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DIRECTORS' STATEMENT

The Directors present their statement to the members together with the audited consolidated financial statements of the VICOM Ltd (the "**Company**") and its subsidiaries (collectively, the "**Group**") and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2024.

OPINION OF THE DIRECTORS

In the opinion of the Directors,

- (i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company 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 2024 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and 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)
Sim Wing Yew	(Chief Executive Officer)
Shim Phiau Wui, Victor	
Karina Yew-Hoong Gin	(Appointed on 1 November 2024)
Ooi Beng Chin	
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 mentioned in paragraphs 3 of the Directors' Statement.

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 the name of Director		
		At 1 January 2024	At 31 December 2024	At 21 January 2025
Interest in the Company				
(a)	Ordinary shares			
	Sim Wing Yew	40,000	40,000	40,000
	Shim Phiau Wui, Victor (Deemed interest)	24,000	24,000	24,000
Interest in related company, SBS Transit Ltd				
(a)	Ordinary shares			
	Cheng Siak Kian	7,500	35,000	35,000
	Sim Wing Yew	30,000	30,000	30,000
(b)	Unvested performance share awards under the SBS Executive Share Award Scheme			
		Number of unvested share held by Directors		
		At 1 January 2024	At 31 December 2024	At 21 January 2025
	Cheng Siak Kian	102,500	75,000	75,000
		Shareholdings registered in the name of Director		
		At 1 January 2024	At 31 December 2024	At 21 January 2025
Interest in ultimate holding company, ComfortDelGro Corporation Limited				
(a)	Ordinary shares			
	Cheng Siak Kian	78,750	152,500	152,500
	Sim Wing Yew	527,500	567,500	567,500
	Shim Phiau Wui, Victor (Deemed interest)	19,000	19,000	19,000

DIRECTORS' STATEMENT

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

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

	Number of unvested share held by Directors		
	At 1 January 2024	At 31 December 2024	At 21 January 2025
Cheng Siak Kian	236,250	362,500	362,500
Sim Wing Yew	112,500	162,500	162,500

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.

DIRECTORS' STATEMENT

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 Phyu Wui, Victor
Tan Poh Hong
Wong Yoke Woon

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

In performing its functions, the Audit and Risk Committee reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors.

It met with the Company's internal and external auditors four times during the year to discuss the scope and results of their respective audits, and at least once annually without the presence of management. The Audit and Risk Committee has reviewed the independence of the external auditors, Ernst & Young LLP, including the scope of the non-audit services performed and confirmed that the auditors are independent.

The Audit and Risk Committee has full access to and has the co-operation of 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.

In addition, the Audit and Risk Committee reviewed the financial statements of the Group 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.

8. AUDITORS

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Tan Kim Siew
Chairman

Sim Wing Yew
Chief Executive Officer

Singapore
21 February 2025

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 (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2024, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group, 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)") 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 2024 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VICOM LTD

Key audit matters (cont'd)

Goodwill impairment review

The Group is required to test goodwill for impairment annually, or when an indicator of impairment is identified. The carrying value of goodwill is disclosed in Note 13 to the consolidated financial statements. The impairment assessment requires determination of the recoverable amount of the assets based on the higher of value in use and fair value less costs of disposal that are determined by applying valuation techniques such as the discounted cash flow method. This assessment requires the exercise of significant judgement about forecast of future cash flows that are affected by management's plans for sales growth, operational development and capital expenditures, the future economic and market conditions, and the suitable discount rates that reflect the risks associated with the forecasts. These key assumptions and inputs are subject to estimation uncertainty and they can significantly impact the results of the impairment review. As such, we have considered this to be a key audit matter.

We obtained the discounted cash flow workings which were prepared based on financial and operating budgets approved by management and evaluated the reasonableness of key assumptions and inputs used, including but not limited to profit margins, growth and discount rates by comparing to historical information, external market data and observed trends. We evaluated the robustness of management's budgeting process by comparing the actual results to previously forecasted results. We performed sensitivity analysis on certain key assumptions for alternative reasonably possible scenarios. We assessed the reasonableness of the discount rates applied with the assistance of our internal valuation specialist. We also reviewed the disclosures in relation to the Group's goodwill in Notes 3.2(a) and Note 13 to the consolidated financial statements.

Other information

Other information consists of the information included in the Group's 2024 Annual Report other than the financial statements and our auditor's report thereon. We obtained the Directors' Statement prior to the date of our auditor's report, and we expect to obtain the remaining other information included in the annual report after the date of our auditor's report. Management is responsible for the other information.

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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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), 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VICOM LTD

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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VICOM LTD

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those 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 Lim Huijing Amanda.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

