



VICOM LTD

Company Registration No. : 198100320K

Financial Statements and Dividend Announcement for the year ended 31 December 2016

The Board of Directors announces the audited results of the Group for the year ended 31 December 2016.

1 GROUP INCOME STATEMENT

	Group		
	FY 2016	FY 2015	Incr/ (Decr)
	\$'000	\$'000	%
Revenue	101,181	106,707	(5.2)
Staff costs	44,453	45,916	(3.2)
Depreciation and amortisation	6,462	6,101	5.9
Contract services	3,701	3,866	(4.3)
Premises costs	3,668	3,728	(1.6)
Materials and consumables	2,523	2,647	(4.7)
Repairs and maintenance costs	1,579	1,436	10.0
Utilities and communication costs	1,568	1,641	(4.4)
Other operating costs	4,793	4,924	(2.7)
Total operating costs	<u>68,747</u>	<u>70,259</u>	(2.2)
Operating profit	32,434	36,448	(11.0)
Interest income	1,527	1,133	34.8
Profit before taxation	33,961	37,581	(9.6)
Taxation	<u>(5,362)</u>	<u>(5,701)</u>	(5.9)
Profit after taxation	<u>28,599</u>	<u>31,880</u>	(10.3)
Attributable to:			
Shareholders of the Company	28,162	31,417	(10.4)
Non-controlling interests	<u>437</u>	<u>463</u>	(5.6)
	<u>28,599</u>	<u>31,880</u>	(10.3)

2 STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	31 Dec 2016 \$'000	31 Dec 2015 \$'000	31 Dec 2016 \$'000	31 Dec 2015 \$'000
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	105,681	100,064	102,955	98,193
Trade receivables	13,259	13,762	2,125	2,281
Other receivables and prepayments	1,948	1,662	965	788
Inventories	21	19	-	-
Total current assets	120,909	115,507	106,045	101,262
Non-current assets				
Subsidiaries	-	-	25,941	25,941
Associate	25	25	-	-
Club memberships	219	251	219	251
Vehicles, premises and equipment	47,164	49,638	24,668	26,407
Goodwill	11,325	11,325	-	-
Total non-current assets	58,733	61,239	50,828	52,599
Total assets	179,642	176,746	156,873	153,861
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Trade and other payables	21,298	21,205	5,168	4,608
Due to subsidiaries	-	-	36,194	38,631
Income tax payable	5,752	6,567	3,029	2,601
Total current liabilities	27,050	27,772	44,391	45,840
Non-current liability				
Deferred tax liabilities	1,769	1,722	263	240
Total liabilities	28,819	29,494	44,654	46,080
Capital, reserves and non-controlling interests				
Share capital	36,284	36,225	36,284	36,225
Other reserves	3,073	3,078	3,073	3,078
Foreign currency translation reserve	(265)	(244)	-	-
Accumulated profits	110,760	107,196	72,862	68,478
Equity attributable to shareholders of the Company	149,852	146,255	112,219	107,781
Non-controlling interests	971	997	-	-
Total equity	150,823	147,252	112,219	107,781
Total liabilities & equity	179,642	176,746	156,873	153,861

3 AGGREGATE AMOUNT OF GROUP'S BORROWINGS

NIL

Details of any collateral

NIL

4 GROUP CASH FLOW STATEMENT

	Group	
	FY 2016	FY 2015
	\$'000	\$'000
Operating activities		
Profit before taxation	33,961	37,581
Adjustments for:		
Depreciation and amortisation	6,462	6,101
Interest income	(1,527)	(1,133)
Gain on disposal of vehicles, premises and equipment	(11)	(5)
Allowance for expected credit losses	746	613
Bad debts written off	-	6
Operating cash flows before movements in working capital	<u>39,631</u>	<u>43,163</u>
Changes in working capital	<u>(289)</u>	<u>(1,408)</u>
Cash generated from operations	39,342	41,755
Income tax paid	<u>(6,130)</u>	<u>(5,400)</u>
Net cash from operating activities	<u>33,212</u>	<u>36,355</u>
Investing activities		
Purchase of vehicles, premises and equipment	(3,978)	(3,719)
Proceeds from disposal of vehicles, premises and equipment	19	13
Interest received	<u>1,378</u>	<u>779</u>
Net cash used in investing activities	<u>(2,581)</u>	<u>(2,927)</u>

