the amounts owed by related companies.

5 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Cash and bank balances	4,662	4,275	1,324	787
Fixed deposits with financial institutions	55,829	71,085	55,050	70,270
Total	60,491	75,360	56,374	71,057

Fixed deposits are placed on a staggered basis based on the Group's cash flow projections, bore interest at effective interest rates of between 3.46% to 4.35% (2021 : 0.27% to 0.48%) per annum and for a weighted average tenure of approximately 124 days (2021 : 280 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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Outside parties	15,022	14,404	640	339
Allowance for expected credit losses	(2,591)	(3,347)	(43)	(30)
Allowance for discount allowed	(711)	(199)	–	–
Net	11,720	10,858	597	309
Holding company (Note 4)	–	5	–	–
Subsidiaries (Note 4)	–	–	1,516	1,518
Related companies (Note 4)	441	405	151	119
Total	12,161	11,268	2,264	1,946

As at 1 January 2021, trade receivables from contracts with customers amounted to $10,505,000 (net of allowance for expected credit losses of $2,852,000 and discount allowed of $270,000).

The average credit period on sale of goods and provision of services is 30 days (2021 : 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 $2,591,000 (2021 : $3,347,000) and of the Company of $43,000 (2021 : $30,000). The expected credit losses on trade receivables are estimated by reference to past default experience and different loss patterns for different customer segments, ranging from 9.8% to 38.6% (2021 : 6.3% to 61.3%). The expected credit losses incorporate forward looking estimates.

Approximately 64% (2021 : 65%) 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 $2,697,000 (2021 : $1,767,000) 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 34 days (2021 : 19 days).

Approximately 92% (2021 : 96%) 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 $133,000 (2021 : $42,000) 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 52 days (2021 : 15 days).

Movements in allowance for expected credit losses:

	The Group		The Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Balance at beginning of the year	3,347	2,852	30	72
Amounts written off during the year	(77)	(54)	–	(3)
(Decrease) Increase in allowance recognised in Profit or Loss	(664)	552	13	(39)
Exchange differences	(15)	(3)	–	–
Balance at end of the year	2,591	3,347	43	30

As at 31 December 2022, 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 $2,352,000 (2021 : $3,133,000) and $38,000 (2021 : $27,000) respectively.

6 TRADE RECEIVABLES (CONT'D)

Movements in allowance for expected credit losses: (cont'd)

During the year, the credit impaired financial assets of the Group and the Company written off amounted to $77,000 (2021 : $54,000) and $Nil (2021 : $3,000) respectively; and the reversal of allowance recognised in Profit or Loss amounted to $689,000 (2021: allowance recognised in Profit or Loss of $545,000) and the allowance recognised in Profit or Loss of $11,000 (2021 : $39,000) 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 $Nil (2021 : $2,000) and $Nil (2021 : $2,000) respectively.

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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Denominated in:				
Great Britain pound	–	3	–	–
United States dollar	–	61	–	–

7 OTHER RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Other receivables	508	513	223	141
Interest receivable	290	60	276	48
Deposits	353	174	7	7
Prepayments	2,326	290	36	89
Total	3,477	1,037	542	285
Analysed as:				
Current	1,522	1,037	542	285
Non-current	1,955	–	–	–
Total	3,477	1,037	542	285

The non-current portion of the other receivables and prepayments pertains to prepayment for a lease of a land parcel awarded by a third party as disclosed in Note 11.

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.

8 SUBSIDIARIES

	The Company	
	2022 $'000	2021 $'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 2022 %	Company's effective interest 2021 %	Cost of investment 2022 $'000	Cost of investment 2021 $'000
VICOM Inspection Centre Pte Ltd	Provision of vehicle inspection services	Singapore	100	100	4,160	4,160
JIC Inspection Services Pte Ltd	Vehicle inspection and other related services	Singapore	78	78	5,663	5,663
Setsco Services Pte Ltd	Provision of testing, inspection and consultancy services	Singapore	100	100	16,118	16,118
Subsidiaries of Setsco Services Pte Ltd						
Setsco 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	–	–
					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.

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 2022	2021
Provision of vehicle inspection services	Singapore	1	1
Provision of testing inspection and consultancy services	Singapore	1	1
Provision of professional inspection and engineering services	Singapore	1	1
Provision of testing inspection and consultancy services	Malaysia	1	1
		4	4

Principal activity	Place of incorporation and operation	Number of non wholly-owned subsidiaries 2022	2021
Vehicle inspection and other related services	Singapore	1	1

9 ASSOCIATE

	The Group		The Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'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	
			2022 %	2021 %	2022 $'000	2021 $'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.