21 February 2025

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Note	Group		Company	
		2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	5	60,705	55,066	57,068	52,071
Trade receivables	6	17,503	14,378	5,021	2,645
Other receivables and prepayments	7	2,186	2,315	855	968
Due from subsidiary	8	–	–	–	3,416
Inventories		12	28	–	–
Total current assets		80,406	71,787	62,944	59,100
Non-current assets					
Subsidiaries	9	–	–	25,941	25,941
Associate	10	25	25	–	–
Due from subsidiary	8	–	–	6,181	–
Financial assets at fair value through other comprehensive income	11	6,439	6,262	6,439	6,262
Vehicles, premises and equipment	12	111,546	105,515	30,456	33,039
Goodwill	13	11,588	11,588	–	–
Intangible assets		8	16	–	–
Deferred tax assets	17	1,197	1,178	1,048	1,131
Total non-current assets		130,803	124,584	70,065	66,373
Total assets		211,209	196,371	133,009	125,473
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	14	26,870	24,024	8,849	7,992
Due to subsidiaries	15	–	–	26,560	24,760
Lease liabilities	16	1,147	1,444	617	650
Income tax payable		6,602	5,851	3,941	3,335
Total current liabilities		34,619	31,319	39,967	36,737
Non-current liabilities					
Other payables	14	720	720	–	–
Deferred tax liabilities	17	2,624	2,053	–	–
Lease liabilities	16	30,733	29,977	24,341	23,774
Total non-current liabilities		34,077	32,750	24,341	23,774
Total liabilities		68,696	64,069	64,308	60,511
Capital, reserves and non-controlling interests					
Share capital	18	36,284	36,284	36,284	36,284
Other reserves	19	4,875	4,698	4,875	4,698
Foreign currency translation reserve		(89)	(180)	–	–
Accumulated profits		99,700	90,095	27,542	23,980
Equity attributable to shareholders of the Company		140,770	130,897	68,701	64,962
Non-controlling interests		1,743	1,405	–	–
Total equity		142,513	132,302	68,701	64,962
Total liabilities and equity		211,209	196,371	133,009	125,473

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

GROUP INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	Group	
		2024 \$'000	2023 \$'000
Revenue	20	119,482	111,903
Staff costs	21	(53,040)	(52,385)
Depreciation and amortisation		(8,547)	(7,894)
Contract services		(5,971)	(2,367)
Materials and consumables		(3,722)	(3,598)
Utilities and communication costs		(3,708)	(3,074)
Premises costs		(2,270)	(2,002)
Repairs and maintenance costs		(2,090)	(1,985)
Other operating costs		(5,510)	(5,548)
Total operating costs		(84,858)	(78,853)
Operating profit		34,624	33,050
Finance costs	22	(866)	(866)
Interest income		1,938	1,886
Profit before taxation		35,696	34,070
Taxation	23	(6,074)	(6,056)
Profit after taxation	24	29,622	28,014
Profit attributable to:			
Shareholders of the Company		29,284	27,601
Non-controlling interests		338	413
		29,622	28,014
Earnings per share (in cents):			
Basic	25	8.26	7.78
Diluted	25	8.26	7.78

GROUP COMPREHENSIVE INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	Group	
		2024 \$'000	2023 \$'000
Profit after taxation		29,622	28,014
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		91	(89)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Fair value adjustment on equity investments	11	177	690
Other comprehensive income for the year		268	601
Total comprehensive income for the year		29,890	28,615
Total comprehensive income attributable to:			
Shareholders of the Company		29,552	28,202
Non-controlling interests		338	413
		29,890	28,615

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	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
Group							
At 1 January 2024	36,284	4,698	(180)	90,095	130,897	1,405	132,302
Profit for the year	–	–	–	29,284	29,284	338	29,622
Other comprehensive income	–	177	91	–	268	–	268
Total comprehensive income for the year	–	177	91	29,284	29,552	338	29,890
<u>Contribution by and distributions to shareholders</u>							
Payment of dividends (Note 30)	–	–	–	(19,679)	(19,679)	–	(19,679)
Total contributions by shareholders	–	–	–	(19,679)	(19,679)	–	(19,679)
At 31 December 2024	36,284	4,875	(89)	99,700	140,770	1,743	142,513
At 1 January 2023 (restated)	36,284	4,008	(91)	84,016	124,217	914	125,131
Profit for the year	–	–	–	27,601	27,601	413	28,014
Other comprehensive income	–	690	(89)	–	601	–	601
Total comprehensive income for the year	–	690	(89)	27,601	28,202	413	28,615
<u>Contribution by and distributions to shareholders</u>							
Payment of dividends (Note 30)	–	–	–	(21,522)	(21,522)	–	(21,522)
Total contributions by shareholders	–	–	–	(21,522)	(21,522)	–	(21,522)
Acquisitions of subsidiary	–	–	–	–	–	78	78
At 31 December 2023	36,284	4,698	(180)	90,095	130,897	1,405	132,302

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Share capital \$'000	Other reserves \$'000	Accumulated profits \$'000	Total equity \$'000
Company				
At 1 January 2024	36,284	4,698	23,980	64,962
Profit for the year	–	–	23,241	23,241
Other comprehensive income	–	177	–	177
Total comprehensive income for the year	–	177	23,241	23,418
<u>Contribution by and distributions</u>				
<u>to shareholders</u>				
Payment of dividends (Note 30)	–	–	(19,679)	(19,679)
Total contributions by shareholders	–	–	(19,679)	(19,679)
At 31 December 2024	36,284	4,875	27,542	68,701
At 1 January 2023 (restated)				
At 1 January 2023 (restated)	36,284	4,008	16,816	57,108
Profit for the year	–	–	28,686	28,686
Other comprehensive income	–	690	–	690
Total comprehensive income for the year	–	690	28,686	29,376
<u>Contribution by and distributions</u>				
<u>to shareholders</u>				
Payment of dividends (Note 30)	–	–	(21,522)	(21,522)
Total contributions by shareholders	–	–	(21,522)	(21,522)
At 31 December 2023	36,284	4,698	23,980	64,962

