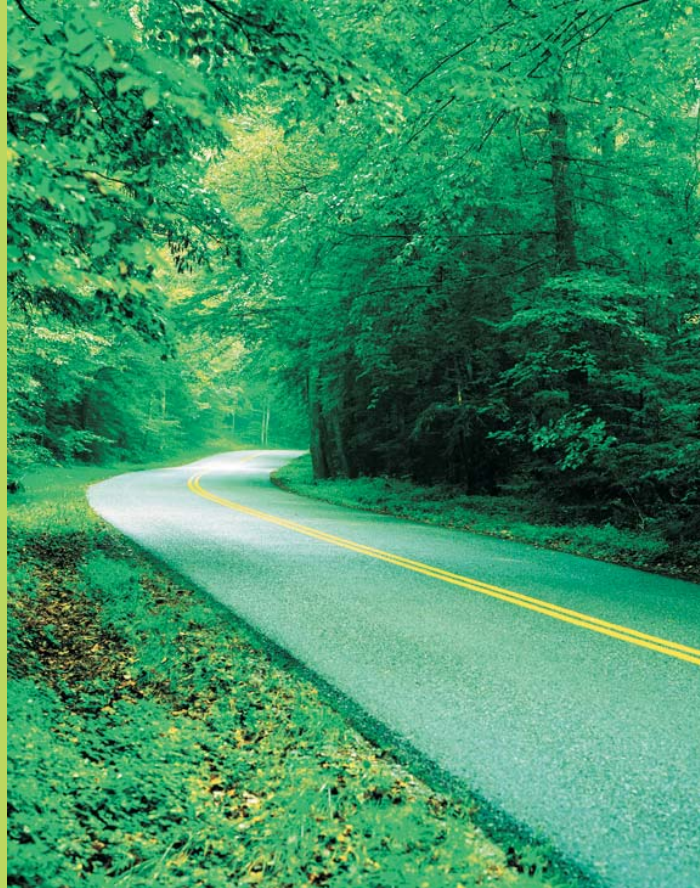


ACCESS
the inaccessible



Contents

02	Chairman's Statement
04	President and CEO's Statement
08	Board of Directors
11	Key Executives
14	Corporate Information
15	Group Structure
16	Business Segments
22	Our People
23	Corporate Events
24	Corporate Governance Report
32	Financial Highlights
33	Financial Statements
74	Statistics of Shareholdings
76	Notice of Annual General Meeting Proxy Form

ACCESS the inaccessible

A fresh breeze blows across the landscape. People are reaching beyond their dreams. The ability to always be online and communicate seamlessly anywhere will shape the society of tomorrow.

The internet has become a vital source of information gathering and exchange. Our IT infrastructure provides a robust network system to facilitate better communication.

From the vibrant metropolis to remote dense rainforests we have the capability to enable people to be in touch, with our wireless technology. Our telecommunications infrastructure breaks through the most unreachable terrains where communication is vastly challenging.

Wherever you are, our wireless communication network will allow you to ***Access the Inaccessible!***

Chairman's Statement

On behalf of the Board, I am pleased to report that the NeraTel Group had a relatively good year in FY2004. Supported by the strong performance of the three business segments of Telecommunications, Information Technology and Contract Manufacturing, the Group recorded a growth of 19.6% in turnover from S\$167.6 million in FY2003 to S\$200.4million. Profit before tax increased by 4.4% from S\$18.5 million in FY2003 to S\$19.4 million. Operationally, if we were to exclude the one-off gain of S\$1.5 million from the divestment of the entire 20% interests in TV Mobile registered in FY2003, the increase in profit before tax would have been 13.5% (or S\$2.3 million). Profit after tax rose from S\$14.4 million in FY2003 to S\$16.5 million, representing an increase of 14.5%. The Group had ended the year with a healthy cash position of S\$46 million, representing 12.78 cents per share.

Earnings per ordinary share for the year based on net profit attributable to shareholders on both basic and fully diluted basis were recorded at 3.98 cents and 3.96 cents respectively compared to 3.65 cents in FY2003, an increase of 9% and 8.5% respectively. Net asset value per ordinary share based on the issued capital of 360,000,000 ordinary shares of S\$0.05 each was 24.46 cents compared to 22.89 cents in FY2003, representing an increase of 6.9%.

The Board is pleased to recommend a final dividend of 17.5% or 0.875 cents and a special dividend of 40% or 2 cents per ordinary share, less 20% tax (FY2003: final dividend of 17.5% or 0.875 cents and special dividend of 40% or 2 cents). This represents total yield of 6.5%. The proposed dividends, if approved at the Annual General Meeting on 14 April 2005, will be paid on 5 May 2005.

The continuous governmental initiatives to liberalise and deregulate the telecommunications and info-communication industries in the region will further offer good opportunities for the Group, especially with the roll out of 3G networks. Furthermore, the potential increase of satellite gateway and terminal business will put the Group in good stead to become one of the main DvB-RCS (Digital Video Broadcasting Return Channel Satellite) satellite network infrastructure and satellite terminal players in Asia. With the increasing demand for the EMV compliance point-of-sales terminals and the gradual increase in the corporate IT infrastructure spending, it will provide more opportunities for our IT business. For the contract manufacturing, the Group is working to increase its capabilities and resources in the area of RF (radio frequency) to meet the customers' needs.

The Group has always been focusing on strategic alliances and partnerships and it will continue going forward. Improvement in operational efficiency is an ongoing process, so that enhanced quality services will always be delivered to our customers. The skills of our workforce will continuously be upgraded to meet the increasingly challenging business environment.

On behalf of my fellow Directors, I would like to extend our deepest appreciation to Johan Fredrik Odfjell and Sverre Ording Fjeld, who had retired from the Board, for their invaluable contributions. The Board welcomes Svein Ove Strommen and Per Brekke, who were appointed as Directors on 1 October 2004. With their wealth of knowledge and experience, we are certain that they will serve the Group well.

Finally, on behalf of the Board, I would like to thank our shareholders, particularly Nera ASA, customers and business partners for their confidence and continued support. I would also like to express my appreciation to the management and staff for their commitment and contributions.



S Chandra Das
Chairman

The Board is pleased to recommend a final dividend of 17.5% or 0.875 cents and a special dividend of 40% or 2 cents per ordinary share, less 20% tax.

S Chandra Das, Chairman



President and CEO's Statement

BUSINESS REVIEW

FY2004 was an exciting year for the NeraTel Group. Growth was registered in all the three business segments namely Telecommunications (Telecom), Information Technology (IT) and Contract Manufacturing (CM).