9 ASSOCIATE (CONT'D)

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

	2022 $'000	2021 $'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")

	The Group and The Company	
	2022 $'000	2021 $'000
Investment in unquoted equity shares designated as at FVTOCI		
Balance as at beginning of the year	3,295	1,327
Additions	–	925
Fair value adjustment	(78)	1,043
Balance as at end of the year	3,217	3,295

The investment in unquoted equity instrument represents an investment in research and development activities and/or the commercial application of this knowledge.

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	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
(a)	Vehicles, premises and equipment owned	65,054	64,960	8,111	8,849
(b)	Right-of-use assets classified within vehicles, premises and equipment	31,205	32,474	24,611	25,411
	Total	96,259	97,434	32,722	34,260

(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
Group							
Cost:							
At 1 January 2021 (1)	69,911	1,587	43,533	4,762	2,441	14,076	136,310
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	95,721	919	45,522	4,796	2,313	–	149,271
Additions	946	145	3,566	242	316	1,327	6,542
Disposals	(264)	(15)	(4,079)	(71)	(115)	–	(4,544)
Exchange differences	(48)	(1)	(40)	(13)	(1)	–	(103)
At 31 December 2022	96,355	1,048	44,969	4,954	2,513	1,327	151,166
Accumulated depreciation:							
At 1 January 2021 (1)	37,736	1,301	36,205	2,841	1,929	–	80,012
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	40,183	669	38,392	3,154	1,913	–	84,311
Depreciation	2,910	109	1,861	321	315	–	5,516
Disposals	(221)	(15)	(3,268)	(35)	(113)	–	(3,652)
Exchange differences	(17)	(1)	(33)	(11)	(1)	–	(63)
At 31 December 2022	42,855	762	36,952	3,429	2,114	–	86,112
Carrying amounts:							
At 31 December 2022	53,500	286	8,017	1,525	399	1,327	65,054
At 31 December 2021	55,538	250	7,130	1,642	400	–	64,960

(1) Included in the cost and accumulated depreciation is an adjustment of $4,871,000 which has no impact to the carrying amount as at 31 December 2021 and 2022.

The Group acquired vehicles, premises and equipment with an aggregate cost $6,542,000 (2021 : $15,683,000) out of which $1,034,000 (2021 : $3,401,000) remains unpaid and included as part of trade and other payables as at December 31, 2022.

11 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

(a) Vehicles, premises and equipment owned (cont'd)

	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
Company							
Cost:							
At 1 January 2021	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
Additions	11	25	71	–	125	1,302	1,534
Disposals	(264)	(8)	(2,382)	–	(32)	–	(2,686)
At 31 December 2022	38,909	416	221	231	746	1,302	41,825
Accumulated depreciation:							
At 1 January 2021	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
Depreciation	1,242	31	132	12	45	–	1,462
Disposals	(221)	(8)	(1,615)	–	(32)	–	(1,876)
At 31 December 2022	32,437	356	137	175	609	–	33,714
Carrying amounts:							
At 31 December 2022	6,472	60	84	56	137	1,302	8,111
At 31 December 2021	7,746	66	912	68	57	–	8,849

11 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

(a) Vehicles, premises and equipment owned (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 18 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 4 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 2 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 2 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 20 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 20 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 2 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 85 years 11 months unexpired	Testing, inspection and consultancy services.

11 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

(a) Vehicles, premises and equipment owned (cont'd)

Details of the Company's and the Group's leasehold land and buildings are as follows: (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 1 year 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, 2 months unexpired, and renewed for another 1 year 9 months from March 2023	Inspection services.

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

The Group and Company lease several land and buildings and motor vehicles. The average lease term is 30 years (2021 : 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 2021	57,701	1,603	106	59,410
Additions	720	74	–	794
At 31 December 2021	58,421	1,677	106	60,204
Additions	–	–	13	13
Lease modification	–	12	26	38
Disposal	–	(464)	–	(464)
Remeasurement	432	–	–	432
At 31 December 2022	58,853	1,225	145	60,223
Accumulated depreciation:				
At 1 January 2021	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
Depreciation for the year	1,502	192	58	1,752
Disposal	–	(464)	–	(464)
At 31 December 2022	27,750	1,145	123	29,018
Carrying amount:				
At 31 December 2022	31,103	80	22	31,205
At 31 December 2021	32,173	260	41	32,474

On 21 December 2022, the Group was awarded a lease of a land parcel by a third party at a tender price of $7,000,000 for a term of 20 years. The lease had not commenced by the year end.