GROUP CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	2024 \$'000	2023 \$'000
Operating activities			
Profit before taxation		35,696	34,070
Adjustments for:			
Depreciation and amortisation		8,547	7,894
Interest expense	22	866	866
Interest income		(1,938)	(1,886)
Loss/(gain) on disposal of vehicles, premises and equipment	24	12	(24)
Writeback of allowance for expected credit losses	6	(436)	(163)
Operating cash flows before changes in working capital		42,747	40,757
<u>Changes in working capital</u>			
Trade receivables		(2,689)	(1,831)
Other receivables and prepayments		(318)	(286)
Inventories		16	(18)
Trade and other payables and provision for relocation costs		825	(1,243)
Cash flows generated from operations		40,581	37,379
Interest paid		(866)	(866)
Income tax paid		(4,772)	(4,851)
Net cash flows generated from operating activities		34,943	31,662
Investing activities			
Purchase of vehicles, premises and equipment		(11,906)	(12,793)
Proceeds from government grant	12	1,352	–
Interest received		2,385	1,388
Proceeds from disposal of vehicles and equipment		10	40
Purchase of unquoted equity instruments	11	–	(2,355)
Acquisition of subsidiary, net of cash acquired	13	–	(492)
Net cash flows used in investing activities		(8,159)	(14,212)
Financing activities			
Repayments of lease liabilities		(1,524)	(1,301)
Dividends paid	30	(19,679)	(21,522)
Net cash flows used in financing activities		(21,203)	(22,823)
Net effect of foreign exchange rates in consolidating subsidiaries		58	(52)
Net increase/(decrease) in cash and cash equivalents		5,639	(5,425)
Cash and cash equivalents at beginning of the year		55,066	60,491
Cash and cash equivalents at end of the year	5	60,705	55,066

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

1. CORPORATE INFORMATION

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 9.

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 2024 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2024 were authorised for issue by the Board of Directors on 21 February 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the Singapore Companies Act 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(I) 1-36 *Impairment of Assets*.

2.2 Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2024. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.3 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) 9 and SFRS(I) 7: Amendments to the Classification and Measurement of Financial Instruments⁽¹⁾
- Annual improvements to SFRS(I)s—Volume 11⁽¹⁾
- SFRS(I) 18: Presentation and Disclosure in Financial Statements⁽²⁾
- SFRS(I) 19: Subsidiaries without Public Accountability: Disclosures⁽²⁾

⁽¹⁾ Applies to annual periods beginning on or after 1 January 2026

⁽²⁾ Applies to annual periods beginning on or after 1 January 2027

Management anticipates that the adoption of the above new/revised standards and improvements to the standards in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with those consistently used by 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.5 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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

Classification of financial assets

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

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in Other Comprehensive Income if certain criteria are met.

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.5 Financial instruments (cont'd)

Financial assets (cont'd)

Equity instruments designated as at FVTOCI (cont'd)

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 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 (see Note 11).

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.5 Financial instruments (cont'd)

Financial assets (cont'd)

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 revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Trade and other payables

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

Derecognition of financial liabilities

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

2.6 Leases

The Group as lessor

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 an 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.6 Leases (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.6 Leases (cont'd)

The Group as lessee (cont'd)

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

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

The right-of-use assets are presented within vehicles, premises and equipment in the statements of financial position.

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

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

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.

2.7 Vehicles, premises and equipment

Vehicles, premises and equipment are stated at cost 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 available for use.

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

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of vehicles, premises and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Fully depreciated vehicles, premises and equipment are retained in the financial statements until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.8 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.

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 at year end, or more frequently when there is an indication that the unit may be impaired.

2.9 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, if any, to determine whether there is any indication of impairment.

2.10 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.

2.11 Staff costs

These comprise the following:

(a) Defined contribution plans

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.

(b) 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.

2.12 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 grants 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.13 Revenue recognition

The Group recognises revenue from the following major sources:

- Vehicle inspection services; and
- Testing and inspection testing

Vehicle inspection services

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

Testing services

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

Rental income

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

2.14 Interest income

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

2.15 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 are 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 from investment in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in Other Comprehensive Income or directly in equity), in which case the tax is also recognised outside profit or loss (either in Other Comprehensive Income or directly in equity), or where they arise from the initial accounting for a business combination.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.16 Foreign currency transactions

The individual financial statements of each Group entity are measured and 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.

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

On consolidation, exchange differences arising from the translation 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.

2.17 Cash and cash equivalents in the cash flow statement of the Group

Cash and cash equivalents in the cash flow statement of the Group 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

In the application of the Group's accounting policies, which are described in Note 2, the 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.

3.1 Critical judgements in applying the Group's accounting policies

Management is of the opinion that there were no significant judgements made in applying the accounting policies in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

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

3.2 Key sources of estimation uncertainty

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 of the revision and future periods if the revision affects both current and future periods.

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:

(a) 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 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 next four years based on a range of estimated growth rates of approximately 2.0% to 10.0% (2023: 1.2% to 10.1%). Cash flows for the terminal year have been extrapolated using 2.5% (2023: 2.1%) per annum growth rate. The estimated terminal growth rate does not exceed the average long-term growth rate for the relevant markets in which the CGUs operates. The discount rate applied to the forecast is 7.36% (2023: 7.36%).

The carrying amount of goodwill at the end of the reporting period is disclosed in Note 13.

(b) 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 specific to the debtors and economic environment that the debtors' operation is in. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the relevant sectors in which the customers operate in, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The identification of loss allowance requires use of judgement and estimates. The carrying amount of trade receivables is disclosed in Note 6.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

4. HOLDING COMPANY, RELATED COMPANY AND RELATED PARTY TRANSACTIONS

The Company's immediate and ultimate holding company is ComfortDelGro Corporation Limited, incorporated in 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.