The Group's turnover increased by 19.6%, from S\$167.6 million in FY2003 to S\$200.4 million. Profit before tax rose from S\$18.5 million in FY2003 to S\$19.4 million, representing an increase of 4.4%. Operationally, if we were to exclude the one-off gain of S\$1.5 million from the divestment of the entire 20% interests in TV Mobile registered in FY2003, the increase in profit before tax would have been 13.5% (or S\$2.3 million). Profit after tax rose from S\$14.4 million in FY2003 to S\$16.5 million, up 14.5% from the previous year as a result of tax refund of S\$1.9 million due to Nera Electronics Ltd (a subsidiary of NeraTel) for its pioneer status. As at end of the year, the Group registered a positive cash position of S\$46 million, representing 12.78 cents per share.

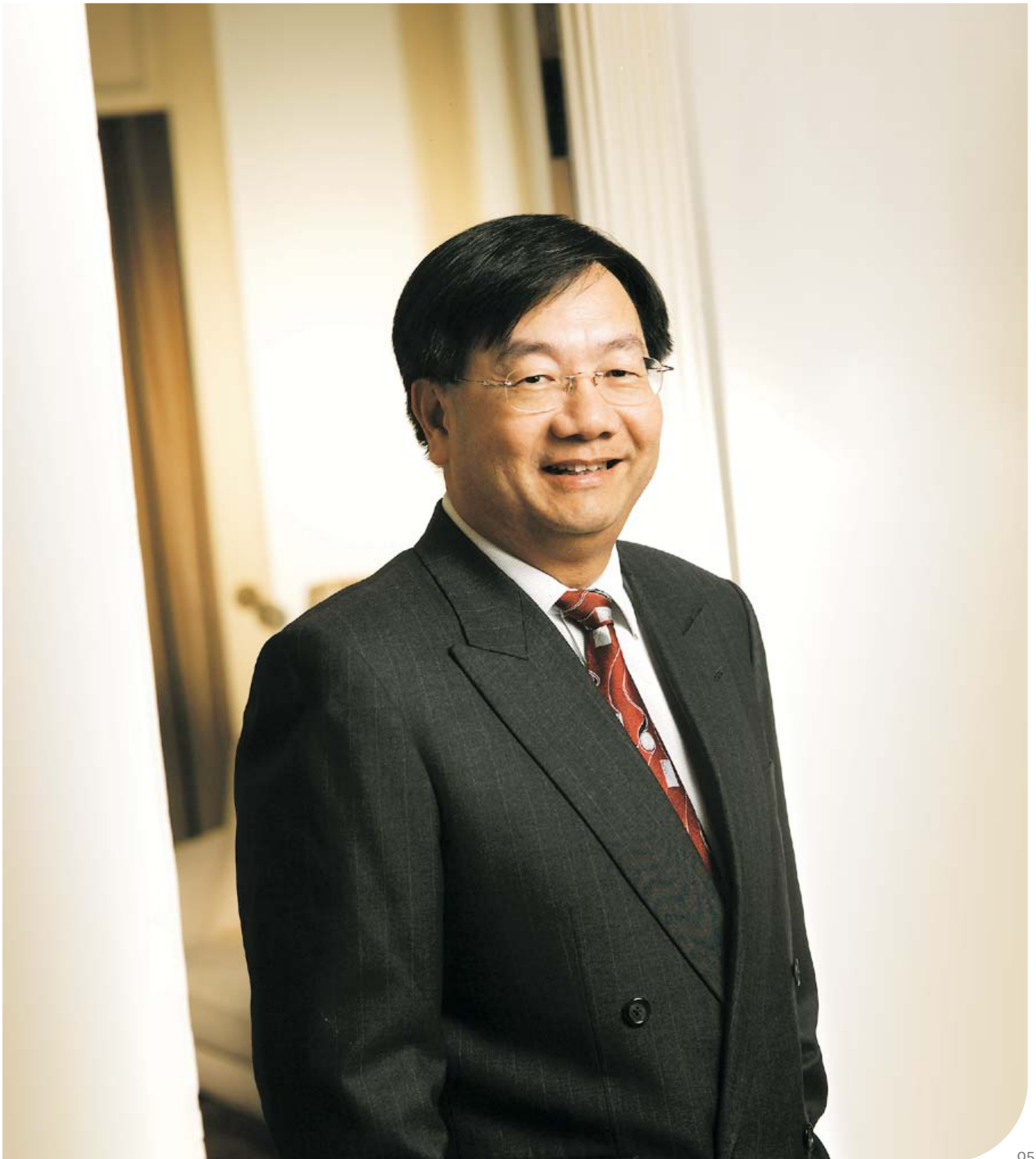
The Telecom business segment recorded a growth of 8.0% in turnover from S\$87.5 million in FY2003 to S\$94.5 million. Profit from operations grew from S\$6.0 million in FY2003 to S\$6.9 million, an increase of 15.6%. This was attributed mainly to the deliveries of microwave radio equipment to customers in the Philippines, India, Indonesia, Taiwan and Vietnam as well as the Group's PDH Compact IV radios to the United States and Asia. The increased sales of satellite terminals to the distributors and customers within the region also boosted the performance of this business segment.

The IT business segment increased by 39.8% from S\$39.9 million in FY2003 to S\$55.5 million. Profit from operations grew from S\$4.2 million in FY2003 to S\$5.5 million, up by 30.8% from the previous year. This was achieved on the back of increased sales of IT network infrastructure equipment to existing customers in Singapore and the delivery of point-of-sale terminals to customers in Malaysia. In addition, the delivery of DTT (Digital Terrestrial TV) infrastructure equipment to a cable operator in Singapore also contributed to the growth in this business segment.

The Contract Manufacturing business segment registered an increase of 42.3% in turnover from S\$51.5 million in FY2003 to S\$73.3 million. Profit from operations grew by 16.6% from S\$5.4 million in FY2003 to S\$6.3 million. Primarily, this was due to the improved performance in the Telecommunications and Instrumentation (T&I) market segment as a result of the deliveries of Compact IV PDH radios, microwave radio equipment, satellite communications equipment and mobile digital set-top boxes to the customers. The decline of business in the Medical and Bioscience (M&B) market segment was attributed to the delay in the introduction of new products by certain customers and the discontinuance of certain product models which were not replaced.

The Group's turnover increased by 19.6%, from S\$167.6 million in FY2003 to S\$200.4 million. Profit after tax rose from S\$14.4 million in FY2003 to S\$16.5 million, up 14.5% from the previous year.

Samuel Ang, President & CEO



President and CEO's Statement

BUSINESS OUTLOOK

Telecommunications (Telecom)

The microwave radio transmission business remains buoyant with many enquiries from the cellular customers in Asia. To enhance their competitive positions, the cellular operators are continuously upgrading, expanding and building new wireless telecommunication infrastructure including 3G networks to extend the coverage and to introduce new data and multimedia services. The Group has continued to receive orders from many microwave radio transmission customers in Asia. Since the roll out of Compact IV PDH radios in the first quarter of 2004, the Group has also managed to secure orders from the customers in the Americas, Asia and EMEA (Europe, Middle East and Africa). To broaden the microwave transmission customer base, we will increase sales and marketing activities into the non-Telco markets. To-date, orders from customers in the broadcast and defence sectors have been secured.