11 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

(b) Right-of-use assets classified within vehicles, premises and equipment (cont'd)

	Land $'000	Building $'000	Total $'000
Company			
Cost:			
At 1 January 2021 and 31 December 2021	48,480	32	48,512
Lease modification	–	13	13
Remeasurement	248	–	248
At 31 December 2022	48,728	45	48,773
Accumulated depreciation:			
At 1 January 2021	22,017	25	22,042
Depreciation for the year	1,053	6	1,059
At 31 December 2021	23,070	31	23,101
Depreciation for the year	1,054	7	1,061
At 31 December 2022	24,124	38	24,162
Carrying amount:			
At 31 December 2022	24,604	7	24,611
At 31 December 2021	25,410	1	25,411

12 GOODWILL

	The Group	
	2022 $'000	2021 $'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	
	2022 $'000	2021 $'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.

13 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Outside parties	5,075	5,455	2,176	2,370
Holding company (Note 4)	116	462	34	146
Related companies (Note 4)	89	61	2	3
Accruals	15,767	18,703	3,776	4,410
Deferred income	204	1,782	109	115
Deposits received from customers	1,490	1,301	526	487
Others	2,109	2,711	328	295
Total	24,850	30,475	6,951	7,826
Analysed as:				
Current	24,130	29,755	6,951	7,826
Non-current	720	720	–	–
Total	24,850	30,475	6,951	7,826

The average credit period on purchases of goods and services is 30 days (2021 : 30 days).

The non-current portion of the trade and other payables pertains to provision for restoration cost in relation to a leasehold land and building whose tenure will expire in 2024.

14 DUE TO SUBSIDIARIES

Included in the payable to subsidiaries is an amount of $27,905,000 (2021 : $36,538,000) 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 3.46% to 4.23% (2021 : 0.27% to 0.48%) per annum.

15 PROVISION FOR RELOCATION COSTS

This pertains to provision for 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 been substantially completed and the remaining balance will be utilised within the next financial year.

Movements in provision for relocation costs:

	The Group	
	2022 $'000	2021 $'000
Balance at beginning of the year	2,462	6,973
Utilisation	(2,156)	(3,004)
Write-off of vehicles, premises and equipment owned	–	(1,507)
Balance at end of the year	306	2,462

16 LEASE LIABILITIES

	The Group		The Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Maturity analysis:				
Within one year	1,775	1,907	1,281	1,263
In the second to fifth year inclusive	6,081	6,301	4,785	4,855
After five years	38,550	39,432	30,535	31,370
	46,406	47,640	36,601	37,488
Less: Future finance charges	(15,246)	(15,876)	(12,048)	(12,592)
Total	31,160	31,764	24,553	24,896
Analysed as:				
Current	944	1,062	624	597
Non-current	30,216	30,702	23,929	24,299
Total	31,160	31,764	24,553	24,896

The Group does not face significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function. The carrying amounts of the lease liabilities approximate fair value as at 31 December 2021 and 2022.

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, 2022 $'000	Financing cash flows $'000	New lease[(i)] liabilities $'000	December 31, 2022 $'000
Lease liabilities	31,764	(1,087)	483	31,160

			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

(i) New lease liabilities include lease modification amounting to $38,000 and remeasurement of $432,000.

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 2021	1,603	(61)	1,542
Credit to Profit or Loss for the year (Note 23)	(30)	(513)	(543)
At 31 December 2022	1,573	(574)	999
Charge to Profit or Loss for the year (Note 23)	278	119	397
At 31 December 2022	1,851	(455)	1,396
Company			
At 1 January 2021	354	(291)	63
Credit to Profit or Loss for the year	(26)	(9)	(35)
At 31 December 2021	328	(300)	28
Credit to Profit or Loss for the year	(135)	87	(48)
At 31 December 2022	193	(213)	(20)

18 SHARE CAPITAL

	The Group and the Company			
	2022	2021	2022	2021
	Number of ordinary shares		$'000	$'000
Issued and paid up:				
At beginning and end of year	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.

19 OTHER RESERVES

	The Group and the Company		
	Revaluation reserve $'000	Capital reserve $'000	Total $'000
Balance at 1 January 2021	(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
Revaluation changes during the year in other comprehensive income	(78)	–	(78)
Balance at 31 December 2022	935	3,073	4,008

The capital reserve relates to one-off revaluation reserve for the leasehold land valued in March 1995 and is not available for distribution to the Company's shareholders.

20 REVENUE

	The Group	
	2022 $'000	2021 $'000
Inspection and testing services	104,226	96,802
Rental income	2,260	2,214
Others	1,818	1,876
	108,304	100,892

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 $3,080,000 (2021 : $2,889,000).