Related company transactions are as follows:

	Group	
	2024	2023
	\$'000	\$'000
Inspection and testing services charged to related companies	1,834	1,769
Refuelling outlet (variable rental) income charged to related company	243	261
Rental income charged to related companies	296	274
Assessment fee charged to related companies	37	120
Other fees charged to related companies	39	58
Shared services charged by holding company	(1,276)	(1,253)
Corporate services charged by holding company	(312)	(348)
Subcontractor fees charged by related company	(822)	–
Others charged by related companies	(385)	(402)
Lease expense charged by related companies	(246)	(237)

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

	Group		Company	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	3,819	3,865	669	1,259
Money market funds	6,217	1,400	6,217	1,400
Fixed deposits with financial institutions	50,669	49,801	50,182	49,412
	60,705	55,066	57,068	52,071

Fixed deposits and money market funds are placed on a staggered basis based on the Group's cashflow projections, bear effective interest rates ranging from 2.84% to 3.84% (2023: 3.43% to 4.55%) per annum. The money market fund invests in high quality short-term debt securities, deposits with credit institutions and other diverse financial instruments to achieve a return in line with prevailing money market rates whilst preserving capital and maintaining high degree of liquidity. These deposits and money market fund are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

6. TRADE RECEIVABLES

	Group		Company	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Third parties	18,920	16,655	3,239	657
Allowance for expected credit losses	(1,736)	(2,376)	(97)	(19)
Allowance for discount allowed	(32)	(229)	–	–
Net	17,152	14,050	3,142	638
Subsidiaries	–	–	1,803	1,945
Related companies	351	328	76	62
	351	328	1,879	2,007
Total	17,503	14,378	5,021	2,645

The average credit period on sale of goods and provision of services is 30 days (2023: 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 third parties of the Group of \$1,736,000 (2023: \$2,376,000) and of the Company of \$97,000 (2023: \$19,000). 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 4.3% to 29.4% (2023: 9.6% to 33.4%). The expected credit losses incorporate forward looking estimates.

Movement in allowance for expected credit losses:

	Group		Company	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Balance at beginning of the year	2,376	2,591	19	43
(Written back)/allowance recognised in profit or loss (Note 24)	(436)	(163)	78	(24)
Amounts written off during the year	(218)	(38)	–	–
Exchange differences	14	(14)	–	–
Balance at end of the year	1,736	2,376	97	19

The Group's and Company's trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Great Britain pound	14	19	–	–
United States dollar	47	51	–	–

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

7. OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Other receivables	953	974	132	166
Interest receivable	341	788	283	711
Deposits	107	97	6	6
Prepayments	785	456	434	85
	2,186	2,315	855	968

The Group's and Company's other receivables and interest receivable are due from third 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. DUE FROM SUBSIDIARY

The current portion of amount due from subsidiary is non-trade, unsecured, interest-free and repayable on demand.

The non-current portion of amount due from subsidiary is non-trade, unsecured, interest-free and is not expected to be repayable within the next 12 months.

9. SUBSIDIARIES

	Company	
	2024 \$'000	2023 \$'000
Unquoted equity shares, at cost	25,941	25,941

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

9. SUBSIDIARIES (CONT'D)

Name of entity	Principal activity	Country of incorporation/ operation	Company's effective interest	
			2024 %	2023 %
VICOM Inspection Centre Pte Ltd ⁽¹⁾	Provision of vehicle inspection services	Singapore	100	100
JIC Inspection Services Pte Ltd ⁽¹⁾	Vehicle inspection and other related services	Singapore	78	78
Setsco Services Pte Ltd ⁽¹⁾	Provision of testing, inspection and consultancy services	Singapore	100	100
<u>Subsidiaries of Setsco Services Pte Ltd</u>				
Setsco Consultancy International Pte Ltd ⁽¹⁾	Provision of professional inspection and engineering services	Singapore	100	100
Setsco Services (M) Sdn Bhd ⁽²⁾	Provision of testing, inspection and consultancy services	Malaysia	100	100
Setsco-An Security Pte Ltd ⁽¹⁾	Provision of IT security consultancy services	Singapore	70	70

⁽¹⁾ Audited by Ernst & Young LLP, Singapore

⁽²⁾ 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

10. ASSOCIATE

	Group	
	2024	2023
	\$'000	\$'000
Unquoted equity shares, at cost	50	50
Less: Share of post-acquisition reserves	(25)	(25)
	25	25

(a) Details of the associate is as follows:

Associate of Setsco Consultancy International Pte Ltd	Principal activity	Country of incorporation/ operation	Group's effective interest	
			2024	2023
			%	%
Setsco Middle East Laboratory LLC	Provision of testing, inspection, training, certification and consultancy services	Abu Dhabi, United Arab Emirates/ Dormant	49	49

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.

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

	2024	2023
	\$'000	\$'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, representing comprehensive income for the year	-	-
Group's share of associate's loss for the year	-	-

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

	Group and Company	
	2024	2023
	\$'000	\$'000
<u>Investment in unquoted equity shares designated as at FVTOCI</u>		
Balance as at beginning of the year	6,262	3,217
Additions during the year	-	2,355
Fair value adjustment	-	797
Foreign exchange gain/(loss)	177	(107)
Balance as at end of the year	6,439	6,262

This investment in equity instrument is not held for trading and 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 management 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.