In the area of Satellite Communications, the Group has successfully rolled out DvB-RCS (Digital Video Broadcasting Return Channel Satellite) satellite broadband gateways to two satellite operators. We will work closely with the satellite operators to increase the deployment of DvB-RCS terminals to the Telcos, enterprise and defence market sectors. The Group has received increased enquiries for satellite gateways from various operators in Asia and we hope to secure new gateway contracts. Sales for the Inmarsat land and marine terminals to the customers, distributors and resellers in Asia have been successful. To further boost the business, the Group plans to appoint additional resellers and distributors to address new customer segments. All these opportunities can potentially increase the satellite gateway and terminal business and position the Group as one of the main DvB-RCS satellite network infrastructure and satellite terminal players in Asia.

Competition in the telecommunication industry remains intense. Sales and marketing activities will be increased to promote the microwave radio transmission and satellite products and systems to new customers in China, India, Bangladesh and Australia. Operating costs are expected to rise in tandem with the increase in sales and marketing activities as well as investment in the new markets to secure business opportunities. The Group views such investment as necessary to develop and build up both our customer base and geographical market position.

Information Technology (IT)

The demand for broadband services, IP VPN (Internet Protocol Virtual Private Network) and network security has driven up the spending in IT network infrastructure by the Telcos and Carriers. We have successfully deployed a major IP VPN infrastructure network for a global operator. This has strengthened our position as a regional IT infrastructure provider and it puts us in good stead for the deployment of similar projects in Asia.

The Broadcasting infrastructure is going through a metamorphosis - from the analogue to digital networks. More digital network infrastructure is expected to be built to replace the current analogue systems. Currently, we are implementing a Digital Terrestrial TV (DTT) network infrastructure for a cable TV operator. To-date, two of such projects secured have enabled the Group to build up key knowledge in the deployment of DTT networks. The track record and experience gained will help the Group improve its market position within

President and CEO's Statement

the regional broadcasting industry. For the DvB STBs (Digital Video Broadcasting - Set-top Boxes), the Group will continue to promote its range of mobile diversity DVB STBs to various customers in Europe and Asia.

For the IT POS (Point-of-Sale) business, the migration of EMV compliance POS terminals has benefited the Group. Thousands of EMV compliance POS terminals and line encryption have been successfully delivered to financial institutions. The demand for EMV compliance terminals is expected to be on the rise as more banks and financial institutions are migrating to such terminals. As a result of the Group's continuous development of regional POS markets, new service and maintenance business with banks and financial institutions have been secured in the Philippines and Thailand.

The corporate IT infrastructure spending has been stagnant for the last few days. The Group believes that it will gradually improve over the years as more corporate networks need to be upgraded and/or replaced by more secured and multi-services next generation IP VPN networks.

Contract Manufacturing (CM)

Our CM business segment is operated by a 68% owned subsidiary, Nera Electronics Ltd (NEL). The market sentiment in the T&I industry has shown signs of improvement. The Group has seen increasing orders from some of its T&I customers as well as orders from new customers. Orders for Compact IV PDH radios have developed positively since the roll out in the first quarter of 2004 and we believe that the positive trend will continue. The T&I electronics contract manufacturing industry is highly competitive and demanding. Customers are cautious of order commitments, demanding short delivery time and competitive prices. These, coupled with the increase in raw material prices, are putting pressure on our gross margins. The Group will continuously review operating costs, productivity and supply chain management to remain competitive. In addition, we are working to increase our capabilities and resources in the area of RF (Radio Frequency) to meet customers' needs.

The establishment of manufacturing facilities in India is expected to be ready for production by the end of 2005. With the new facilities, our competitiveness will be further enhanced and it will enable us to offer our customers the benefits of lower cost manufacturing in India.

Finally, I would like to thank the Board members for their support and guidance. I also want to thank our customers, business partners and shareholders for their support and commitment as well as my colleagues for their dedication and contributions. I look forward to their continued support.



Ang Seong Kang Samuel
President and CEO

Board of Directors

Mr S Chandra Das

Mr S Chandra Das is the non-executive Chairman of the Company. He was appointed to the Board on 15 January 1988. His last re-election to the Board was on 27 May 2003. Mr Das is currently the Managing Director of Nur Investment & Trading Pte Ltd, a company engaged in trading and investment activities. He is also the chairman of NTUC Fairprice Cooperative Limited and Southern African Investments Pte Ltd, a subsidiary of Temasek Holdings Pte Ltd. In addition, he is a director of several public listed companies namely Nera Electronics Ltd, The Ascott Group Limited, CapitalMall Trust Management Ltd, Yeo Hiap Seng Ltd, United Test and Assembly Center Ltd (UTAC) and Japan Land Ltd. He was a Member of Parliament from 1980 to 1996. Mr Das holds a Bachelor of Arts (Hons) degree in Economics from the University of Singapore.

Mr Ang Seong Kang Samuel

Mr Ang Seong Kang Samuel is the President & CEO of the Company. He was appointed to the Board on 2 October 1996. Currently, he is a member of the Executive Committee of Nera Norway. He is responsible for the overall performance of the NeraTel Group in Asia. Mr Ang previously served as the managing director, vice president and general manager of NeraTel. In addition, he serves on the Board of many NeraTel Group of Companies including a public listed subsidiary, Nera Electronics Ltd. He was a board member of the Norwegian Business Association of Singapore. Mr Ang holds a degree in Business Administration from Oklahoma City University.

Mr Bjorn Ove Skjeie

Mr Bjorn Ove Skjeie is the non-executive Director of the Company. He was appointed to the Board on 1 October 1998. His last re-election to the Board was on 20 April 2004. He is also a director of Nera Electronics Ltd, a public listed subsidiary of NeraTel. Mr Skjeie is presently the President & CEO of Nera Norway since April 1998. Prior to this, Mr Skjeie was head of the Satellite Communications Division of the Nera World Group, an appointment he assumed in April 1997. Prior to joining the Nera World Group, he held various management positions in Asea Brown Boveri AS, the Norwegian arm of the ABB Group. Key positions held included the CEO of ABB Offshore Technology AS and ABB Industri and Offshore. Mr Skjeie holds a degree from the Norwegian School of Economics and Business Administration.

Mr Svein Ove Strommen

Mr Svein Ove Strommen is the non-executive Director of the Company. He was appointed to the Board on 1 October 2004. Currently, he is the Founding Partner and Director of MNS Partners, LLC, an investment and management partnership in United Kingdom. He has extensive experience from leading appointments in Norway and the United States, and serves on the Boards of various Norwegian Companies. Mr Strommen is the chairman of Data Investment AS and Oilware AS as well as a member of the Board of VMETRO AS. He is also the non-executive chairman of Nera ASA, a public listed company on the Oslo Stock Exchange. Mr Strommen holds a Master of Science degree in Electrical Engineering from the South Dakota School of Mines and Technology in the United States.