	Group	
	FY 2016	FY 2015
	\$'000	\$'000
Financing activities		
Proceeds from exercise of share options	54	-
Dividends paid to non-controlling interests	(463)	(451)
Dividends paid	(24,598)	(23,928)
Net cash used in financing activities	<u>(25,007)</u>	<u>(24,379)</u>
Net effect of exchange rate changes in consolidating subsidiaries	<u>(7)</u>	<u>(13)</u>
Net increase in cash and cash equivalents	5,617	9,036
Cash and cash equivalents at beginning of year	100,064	91,028
Cash and cash equivalents at end of year	<u>105,681</u>	<u>100,064</u>

5 GROUP COMPREHENSIVE INCOME STATEMENT

	Group	
	FY 2016	FY 2015
	\$'000	\$'000
Profit after taxation	28,599	31,880
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	<u>(21)</u>	<u>(137)</u>
Other comprehensive income for the year	(21)	(137)
Total comprehensive income for the year	<u>28,578</u>	<u>31,743</u>
Total comprehensive income attributable to:		
Shareholders of the Company	28,141	31,280
Non-controlling interests	437	463
	<u>28,578</u>	<u>31,743</u>

6 STATEMENTS OF CHANGES IN EQUITY

Consolidated Statement of Changes in Equity for the year ended 31 December 2016:

	Group						
	Attributable to shareholders of the Company						
	Share capital	Other reserves	Foreign currency translation reserve	Accumulated profits	Total	Non- controlling interests	Total equity
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2015	36,225	3,078	(107)	99,707	138,903	985	139,888
Total comprehensive income for the year							
Profit for the year	-	-	-	31,417	31,417	463	31,880
Other comprehensive income for the year	-	-	(137)	-	(137)	-	(137)
Total	-	-	(137)	31,417	31,280	463	31,743
Transactions recognised directly in equity							
Payment of dividends	-	-	-	(23,928)	(23,928)	-	(23,928)
Total	-	-	-	(23,928)	(23,928)	-	(23,928)
Payments to non-controlling interests	-	-	-	-	-	(451)	(451)
Balance at 31 December 2015	36,225	3,078	(244)	107,196	146,255	997	147,252
Total comprehensive income for the year							
Profit for the year	-	-	-	28,162	28,162	437	28,599
Other comprehensive income for the year	-	-	(21)	-	(21)	-	(21)
Total	-	-	(21)	28,162	28,141	437	28,578
Transactions recognised directly in equity							
Exercise of share options	59	(5)	-	-	54	-	54
Payment of dividends	-	-	-	(24,598)	(24,598)	-	(24,598)
Total	59	(5)	-	(24,598)	(24,544)	-	(24,544)
Payments to non-controlling interests	-	-	-	-	-	(463)	(463)
Balance at 31 December 2016	36,284	3,073	(265)	110,760	149,852	971	150,823

Statement of Changes in Equity of the Company for the year ended 31 December 2016:

	Company			
	Share capital	Other reserves	Accumulated profits	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2015	36,225	3,078	60,303	99,606
Profit for the year, representing total comprehensive income for the year	-	-	32,103	32,103
Transactions recognised directly in equity				
Payment of dividends	-	-	(23,928)	(23,928)
Total	-	-	(23,928)	(23,928)
Balance at 31 December 2015	36,225	3,078	68,478	107,781
Profit for the year, representing total comprehensive income for the year	-	-	28,982	28,982
Transactions recognised directly in equity				
Exercise of share options	59	(5)	-	54
Payment of dividends	-	-	(24,598)	(24,598)
Total	59	(5)	(24,598)	(24,544)
Balance at 31 December 2016	36,284	3,073	72,862	112,219

7 CHANGES IN COMPANY'S SHARE CAPITAL

Share Capital

During the year, the Company issued 20,000 new ordinary shares following the exercise of share options under the 2001 VICOM Share Option Scheme.