In prior year, the Group has subscribed to a new round of shares through the latest round of fund raising at the investment for an amount of S\$2,355,000 which was fully paid in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

12. VEHICLES, PREMISES AND EQUIPMENT

	Group		Company	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Vehicles, premises and equipment	74,364	67,793	6,325	9,005
Right-of-use assets classified within vehicles, premises and equipment	37,182	37,722	24,131	24,034
	111,546	105,515	30,456	33,039

(a) Vehicles, premises and equipment

	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 2023	96,355	1,048	44,969	4,954	2,513	1,327	151,166
Additions	1,708	138	5,238	616	447	175	8,322
Disposals	(51)	(64)	(1,015)	(408)	(225)	–	(1,763)
Reclassification from right-of-use assets	–	–	–	–	–	301	301
Transfer from capital projects in progress	–	–	1,286	–	41	(1,327)	–
Exchange differences	(46)	(2)	(34)	(12)	(1)	–	(95)
At 31 December 2023	97,966	1,120	50,444	5,150	2,775	476	157,931
Additions	216	182	2,739	352	536	9,902	13,927
Disposals	(47)	(31)	(632)	(144)	(162)	–	(1,016)
Reclassification from right-of-use assets	–	–	–	–	–	361	361
Proceeds from government grant	–	–	(1,352)	–	–	–	(1,352)
Exchange differences	45	1	34	11	1	–	92
At 31 December 2024	98,180	1,272	51,233	5,369	3,150	10,739	169,943
Accumulated depreciation:							
At 1 January 2023	42,855	762	36,952	3,429	2,114	–	86,112
Depreciation	2,944	117	2,215	316	239	–	5,831
Disposals	(51)	(64)	(1,003)	(404)	(225)	–	(1,747)
Exchange differences	(17)	(1)	(28)	(11)	(1)	–	(58)
At 31 December 2023	45,731	814	38,136	3,330	2,127	–	90,138
Depreciation	3,016	122	2,490	385	364	–	6,377
Disposals	(47)	(31)	(615)	(139)	(162)	–	(994)
Exchange differences	18	1	28	10	1	–	58
At 31 December 2024	48,718	906	40,039	3,586	2,330	–	95,579
Carrying amount:							
At 31 December 2024	49,462	366	11,194	1,783	820	10,739	74,364
At 31 December 2023	52,235	306	12,308	1,820	648	476	67,793

The Group acquired vehicles, premises and equipment with an aggregate cost \$13,927,000 (2023: \$8,322,000) out of which \$3,848,000 (2023: \$1,827,000) remains unpaid and included as part of trade and other payables as at 31 December 2024.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

12. VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

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

	Leasehold buildings \$'000	Furniture, fittings and equipment \$'000	Workshop machinery, tools and equipment \$'000	Motor vehicles \$'000	Computers and automated equipment \$'000	Capital projects in progress \$'000	Total \$'000
Company							
Cost:							
At 1 January 2023	38,909	416	221	231	746	1,302	41,825
Additions	405	28	1,782	–	121	–	2,336
Transfer from capital projects in progress	–	–	1,286	–	16	(1,302)	–
Disposals	(51)	(30)	(40)	(81)	(26)	–	(228)
At 31 December 2023	39,263	414	3,249	150	857	–	43,933
Additions	15	9	40	–	189	–	253
Proceeds from government grant	–	–	(1,352)	–	–	–	(1,352)
Disposals	(46)	(10)	(11)	–	(113)	–	(180)
At 31 December 2024	39,232	413	1,926	150	933	–	42,654
Accumulated depreciation:							
At 1 January 2023	32,437	356	137	175	609	–	33,714
Depreciation	1,235	25	103	12	57	–	1,432
Disposals	(51)	(29)	(31)	(81)	(26)	–	(218)
At 31 December 2023	33,621	352	209	106	640	–	34,928
Depreciation	1,290	24	147	12	104	–	1,577
Disposals	(47)	(10)	(6)	–	(113)	–	(176)
At 31 December 2024	34,864	366	350	118	631	–	36,329
Carrying amount:							
At 31 December 2024	4,368	47	1,576	32	302	–	6,325
At 31 December 2023	5,642	62	3,040	44	217	–	9,005

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

12. VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

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

Details of the leases by the Group and the Company are as follows:

Location	Approximate land area	Tenure	Usage	Group's effective interest
Held by the Company				
No. 385 Sin Ming Drive Singapore 575718	10,852.6 sq m	30 years from January 2011 (16 years unexpired)	Inspection and assessment services	100%
No. 23 Kaki Bukit Avenue 4 Singapore 415933	9,796.9 sq m	30 years from January 1997 with option to renew another 30 years (2 years unexpired)	Inspection and assessment services	100%
No. 511 Bukit Batok Street 23 Singapore 659545	9,625.0 sq m	30 years from October 1995 with option to renew another 30 years (9 months unexpired)	Inspection, testing and assessment services	100%
No. 20 Changi North Crescent Singapore 499613	6,015.0 sq m	30 years from May 1995 (4 months unexpired)	Inspection services	100%
501 Yishun Industrial Park A Singapore 768732	5,190.3 sq m	60 years from July 1983 (18 years 6 months unexpired)	Inspection services	100%
501 Yishun Industrial Park A Singapore 768732	1,104.9 sq m	30 years from July 2013 (18 years 6 months unexpired)	Inspection services	100%
Held by Setesco Services Pte Ltd				
No. 531 Bukit Batok Street 23 Singapore 659547	7,554.5 sq m	7 years from October 2018 with option to renew another 30 years (9 months unexpired)	Testing, inspection and consultancy services	100%
Jalan Papan Plot 2 Singapore	12,400.4 sq m	20 years from March 2023 (18 years 2 months unexpired)	Testing, inspection and consultancy services	100%
Held by Setesco Services (M) Sdn Bhd				
31 Jln Industri Mas 12 Taman Mas 47100 Puchong Selangor Darul Ehsan West Malaysia	791.5 sq m	99 years from December 2009 (83 years 11 months unexpired)	Testing, inspection and consultancy services	100%
Held by JIC Inspection Services Pte Ltd				
No. 53 Pioneer Road Singapore 628505	9,190.0 sq m	30 years from December 1994 with further extension of 2 years (1 years 11 months unexpired)	Inspection services	78%
No. 15 Ang Mo Kio Street 63 Singapore 569117	2,145.0 sq m	1 year 9 months from March 2023 with further extension of 3 months (2 months unexpired)	Inspection services	78%