Board of Directors



Front row from left : Ang Seong Kang Samuel, S Chandra Das, Svein Ove Strommen, Sitoh Yih Pin

Back row from left : Lau Ping Sum, Per Brekke, Bjorn Olafsson, Bjorn Ove Skjeie,

Board of Directors

Mr Bjorn Olafsson

Mr Bjorn Olafsson is the non-executive Director of the Company. He was appointed to the Board on 28 January 2002. His last re-election to the Board was on 25 June 2002. He is also a director of Nera Electronics Ltd, a public listed subsidiary of NeraTel. Mr Olafsson is presently the Executive Vice President and Chief Financial Officer of Nera Norway. He has many years of experience in management through the various executive positions in banking and insurance he held with the Vesta Group. He was a bank manager and financial director in Bergen Bank and Vital Forsikring ASA. He was also a director of Finansbanken ASA, a public listed company in Norway. Mr Olafsson holds a MBA from the Norwegian School of Management.

Mr Lau Ping Sim

Mr Lau Ping Sim is an independent Director of the Company. He was appointed to the Board on 29 April 1999. His last re-election to the Board was on 25 June 2002. Mr Lau is presently the Executive Director of People's Action Party / People's Action Party Community Foundation Headquarters. He has more than twenty years of experience in information technology (IT) and was responsible for the electronic data processing and IT functions in two local financial institutions. He is also a director of Huan Hsin Holdings Ltd and Cortina Holdings Ltd. He was a director of New Wave Technologies Ltd and KWL Holdings Ltd in the preceding three years. Mr Lau was a Member of Parliament from 1980 to 1996. Mr Lau holds a degree in Economics from the Australian National University.

Mr Sitoh Yih Pin

Mr Sitoh Yih Pin was appointed as an Independent Director of the Company on 29 April 1999. Mr Sitoh is a Certified Public Accountant and a partner of a certified public accounting firm, Nexia Tan & Sitoh. Currently, Mr Sitoh is the Advisor to Potong Pasir Grassroots Organisations. He is also presently a director of several publicly listed companies comprising Allied Technologies Limited, Cytech Software Limited, GKE International Limited, Hitchins Group Ltd, Labroy Marine Limited, Lian Beng Group Ltd, Meiban Group Ltd, PNE Micron Holdings Ltd and United Food Holdings Limited. Mr Sitoh was also the director of six public listed companies in the preceding three years including Bio-Treat Technology Limited, CWT Distribution Limited, Fibrechem Technologies Limited, Futuristic Image Builder Ltd, KS Tech Ltd and WPG International Limited. Mr Sitoh holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and is an Associate Member of the Institute of Chartered Accountants in Australia.

Mr Per Brekke

Mr Per Brekke was appointed as an Independent Director of the Company on 1 October 2004. He is presently the Director for Special Projects in ABB AS, Norway. He held various management positions in ABB AS, the Norwegian arm of the ABB Group and has more than fourteen years of working experience in South East Asia. He was the country manager for ABB Vietnam from 2000 to 2003 as well as the president of ABB Power Inc., where he was responsible for the ABB activities in power generation, transmission and distribution in the Philippines. Key position held included the Senior Vice President of ABB National Transformer. Currently, he serves on the Board of Airport Innovation AS. Mr Brekke holds a PhD in Electrical Engineering from the Norwegian Institute of Technology.

Key Executives

Dr Tan Hong Pew is the Chief Operating Officer of the Company and the Senior Vice President for Telecommunications - Satellite Communications, Region Asia. He is responsible for the Information Technology (IT) and Telecommunications (Telecom) businesses in Singapore. He also oversees the Operations Support Area (OSA) which covers the key areas such as customer care centre, inventory, procurement and logistics. In addition, he is responsible for the Satellite Communications business in Asia. Dr Tan had served the Ministry of Defence as part of his bond for an overseas scholarship and was the commanding officer of the 1st Signal Battalion. He has many years of working experience in senior management position. Dr Tan holds a Bachelor of Science (Hons) Degree from the University of New South Wales, a MSc (Industrial Engineering) from the National University of Singapore and a Degree of Doctor in Business Administration from the University of Western Australia.

Mr Chan Heng Chew Michael is the Senior Vice President for Investment and Business Development and IT Retails System, Region Asia. He is responsible for project financing and legal matters of the NeraTel Group. He provides current insight, business growth projection, country potential analysis and product/customer trends. He also conducts business feasibility studies to assist top management in the financial planning process. In addition, Mr Chan is also responsible for the IT Retail Systems business in Asia. He has approximately thirteen years of experience in marketing, logistics, business and corporate development in various industries such as shipping, healthcare, leisure, printing and publishing. Mr Chan holds a Degree in Business from the Indiana University and a MBA from the Monash University and is a student member of Institute of Certified Public Accountants of Singapore.

Mr Tay Kheng Seng Alvin is the Senior Vice President for North East Asia and Telecommunications - Microwave Networks, Region Asia. He is responsible for the overall performance of the Company's business in the North East Asia markets, primarily in Taiwan, Indonesia and China. In addition, he is responsible for the Microwave Networks business in Asia. Mr Tay has more than twenty-five years of experience in sales and marketing, financial services and senior management position. Mr Tay holds a MBA from the Brunel University and is a member of MENSA.

Ms Chan Lai Yoke is the Senior Vice President for Accounts, Administration and Human Resources. She is responsible for the financial accounting, treasury and taxation matters of the NeraTel Group. In addition, she oversees the personnel administration and Computer Services departments of the Company. She has approximately twenty-two years of experience in the areas of accounting and personnel administration. Ms Chan holds a Degree in Accountancy from the University of Singapore and is a member of Institute of Certified Public Accountants of Singapore.

Key Executives

Ms Chiang Hock Chin Jessie is the Vice President for Corporate Affairs, Region Asia. She is responsible for the corporate secretarial functions, corporate and marketing communications as well as investor relations of the NeraTel Group. Her responsibilities include crisis management, corporate identity and strategic positioning of the Company and the NeraTel Group. She has approximately eighteen years of relevant experience in the areas she is currently serving. Ms Chiang is a member of the Institute of Public Relations of Singapore.

Ms Lucy Phua is the Vice President for Accounts. Ms Phua is responsible for the accounting department and the smooth running of the routine accounting operation. She maintains appropriate funding to cater to the needs of the Company's operation so as to minimise risk and exposure to currency fluctuation. Her responsibilities include the preparation of the Company's yearly budget as well as the consolidated budgets for the NeraTel Group and their implementation. Ms Phua has more than twenty-two years of experience in accounting. She holds a Degree in Commerce from the Deakin University.