As at 31 December 2016, the total number of issued shares was 88,642,000 (31 December 2015: 88,622,000).

Outstanding Shares – The 2001 VICOM Share Option Scheme

The VICOM Share Option Scheme was not renewed following its expiry on 26 April 2011.

As at 31 December 2016, there were no outstanding options to subscribe for ordinary shares (31 December 2015: 20,000) under the 2001 VICOM Share Option Scheme.

As at 31 December 2016, the Company does not hold any treasury shares.

8 AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VICOM LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of VICOM Ltd (the "Company") and its subsidiaries (the "Group") which comprise the Statements of Financial Position of the Group and the Company as at 31 December 2016, and the Income Statement, Comprehensive Income Statement, Statement of Changes in Equity and Cash Flow Statement of the Group and Statement of Changes in Equity of the Company for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the Consolidated Financial Statements of the Group and the Statement of Financial Position and the Statement of Changes in Equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 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.

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.

Goodwill impairment review

Under FRS 36, the Group is required to test goodwill for impairment annually, or more frequently if there are indicators that goodwill might be impaired. This assessment requires the exercise of significant judgement about future market conditions, including growth rates and discount rates.

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

Allowance for expected credit losses for trade receivables

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

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

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

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

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair Financial Statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ang Poh Choo.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

8 February 2017

9 ACCOUNTING POLICIES

The Group has applied accounting policies and methods of computation in the Financial Statements for the current reporting year consistent with those of the audited Financial Statements for the year ended 31 December 2015.

In the current financial year, the Group has adopted all the new and revised Financial Reporting Standards ("FRSs") that are relevant to its operations and effective for annual periods beginning on 1 January 2016.

The adoption of these new and revised FRSs has no material effect on the amounts reported for the current or prior years.

10 CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Not applicable.

11 GROUP EARNINGS PER ORDINARY SHARE AND GROUP EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION (EBITDA)

Earnings per ordinary share

	Group	
	FY 2016	FY 2015
(i) Based on weighted average number of ordinary shares in issue - cents	31.77	35.45
(ii) On a fully diluted basis (detailing any adjustments made to the earnings) - cents	31.77	35.45

EBITDA

	Group	
	FY 2016	FY 2015
(i) EBITDA (\$'000)	38,896	42,549
(ii) EBITDA margin (%)	38.4	39.9

12 NET ASSET VALUE PER ORDINARY SHARE

	Group		Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Net asset value per ordinary share based on issued share capital - cents	169.05	165.03	126.60	121.62

13 REVIEW OF GROUP PERFORMANCE

Performance Review

Revenue

The Group's total revenue of \$101.2 million for 2016 was \$5.5 million or 5.2% lower than 2015 due to lower business volumes.

Operating Costs

The Group's operating costs of \$68.7 million for 2016 was \$1.5 million or 2.2% lower than 2015, in tandem with the lower business volumes.

Operating Profit

Consequently, the Group's operating profit of \$32.4 million for 2016 was \$4.0 million or 11.0% lower than 2015.

The Group's profit before tax of \$34.0 million for 2016 was \$3.6 million or 9.6% lower than 2015.

Taxation for the Group of \$5.4 million for 2016 was \$0.3 million or 5.9% lower than 2015.

The Group's Profit attributable to Shareholders of the Company of \$28.2 million for 2016 was \$3.3 million or 10.4% lower than 2015.

Statements of Financial Position

Total Equity increased by \$3.6 million to \$150.8 million as at 31 December 2016 due mainly to profits generated from operations offset by payment of dividends.

Total Assets increased by \$2.9 million to \$179.6 million as at 31 December 2016 due to the increase in Current Assets of \$5.4 million, offset by the decrease in Non-Current Assets of \$2.5 million. The increase in Current Assets was due mainly to the increase in Cash and Bank Balances and Other Receivables and Prepayments of \$5.6 million and \$0.3 million, offset by the decrease in Trade Receivables of \$0.5 million.