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

12. VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

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

The average lease term is 21 years (2023: 21 years), where the Group make periodic payments which are used for its day to day operations.

	Land \$'000	Motor vehicles \$'000	Other assets[#] \$'000	Total \$'000
Group				
Cost:				
At 1 January 2023	58,853	145	1,225	60,223
Additions	7,219	30	568	7,817
Lease modification	–	152	299	451
Remeasurement	513	–	–	513
At 31 December 2023	66,585	327	2,092	69,004
Lease modifications	259	31	158	448
Remeasurement	1,527	–	8	1,535
At 31 December 2024	68,371	358	2,258	70,987
Accumulated depreciation:				
At 1 January 2023	27,750	123	1,145	29,018
Depreciation	1,532	89	342	1,963
Reclassification to vehicles, premises and equipment	301	–	–	301
At 31 December 2023	29,583	212	1,487	31,282
Depreciation	1,567	100	495	2,162
Reclassification to vehicles, premises and equipment	361	–	–	361
At 31 December 2024	31,511	312	1,982	33,805
Carrying amount:				
At 31 December 2024	36,860	46	276	37,182
At 31 December 2023	37,002	115	605	37,722

[#] Other assets comprise of office, inspection centre and employees' accommodation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

12. VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

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

	Land \$'000	Other assets[#] \$'000	Total \$'000
Company			
Cost:			
At 1 January 2023	48,728	45	48,773
Remeasurement	506	–	506
At 31 December 2023	49,234	45	49,279
Lease modifications	–	13	13
Remeasurement	1,195	1	1,196
At 31 December 2024	50,429	59	50,488
Accumulated depreciation:			
At 1 January 2023	24,124	38	24,162
Depreciation	1,077	6	1,083
At 31 December 2023	25,201	44	25,245
Depreciation	1,105	7	1,112
At 31 December 2024	26,306	51	26,357
Carrying amount:			
At 31 December 2024	24,123	8	24,131
At 31 December 2023	24,033	1	24,034

[#] Other assets comprise of office

13. GOODWILL

	Group	
	2024 \$'000	2023 \$'000
<i>Carrying amount:</i>		
At beginning of the year	11,588	11,325
Arising from acquisition of subsidiary	–	263
At end of the year	11,588	11,588

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:

	Group	
	2024 \$'000	2023 \$'000
Testing and inspection services	9,531	9,531
Vehicle inspection services	2,057	2,057
At end of the year	11,588	11,588

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

13. GOODWILL (CONT'D)

Business combination

In prior year, the Group completed the acquisition of 70% stake in Setsco-An Security Pte. Ltd. The Company is in the business of providing Information Technology security evaluation and testing services for cybersecurity products such as smart devices, as well as consultancy services in this domain. The acquisition will allow the Group to expand its testing service offerings in this new growth sector.

Assets acquired and liabilities assumed at the date of acquisition:

	2023 \$'000
<hr/>	
Fair value of assets and liabilities	
<u>Assets</u>	
Cash and cash equivalents	40
Trade and other receivables	231
Intangible assets	116
<u>Liabilities</u>	
Trade and other payables	(9)
Income tax payable	(3)
Less: Non-controlling interest	(78)
Total identifiable net assets at fair value	297
Goodwill arising from acquisition	263
	560
Consideration transferred for the acquisition	
Cash consideration	560
Less: Unpaid purchase consideration as at end of year	(28)
Less: Cash and cash equivalents acquired	(40)
Net cash outflow on acquisition of subsidiary	492

Assets acquired and liabilities assumed

Trade and other receivables acquired comprise gross trade and other receivables amounting to \$231,000, which approximates fair value. It is expected that the full contractual amount of the receivables can be collected.

Goodwill arising from acquisition

Goodwill of \$263,000 represents the synergies expected to be achieved from potential for future growth, access to new markets, expanded product offerings, and the ability to leverage complementary strengths.

Transaction costs

Total transaction costs related to all acquisitions of \$64,000 have been recognised in the 'Other operating costs' line item in the Group's profit and loss account for the financial year from 1 January 2023 to 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

13. GOODWILL (CONT'D)

Impact of the acquisitions on profit and loss

From acquisition date, the revenue and profit or loss contribution by the subsidiary acquired during the financial year is not material to the Group. Had the acquisitions taken place at the beginning of the financial year, the revenue and profit or loss contribution is not expected to be material as well.