Mr Koh Seng Chye Roy is the Vice President for Business Development. He is responsible for developing business opportunities for the IT business in China. Mr Koh joined the Company in 1991 and has more than twenty years of working experience in the marine and ship repairing industries and about six years of working experience in the Telecommunications and Information Technology industries. Mr Koh holds a Degree in Commerce from the Curtin University and is a member of the Marketing Institute of Singapore.

Mr Yap Chei Leong Albert is the Vice President for Telecommunications - Microwave Networks, Client Management, Region Asia. His responsibilities include managing existing accounts and developing new business opportunities. He is responsible for the client management in Asia and is a member of the regional Microwave Networks business strategy team. He has approximately nine years of relevant experience within the Telecommunications industry. Mr Yap holds a Degree in Engineering from the Nanyang Technological University.

Key Executives

Mr Goh Yoke Lim is the Vice President for Telecommunications - Satellite Communications. He is responsible for the regional business strategies of Satellite Communications. In addition, he oversees the Satellite Communications business in China. Mr Goh has more than fourteen years of experience in the maintenance, design and planning of INMARSAT LES and the promotion of INMARSAT services. He also has many years of experience in the field of system integration. Mr Goh holds a Degree in Engineering from the National University of Singapore.

Mr Png Keng Geok Albert is the Vice President for Information Technology - Network Infrastructure. He is responsible for the Network Infrastructure business area comprising internet appliances, security solutions, network solutions and free space optics. He manages the existing accounts and develops new business opportunities. In addition, he is responsible for the regional client management and is a member of the regional IT Network Infrastructure business strategy team. Mr Png has more than twenty-one years of working experience in the Information Technology industry.

Ms Phua Ai Geok Adeline is the Vice President for Information Technology, Retail Systems. Ms Phua is responsible for the Retail Systems business, which includes the point-of-sale terminals, payment gateways and solutions, and POS value added services such as electronic receipt capture. She manages existing accounts and develops new business opportunities. In addition, she is responsible for the regional client management, supply chain management and is a member of the regional IT Retail Systems business strategy team.

Ms Moh Kah Ling Zoey is the Vice President for Information Technology, Broadcasting. She is responsible for the Broadcasting business, which includes the set-up boxes, digital/analogue TV network infrastructure and MATV/CATV/Pay TV and DVB systems. Her responsibilities include account management, developing new business opportunities and the formulation and implementation of business strategies of the IT broadcasting business. She has more than eleven years of relevant experience. Ms Moh holds a Degree in Business from the Monash University.

Corporate Information

Board Of Directors

S Chandra Das *
Chairman

Ang Seong Kang Samuel **
President & CEO

Bjorn Ove Skjeie ***

Svein Ove Strommen *** *(appointed on 1 October 2004)*

Bjorn Olafsson ***

Per Brekke * *(appointed on 1 October 2004)*

Lau Ping Sum *

Sitoh Yih Pin *

* *Independent Director*

** *Executive Director*

*** *Non-Executive Director*

Nominating Committee

S Chandra Das
Chairman

Bjorn Ove Skjeie

Lau Ping Sum *(appointed on 8 October 2004)*

Audit Committee

Lau Ping Sum
Chairman

Sitoh Yih Pin

Bjorn Olafsson *(appointed on 8 October 2004)*

Compensation Committee

S Chandra Das
Chairman

Bjorn Ove Skjeie

Sitoh Yih Pin

Company Secretaries

Tan Cher Liang

Julie Koh Ngin Joo

Business Address

109 Defu Lane 10
Singapore 539225
Tel: (65) 6281 3388
Fax: (65) 6383 9566/
(65) 6383 9577

Registered Office

10 Collyer Quay #19-08
Ocean Building
Singapore 049315
Tel: 6536 5355
Fax: 6536 1360

Registrars And Share Transfer Office

Lim Associates (Pte) Ltd

10 Collyer Quay #19-08
Ocean Building
Singapore 049315
Tel: 6536 5355
Fax: 6536 1360

Auditors

Ernst & Young

10 Collyer Quay #21-01
Ocean Building
Singapore 049315
Partner-in-charge:
Max Loh Khum Whai
(since financial year ended
31 December 2002)

Principal Bankers

DBS Bank Ltd

6 Shenton Way
DBS Building Tower One
Singapore 068809

*The Hongkong and Shanghai
Banking Corporation Limited*

21 Collyer Quay #04-01
HSBC Building
Singapore 049320

Skandinaviska Enskilda Banken (SEB)

50 Raffles Place #36-01
Singapore Land Tower
Singapore 048623

Subsidiaries And Associated Company

- Nera Electronics Ltd
- Nera Infocom Pte Ltd*
- Nera (Malaysia) Sdn Bhd**
- Nera Infocom (M) Sdn Bhd
- Nera (Thailand) Ltd
- P.T. Nera Indonesia
- Nera (Philippines), Inc.
- Nera Telecommunications (Taiwan) Co., Ltd
- Nera Telecommunications (India) Pvt Ltd
- Nera Telecommunications (Australia) Pty Ltd
- Nera Telecommunications Ltd, Vietnam Representative Office
- Nera Telecommunications Ltd, Beijing Representative Office

* Dormant Company

** Associated Company

Corporate Structure



Business Segment Telecommunications

Microwave Networks

Designed and built on premier technology, Nera's reliable, flexible and scalable wireless solutions deliver the requisite capacity and interfaces for deployment by national carriers, cellular operators, regional operators and private network operators.

Providing cost competitive solutions that are easy to plan, install and implement, our three product lines, InterLink, CityLink and CompactLink, provide a spectrum of radio and microwave network solutions (ranging from low to high frequencies) in a variety of capacities. Our solutions are ideal for cellular base stations and is an effective solution for cellular operators. The PDH radio, CompactLink, is a cost-effective low-to-medium capacity transmission network for voice, data and video traffic. Coupled with our high capacity SDH products (Citylink and Interlink), we are able to provide total wireless infrastructure networks to our customers.

Wireless Broadband Access

Our leading Wireless Broadband Access (WBA) solutions offer robust support for Internet, digital TV and interactive services with its high capacity, speed and reliability. Both NetLink and MultiLink are industry-leading products with NetLink allowing carriers and service providers to offer their subscribers high-speed Internet and telephony access while MultiLink facilitates backhauling in cellular networks for volume and traffic control.