(b)

	The Group	
	2022 $'000	2021 $'000
Cost of defined contribution plans (included in staff costs)	4,161	3,997
Government grant income (included in staff costs)	(1,034)	(2,727)

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

22 FINANCE COSTS

	The Group	
	2022 $'000	2021 $'000
Interest on lease liabilities	848	871

23 TAXATION

	The Group	
	2022 $'000	2021 $'000
Taxation charge in respect of profit for the financial year:		
Current taxation		
Singapore	5,355	5,779
Foreign	13	2
Deferred tax (Note 17)	818	(561)
Adjustments in respect of (over) under provision in prior years:		
Current taxation	225	(100)
Deferred tax (Note 17)	(421)	18
	5,990	5,138

The taxation charge varied from the amount of taxation charge determined by applying the Singapore income tax rate of 17% (2021 : 17%) to profit before taxation as a result of the following differences:

	The Group	
	2022 $'000	2021 $'000
Profit before taxation	32,551	30,374
Taxation at the domestic income tax rate of 17% (2021 : 17%)	5,534	5,164
Non-allowable items	734	143
Tax-exempt income	(86)	(81)
Overprovision in prior years (net)	(196)	(82)
Effect of different tax rates of subsidiary operating in other jurisdiction	4	(6)
	5,990	5,138

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	
	2022 $'000	2021 $'000
Directors' fees	586	546
Foreign currency exchange adjustment loss	47	69
Loss (Gain) on disposal of vehicles, premises and equipment	846	(4)
(Writeback) Allowance for expected credit losses	(664)	552
Government grant (COVID-19 related)	239	1,802
Audit fees:		
Auditors of the Company	92	69
Other auditors	2	2
Non-audit fees:		
Auditors of the Company	24	22
Other auditors	1	1

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:

	2022	2021
Profit attributable to shareholders of the Company ($'000)	26,184	24,776
Weighted average number of ordinary shares in issue (thousands)	354,568	354,568
Basic earnings per share (in cents)	7.38	6.99

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 2022 and 31 December 2021.

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	
	2022 $'000	2021 $'000
Purchase of vehicles, premises and equipment	5,687	4,502
Lease of land	5,250	-
	10,937	4,502

28 OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31 December 2022, the Group is committed to $197,000 (2021 : $143,000) 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. 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.

28 OPERATING LEASE ARRANGEMENTS (CONT'D)

The Group as lessor (cont'd)

Maturity analysis of operating lease payments:

	2022 $'000	2021 $'000
Year 1	1,226	1,672
Year 2	103	1,158
Year 3	73	57
Total	1,402	2,887

29 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

	The Group		The Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Financial assets				
Amortised cost	73,803	87,375	59,144	73,199
Financial assets at FVTOCI	3,217	3,295	3,217	3,295
Financial liabilities				
Amortised cost	22,436	26,672	36,911	46,010
Lease liabilities	31,160	31,764	24,553	24,896

(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.

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

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

Credit risk management

The Group has policies in place to ensure that customers are of adequate financial standing and have appropriate credit history. In its management of credit risk, the Group practises stringent credit review and sets counterparty credit limits. There is no significant concentration of credit risk.

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 > 60 to 150 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired Trade receivables are determined to be credit impaired when they are past due for more than 60 to 150 days based on different customer segments and the customer exhibits slow payment trends.
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).

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

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 The Group and The Company	
	2022 $'000	**2021 $'000**
Financial assets at fair value through other comprehensive income	3,217	3,295

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 $322,000 (2021 : $330,000).

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 2022 and 2021.

30 DIVIDENDS

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

	2022 $'000	2021 $'000
Tax-exempt one-tier final dividend in respect of the previous financial year:		
– 3.24 cents (2021 : 6.22 cents) per ordinary share	11,488	22,054
Tax-exempt one-tier special dividend in respect of the previous financial year:		
– 2.00 cents (2021 : Nil) per ordinary share	7,091	–
Tax-exempt one-tier interim dividend in respect of the current financial year:		
– 3.32 cents (2021 : 3.04 cents) per ordinary share	11,772	10,779
Total	30,351	32,833

(b) Subsequent to the end of the reporting period, the Directors of the Company recommended that a tax-exempt one-tier final dividend of 3.32 cents per ordinary share totalling $11,772,000 be paid for the financial year ended 31 December 2022. The dividend is subject to approval by shareholders at the forthcoming Annual General Meeting and hence the proposed dividend has not been accrued as a liability for the current financial year.

Together with the tax exempt one-tier interim dividend of 3.32 cents per ordinary share (2021 : 3.04 cents per ordinary share), total distributions paid and proposed in respect of the financial year ended 31 December 2022 will be 6.64 cents per ordinary share (2021 : 8.28 cents per ordinary share).