Non-controlling interest

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of Setsco-An Security's net identifiable assets.

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Third parties	7,857	6,359	3,190	2,800
Holding company	589	521	250	240
Related companies	594	153	482	41
Accruals	12,992	14,300	4,269	3,920
Deferred income	552	242	35	19
Deposits received from customers	833	954	456	548
Others	4,173	2,215	167	424
	27,590	24,744	8,849	7,992
Analysed as:				
Current	26,870	24,024	8,849	7,992
Non-current	720	720	–	–
	27,590	24,744	8,849	7,992

The average credit period on purchases of goods and services is 30 days (2023: 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 and it is expected to be utilised in 2026.

15. DUE TO SUBSIDIARIES

Included in amount due to subsidiaries is an amount of \$7,905,000 (2023: \$6,815,000) that relates to a non wholly-owned subsidiary that receives interest at the rate of 2.84% to 3.84% (2023: 3.91% to 4.06%) per annum. This balance is non-trade, unsecured and repayable on demand.

The remaining balances are non-trade, unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

16. LEASE LIABILITIES

	Group		Company	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Maturity analysis:				
Within one year	1,996	2,284	1,285	1,302
In the second to fifth year inclusive	6,345	6,103	4,951	4,766
After five years	38,104	37,702	30,259	29,977
	46,445	46,089	36,495	36,045
Less: Future finance charges	(14,565)	(14,668)	(11,537)	(11,621)
Total	31,880	31,421	24,958	24,424
Analysed as:				
Current	1,147	1,444	617	650
Non-current	30,733	29,977	24,341	23,774
	31,880	31,421	24,958	24,424

The following are the amounts recognised in profit or loss:

	Group	
	2024 \$'000	2023 \$'000
Depreciation of right-of-use assets (Note 12(b))	2,162	1,963
Interest expense on leases liabilities (Note 22)	866	866
Expense relating to short-term leases	262	444
Expense relating to low-value assets	1	1
Total amount recognised in profit or loss	3,291	3,274

The Group had total cash outflows for leases of \$2,653,000 (2023: \$2,612,000).

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

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's 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 cash flow statement as cash flows from financing activities.

	1 January 2024 \$'000	Financing cash flows \$'000	New lease liabilities \$'000	31 December 2024 \$'000
Lease liabilities	31,421	(1,524)	1,983	31,880
	1 January 2023 \$'000	Financing cash flows \$'000	New lease liabilities \$'000	31 December 2023 \$'000
Lease liabilities	31,160	(1,301)	1,562	31,421

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

17. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Deferred tax assets	1,197	1,178	1,048	1,131
Deferred tax liabilities	(2,624)	(2,053)	–	–
Net	(1,427)	(875)	1,048	1,131
At beginning of year	(875)	(93)	1,131	1,260
(Charge)/credit to income statement (Note 23)	(724)	(679)	51	(123)
Over/(under) provision in prior years (Note 23)	172	(103)	(134)	(6)
	(1,427)	(875)	1,048	1,131

The balances in the account comprise the tax effects of:

	Group		Company	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Lease liabilities	5,420	5,342	4,243	4,152
Provisions	1,026	554	281	163
Tax losses	47	–	–	–
Accelerated tax depreciation	(7,920)	(6,771)	(3,476)	(3,184)
	(1,427)	(875)	1,048	1,131

18. SHARE CAPITAL

	Group and Company			
	2024 Number of ordinary shares ('000)	2023 Number of ordinary shares ('000)	2024 \$'000	2023 \$'000
Issued and paid up:				
At beginning and end of the year	354,568	354,568	36,284	36,284

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

19. OTHER RESERVES

	Group and Company		
	Revaluation reserve \$'000	Capital reserve \$'000	Total \$'000
At 1 January 2023	935	3,073	4,008
Revaluation changes during the year in other comprehensive income	690	–	690
At 31 December 2023	1,625	3,073	4,698
Revaluation changes during the year in other comprehensive income	177	–	177
At 31 December 2024	1,802	3,073	4,875

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

20. REVENUE

	Group	
	2024 \$'000	2023 \$'000
Inspection and testing services	115,084	107,843
Rental income	2,326	2,356
Others	2,072	1,704
	119,482	111,903

Majority of the revenue is derived from Singapore.

Rental income relates to income arising from subleasing right-of-use assets.

21. STAFF COSTS

Included in staff costs are:

- (a) The remuneration of the Directors (executive and non-executive) and key executives comprised mainly short term benefits amounting to \$3,350,000 (2023: \$3,142,000).

	Group	
	2024 \$'000	2023 \$'000
(b) Cost of contribution to Central Provident Fund	4,237	4,168
Government grant income (included in staff costs)	(606)	(512)

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

	Group	
	2024 \$'000	2023 \$'000
Interest expense on lease liabilities (Note 16)	866	866

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

23. TAXATION

	Group	
	2024	2023
	\$'000	\$'000
Tax charge in respect of profit for the financial year:		
Current taxation		
Singapore	5,770	5,649
Foreign	76	11
Deferred tax (Note 17)	724	679
Adjustments in respect of (over)/under provision in prior years:		
Current taxation	(324)	(386)
Deferred tax (Note 17)	(172)	103
Overprovision in prior years (net)	(496)	(283)
	6,074	6,056

The taxation charge varied from the amount of taxation charge determined by applying the Singapore income tax rate of 17% (2023: 17%) to profit before taxation as a result of the following differences:

	Group	
	2024	2023
	\$'000	\$'000
Profit before taxation	35,696	34,070
Taxation charge at Singapore statutory rate 17% (2023: 17%)	6,068	5,792
Non-deductible items	571	631
Tax-exempt income	(76)	(87)
Overprovision in prior years (net)	(496)	(283)
Effect of different tax rates of other countries	7	3
	6,074	6,056

24. PROFIT AFTER TAXATION

Profit after taxation is arrived at after charging/(crediting):

	Group	
	2024	2023
	\$'000	\$'000
Directors' fees	805	781
Foreign currency exchange adjustment loss	33	75
Net loss/(gain) on disposal of vehicles, premises and equipment	12	(24)
Writeback of allowance for expected credit losses (net) (Note 6)	(436)	(163)
Audit fees:		
Auditors of the Company	103	95
Other auditors	2	3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

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:

	2024	2023
Profit attributable to shareholders of the Company (\$'000)	29,284	27,601
Weighted average number of ordinary shares in issue ('000)	354,568	354,568
Basic earnings per share (in cents)	8.26	7.78

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 years ended 31 December 2024 and 31 December 2023.

26. BUSINESS 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. COMMITMENTS

As at 31 December 2024, the Group has capital expenditure commitments contracted for but not provided for in the financial statements:

	Group	
	2024	2023
	\$'000	\$'000
Purchase of vehicles, premises and equipment	56,461	2,646

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

28. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31 December 2024, the Group is committed to \$153,000 (2023: \$51,000) for short-term leases.

The Group as intermediate lessor

Operating leases, in which the Group is the intermediate lessor, relate to lettable space in Singapore 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.

Maturity analysis of operating lease payments:

	Group	
	2024 \$'000	2023 \$'000
Year 1	1,530	1,279
Year 2	1,091	922
Year 3	20	613
Total	2,641	2,814

29. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Financial assets				
Amortised cost	79,609	71,303	62,510	59,015
Financial assets at FVTOCI	6,439	6,262	6,439	6,262
Financial liabilities				
Amortised cost	25,485	22,828	34,918	32,185
Lease liabilities	31,880	31,421	24,958	24,424

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

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

(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 the risk.

Foreign exchange rate 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 primary interest rate risk relates to fixed deposits placements with financial institutions. The Group's policy is to obtain the most favourable interest rate available without exposing itself to any unnecessary risk. Interest rate risk is managed by placing deposits on varying maturities and terms. Based on the current interest rate level, any future variations in interest rates are not expected to have significant impact on the Group's results.

Credit risk management

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

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. (i.e. when it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation).	Amount is written off

The Group's and Company's exposure to credit risk arises primarily from trade and other receivables, and amounts due from subsidiaries. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

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

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

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.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayments obligations.

	One year or less \$'000	One to five years \$'000	Beyond five years \$'000	Total \$'000
Group				
Financial liabilities:				
2024				
Trade and other payables	25,485	–	–	25,485
Lease liabilities	1,996	6,345	38,104	46,445
Total undiscounted financial liabilities	27,481	6,345	38,104	71,930
2023				
Trade and other payables	22,828	–	–	22,828
Lease liabilities	2,284	6,103	37,702	46,089
Total undiscounted financial liabilities	25,112	6,103	37,702	68,917
Company				
Financial liabilities:				
2024				
Trade and other payables	8,358	–	–	8,358
Due to subsidiaries	26,560	–	–	26,560
Lease liabilities	1,285	4,951	30,259	36,495
Total undiscounted financial liabilities	36,203	4,951	30,259	71,413
2023				
Trade and other payables	7,425	–	–	7,425
Due to subsidiaries	24,760	–	–	24,760
Lease liabilities	1,302	4,766	29,977	36,045
Total undiscounted financial liabilities	33,487	4,766	29,977	68,230

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

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

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

Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and other liabilities approximate the respective fair values due to the relatively short-term maturity of these financial instruments.

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

- (a) quoted prices in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (Level 3).

Fair value hierarchy

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

	Group and Company	
	2024	2023
	\$'000	\$'000
Financial assets at fair value through other comprehensive income		
– Level 2	–	6,262
– Level 3	6,439	–

In prior year, the fair value of the investment was determined by reference to the price per share in relation to fund-raising exercise during the financial year by the underlying investee.

In current year, the fair value of the investment is based on the net value of the investment with a consideration of comparable companies within the industry. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

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

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

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 \$644,000 (2023: \$626,000).

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 risk management policies and objectives

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent.

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 debt and 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 2024 and 31 December 2023.

30. DIVIDENDS

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

	2024	2023
	\$'000	\$'000
Tax-exempt one-tier final dividend in respect of the previous financial year:		
2.75 cents (2023: 3.32 cents) per ordinary share	9,750	11,772
Tax-exempt one-tier interim dividend in respect of the current financial year:		
2.80 cents (2023: 2.75 cents) per ordinary share	9,929	9,750
	<u>19,679</u>	<u>21,522</u>

- (b) Subsequent to the end of the financial year, the Directors of the Company recommended that a tax-exempt one-tier final dividend of 3.00 cents per ordinary share totalling \$10,637,000 be paid for the financial year ended 31 December 2024. 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 2.80 cents per ordinary share (2023: 2.75 cents per ordinary share), total distributions paid and proposed in respect of the financial year ended 31 December 2024 will be 5.80 cents per ordinary share (2023: 5.50 cents per ordinary share).