Satellite Communications

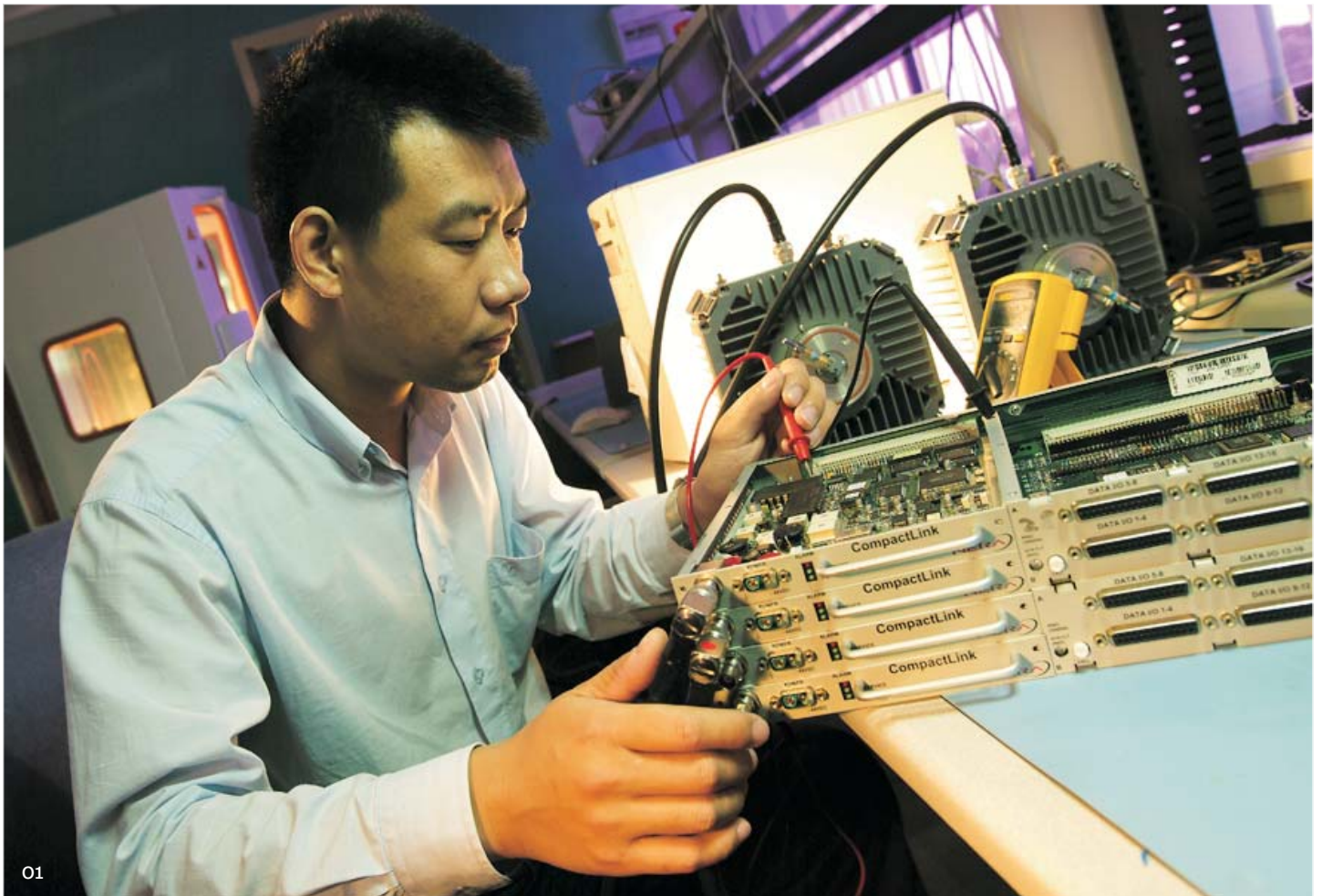
Our Satellite Communications portfolio boasts a complete range of communication networks and solutions deploying various technologies.

Among them, the state-of-the-art Nera SatLink System is fast gaining market acceptance worldwide with its exceptional ability to exploit available satellite capacity efficiently, allowing it to offer our customers bandwidth at a lower cost. This two-way broadband satellite network is based on the DVB-RCS standard. DVB-RCS (Digital Video Broadcasting - Return Channel via Satellite) is an open standard used by service providers to offer broadband access and multimedia services, content distribution, rural telephony and Internet services. This translates to low entry cost for end users and provides the operator with the opportunity and flexibility to offer the entire spectrum of services, from the typical low rate VSAT to true multi-megabit enterprise broadband.

The NWC Voyager, a vehicular GAN (Global Area Network) satellite terminal provides an ideal solution for heavy-duty users of satellite communications establishments like the military and media. In addition, our Nera Fleet Terminals (F77, F55 and F33) is specially designed for vessels that require a diverse range of applications such as Internet, email and fax with MPDS (Mobile Packet Digital Service) capabilities to be used at sea.

- 01. Engineer working on Compact Link
- 02. Engineers fixing the broadband satellite antenna
- 03. Servicing of F33 Terminal

Telecommunications



01



02



03

Business Segment Information Technology

Broadcasting

In the broadcasting business area, we provide complete digital mobile TV infrastructure network that made Singapore a lead user in Digital Video Broadcast (DVB) technology. Our DTT network infrastructure enables digital television programmes to be viewed in places like shopping centres, food courts, cars, buses and ferries. We will continue to develop the mobile DVB-T receivers (Set Top Boxes) with more value-added features and enhanced performance, with the aim of deployment in other transportation platforms such as trains, yachts and more.

Our broadcasting business also include the sales, installation, maintenance and servicing of Master Antenna TV Systems (MATV), Cable TV Systems (CATV) and Digital TV Networks for housing developers, government institutions, educational institutions, commercial enterprises, service providers and broadcasters. In addition, we also provide analogue TV and digital TV systems, broadcast-engineering solutions, digital set top boxes and video software management solutions.

Retail Systems

Our IT Retail business is one of the market leaders in the Point-of-Sale payment solutions. We offer a comprehensive suite of products and services from total payment solutions to Point-of-Sale networks, payment switching gateways, EMV payment terminals and maintenance services.

Our latest offerings include wireless terminals for home deliveries, restaurant and hospitality sectors via GPRS; TCPIP products that are designed for malls, mega marts and department stores; and even a portable range of payment devices that are easy for PIN entry and best suited for F&B hotels.

Thousands of EMV Point-of-Sale terminals and line encryption have been successfully delivered to financial institutions. New service and maintenance businesses have also been secured with banks and financial institutions in the Philippines and Thailand.