Total Liabilities decreased by \$0.7 million to \$28.8 million as at 31 December 2016 due mainly to the decrease in Tax Provision of \$0.8 million, offset by the increase in Trade and Other Payables of \$0.1 million.

Cash Flow

The net cash inflow in 2016 was \$5.6 million after dividend payments.

14 ANY VARIANCE BETWEEN PROSPECT STATEMENT PREVIOUSLY DISCLOSED AND THE ACTUAL RESULTS

No forecast or prospect statement has been previously disclosed.

15 GROUP OUTLOOK

Business conditions are expected to remain difficult for both the vehicle and non-vehicle testing businesses. The vehicle testing business will continue to face challenges posed by the high de-registration rate although this will be offset partially by an increase in the number of Certificate of Entitlement (COE) revalidations. The non-vehicle testing business will continue to weaken with the general slowdown in the industries that we serve.

16 DIVIDEND

(a) Current Financial Period Reported On

The Directors are pleased to propose a tax-exempt one-tier final dividend of 8.50 cents (2015: 9.50 cents) per ordinary share and a tax-exempt one-tier special dividend of 10.00 cents (2015: 10.25 cents) per ordinary share.

Name of Dividend	Final	Special
Dividend Type	Cash; Tax-exempt one-tier	Cash; Tax-exempt one-tier
Dividend Amount per ordinary share	8.50 cents	10.00 cents
Tax Rate	Exempt one-tier	Exempt one-tier

(b) Corresponding Period of the Immediate Preceding Financial Year

Name of Dividend	Final	Special
Dividend Type	Cash; Tax-exempt one-tier	Cash; Tax-exempt one-tier
Dividend Amount per ordinary share	9.50 cents	10.25 cents
Tax Rate	Exempt one-tier	Exempt one-tier

(c) Date payable

The proposed final and special dividends, if approved by the Shareholders at the Thirty-Sixth Annual General Meeting of the Company to be held on 24 April 2017, will be payable on 11 May 2017.

(d) Books closure date

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed on 4 May 2017 for the purposes of determining Shareholders' entitlements to the proposed final and special dividends.

Duly completed and stamped transfers received by the Company's Share Registrars, B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544 up to 5.00 p.m. on 3 May 2017 will be registered to determine Shareholders' entitlements to the final and special dividends.

Shareholders (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 3 May 2017 will be entitled to the proposed final and special dividends.

17 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.

18 BREAKDOWN OF REVENUE

	Group 2016 \$'000	Group 2015 \$'000	Increase/ (decrease) %
Revenue reported for first half year	50,761	55,577	(8.7)
Profit after taxation before deducting non-controlling interests reported for first half year	14,145	16,222	(12.8)
Revenue reported for second half year	50,420	51,130	(1.4)
Profit after taxation before deducting non-controlling interests reported for second half year	14,454	15,658	(7.7)

19 BREAKDOWN OF TOTAL ANNUAL DIVIDEND (IN DOLLAR VALUE)

	FY 2016 \$'000	FY 2015 \$'000
Ordinary shares (tax-exempt one-tier)		
- Interim	7,091	7,755
- Final (proposed)	7,535	8,421
- Special (proposed)	8,864	9,086
Total	23,490	25,262

20 INTERESTED PERSON TRANSACTIONS

There is no Shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual.

21 DISCLOSURE OF PERSONS OCCUPYING MANAGERIAL POSITIONS

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that as at 31 December 2016, none of the persons occupying managerial positions in the Company or any of its principal subsidiaries is a relative of a Director or Chief Executive Officer or Substantial Shareholder of the Company.

22 CONFIRMATION PURSUANT TO RULE 720(1) OF THE LISTING MANUAL

The Company confirms that it has procured the Undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Chan Wan Tak, Wendy
Company Secretary

8 February 2017