01. Point-of-sale Terminals

from left: Optimum T2100, EON, S9 Pinpad, T7 Plus

02. NeraTel's Diversity Set Top Box

03. Product Planning for IT Broadcasting Systems

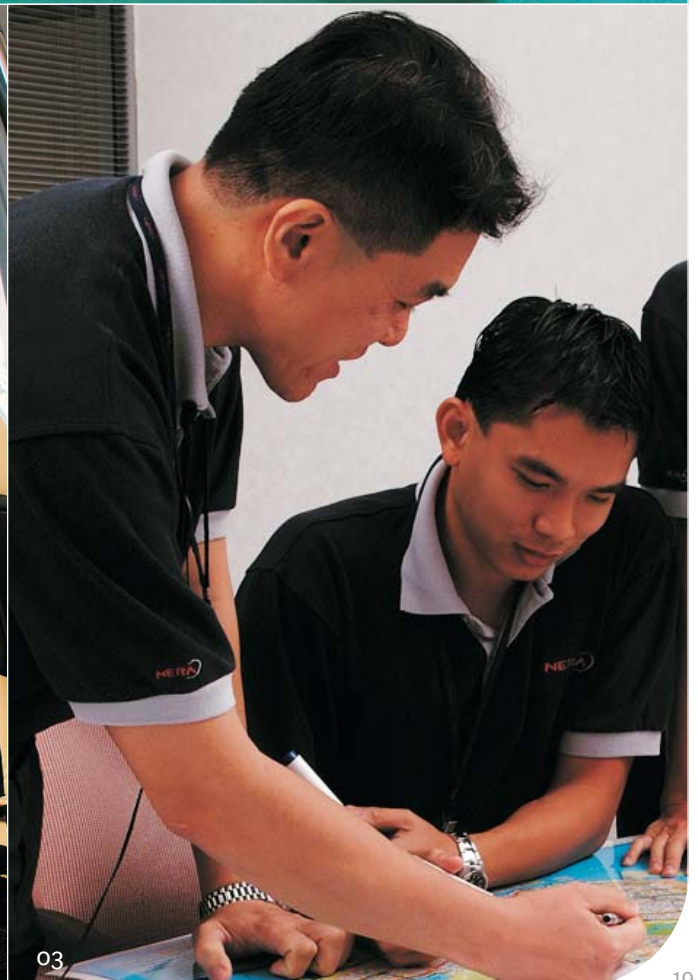
Information Technology



01



02



03



IT-Network Solutions Laboratory

Free Space Optics

By fostering strategic partnerships, we are able to deliver cost-effective high-speed Free Space Optics solutions to Carriers, Cellular Operators and Enterprises.

Security Solutions

With a spike in security breaches, it is becoming even more crucial for corporations to protect their systems by providing a high level of secured access. Our seamless integration of best-of-breed products and highly skilled network expertise enable us to offer our customers Security Solutions that help them protect their intellectual property, customer data and vital business systems.

Internet Appliances

With an increasing dependence on the Internet, it is important that businesses and consumers who wish to keep up with the times adopt the internet web-enabled applications and appliances. Our competent Internet Appliance unit sees to this upward demand through providing a host of Traffic Management services such as Data Communication, Bandwidth Management, Internet Application Load Balancing, Web Server Directory and Site Redundancy.

Networking Solutions

A one-stop solutions provider, NeraTel enables high performance ATM/ Frame Relay/ IP Switches, Routers and Network Management Systems to Carrier, Enterprises and Government organizations. Our proficient IT Network Infrastructure specialists provide end-to-end solutions that include network design, planning, project management and implementation to customers.

- 01. RF Transceiver Testing
- 02. Test Program Development
- 03. Flexible Manufacturing solutions

Contract Manufacturing



Nera Electronics Ltd (NEL), an established electronics contract manufacturer head-quartered in Singapore, delivers a suite of electronics manufacturing services to OEMs. A subsidiary of Nera Telecommunications Ltd, NEL is also a publicly listed company on the main board of the Singapore Exchange Limited.

Focusing its core business primarily on supporting the Telecommunications and Instrumentation, and Medical and Bioscience industries, NEL offers premier end-to-end solutions in areas such as product development, prototyping, manufacturing and after-sales services. Demonstrating flexibility in its manufacturing processes, NEL has a proven track record of generating cost-effective manufacturing solutions by means of high variation and high-value added product assembling. Having acquired valuable expertise in the handling of high-end industrial products such as telecommunications infrastructure and medical devices, NEL is also recognised for its radio frequency engineering capabilities applied in the areas of digital transmission products and systems.

Our People



Regional Bowling Tournament

We believe that our staff are our greatest asset. One of our keystone values is the commitment to develop our human capital. We have designed various skill development workshops and training sessions to better equip our people with the know-how to grow and adapt to the ever-changing business environment. With skill development programmes targeted at different level employees, we believe the acquired skills of the employees will further enhance productivity and performance. It will provide them opportunities for career development within the company.

Teambuilding programmes, Staff Forums, Corporate Culture Day and Social Events are some of the activities keeping in line with our aim to provide opportunities for employees to interact across all levels.



Company trip to Malaysia

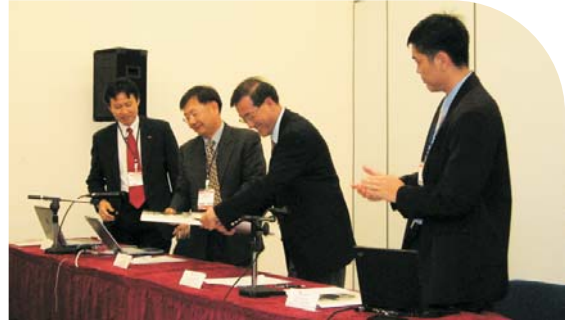


Corporate Culture Day

Corporate Events



Minister Dr Lee Boon Yang visited NeraTel's booth at Broadcast Asia 2004



Contract Signing Ceremony of NeraTel and Singtel



Mr Das and Mr Strommen at the Company's Annual Dinner and Dance

January 7, 2004

Launch of Nera Set-Top box for Smart Cabs in Singapore.

February 2, 2004

Roadshow for Nera Fleet Terminals was held in Singapore.

February 25, 2004

Roadshow for Nera Fleet Terminals was organized in Kuala Lumpur, Malaysia. Nera also co-participated in the exhibition Inmex at the Mines Resort.

March 23-25, 2004

Participated in CCBN Exhibition in Beijing.

March 26, 2004

Nera Fleet Terminals Roadshow was held in Manila, in the Philippines.

April 28, 2004

Participated in the Inmarsat Conference in Beijing.

June 14, 2004

Asian Satcom Distributors Conference was held in Singapore.

June 15 – 18, 2004

Participated in CommunicAsia and Broadcast Asia in Singapore.

June 16, 2004

Contract Signing Ceremony between Singapore Telecommunications Ltd and Nera Telecommunications Ltd for the provision of a two-way satellite broadband system.

September 7-8, 2004

Participated in the Digital Ship Exhibition and Conference in Hong Kong.

September 10-14, 2004

Participated in the IBC exhibition in Amsterdam, Holland.

October 16, 2004

Annual Dinner and Dance was Held in Singapore.

November 5th, 2004

Seminar for Security Systems was held in Singapore.

December 9-12, 2004

Participated in Pimex Boatshow in Phuket, Thailand.

Corporate Governance Report

Nera Telecommunications Ltd ("the Company") is committed to achieving a high standard of corporate governance in line with those set out in the Code of Corporate Governance ("the Code") issued by the Corporate Governance Committee in 2001. Various mechanisms have been put in place for the internal review and regulation of the Company's affairs.

This Report describes the Company's corporate governance processes with specific reference to the Code of Corporate Governance ("the Code") established by the committee on Corporate Governance in Singapore.

BOARD OF DIRECTORS

Principle 1 : Board's Conduct of its Affairs

The principal functions of the Board are:

- (a) approving the Group's key business strategies and financial objectives;
- (b) approving the annual budget, major investments and divestments, and funding proposals;
- (c) overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- (d) approving quarterly and full year accounts and announcements; and
- (e) assuming responsibility for corporate governance.

The Board discharges its responsibilities either directly or indirectly through the various Board committees.

The Board conducts regular scheduled meetings four times a year. Ad-hoc meetings are convened as and when required. The Company's Articles of Association allows a Board Meeting to be conducted by way of a tele-conference or any other electronic means of communications. The attendance of Directors at meetings of the Board and Board committees, as well as the frequency of such meetings, is disclosed in this Report.

An orientation programme will be organised for new Directors to ensure that incoming Directors are familiar with the Company's key business and governance practices. Prior to their appointment, new Directors are also provided the relevant information on their duties as Directors, the Company's governance processes as well as relevant statutory and regulatory compliance issues. Directors may request further explanations, briefings and informal discussions on any aspects of the Company's operations or business issues.

Principle 2 : Board Composition and Balance

The Board comprises eight Directors. More than one third of the Board are independent Directors. The composition of the Board is as follows:

Executive Director

Ang Seong Kang Samuel (President & CEO)

Non-Executive Directors

S Chandra Das, Chairman*

Bjorn Ove Skjeie

Svien Ove Strommen (appointed on 1 October 2004)

Bjorn Olafsson

Per Brekke* (appointed on 1 October 2004)

Lau Ping Sum*

Sitoh Yih Pin*

* Independent Directors

Note: Sverre Ordning Fjeld, an Independent Director, and John Fredrik Odfjell, a Non-Executive Director, retired from the Board on 1 July 2004 and 20 September 2004 respectively.

Corporate Governance Report

The independence of each Director is reviewed annually by the Nominating Committee which has determined that no individual or small group of individuals dominate the Board's decision making.

The Directors bring with them invaluable business, professional and commercial experience and whose core competencies, skills, qualifications and experience are extensive and complementary.

While there is no limit on the number of Directors that may be appointed under the Company's Articles of Associations, the Board is of the view that the current board size of eight Directors is appropriate, having regard to the impact of the number upon effectiveness and taking into account of the nature of the Company's operations. The current size of the Board allows free and uninhibited discussions and facilitates effective decision making.

Principle 3 : Role of Chairman and Chief Executive Officer

The functions of Chairman and the President & CEO are assumed by two individuals. The Chairman, S Chandra Das is an Independent Director, while the President & CEO, Samuel Ang is an Executive Director.

The President & CEO is the most senior executive in the Company and assumes executive responsibility for the Company's business while the Chairman assumes responsibility for the management of the Board. The Chairman and the President & CEO are not related.

Principle 6 : Access To Information

To ensure that the Board is able to fulfil its responsibilities, a quarterly report of the Company's financial results and activities is provided to the Board. In addition, the Board is updated on business matters on an on-going basis. The Directors have also been provided with the contact numbers and email particulars of the Company's senior management and the company secretary to facilitate access to any required information.

In carrying out their duties, the Directors, whether as a group or individually, have access to professional advice both inside and outside of the Company. If external independent professional advice is sought, such cost will be borne by the Company.

The company secretary attends all board meetings and ensures that board procedures are followed and that applicable rules and regulations are complied with. The company secretary also attends the meetings of Board committees.

BOARD COMMITTEES

Nominating Committee (NC)

Principle 4 : Board Membership

The Nominating Committee comprises three members, a majority of whom are Independent Directors. The composition of the NC is as follows:

S Chandra Das, Chairman *

Bjorn Ove Skjeie

Lau Ping Sum *

* Independent Directors

Corporate Governance Report

The principal functions of the NC are:

- (a) to identify candidates, review nominations for both appointment and re-appointment of the Directors to the Board for its approval. For the appointment of new candidates to the Board, the proposed appointee's background, experience and other board memberships will be taken into account;
- (b) to review the Board structure and size including the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board, and make recommendation to the Board with regard to any adjustments that are deemed necessary;
- (c) to review the independence of each Director annually; and
- (d) to assess the contribution of each Director to the effectiveness of the Board.

The NC has adopted written terms of reference.

New Directors are at present appointed by way of board resolution or board meeting, after the NC recommends and supports their appointments. Such new Directors must submit themselves for re-election at the next Annual General Meeting of the Company. One third of the Directors must retire by rotation at each Annual General Meeting and are eligible for re-election.

The NC has recommended the nomination of Directors retiring by rotation under the Company's Articles of Association, namely Sitoh Yih Pin, Bjorn Olafsson, Svein Ove Strommen and Per Brekke, for re-election at the forthcoming Annual General Meeting. Sitoh Yih Pin and Bjorn Olafsson are retiring under Article 87 of the Company's Articles of Association while Svein Ove Strommen and Per Brekke are retiring under Article 94 of the Company's Articles of Association.

Sitoh Yih Pin, an Independent Director, was appointed to the Board on 29 April 1999. He is also a member of the Audit Committee and Compensation Committee. He was last re-elected to the Board on 25 June 2002. Upon his re-election as a Director of the Company at the forthcoming Annual General Meeting, he will remain a member of the Audit Committee and Compensation Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Bjorn Olafsson, a Non-Executive Director, was appointed to the Board on 28 January 2002. He is also a member of the Audit Committee. He was last re-elected to the Board on 25 June 2002. Mr Olafsson will, upon re-election as Director of the Company, remain a member of the Audit Committee.

Svein Ove Strommen is a Non-Executive Director of the Company and was appointed to the Board on 1 October 2004.

Per Brekke, an Independent Director, was appointed to the Board on 1 October 2004.

Sitoh Yih Pin, Bjorn Olafsson, Svein Ove Strommen and Per Brekke had abstained from making a recommendation on their own nomination.

Principle 5 : Board Performance

In reviewing the re-appointment of any director, an evaluation on the performance of the Directors is done annually. Assessment of each Director's contribution to the Board includes his attendance and participation, time and effort devoted to the Company's business and affairs and any special contributions.

The NC has conducted Board performance evaluation to assess the effectiveness of the Board for the year.

Corporate Governance Report

Audit Committee (AC)

Principle 11 : Audit Committee

Principle 12 : Internal Controls

The Audit Committee comprises three members, a majority of whom are Independent Directors.

The composition of the AC is as follows:

Lau Ping Sum, Chairman*

Sitoh Yih Pin*

Bjorn Olafsson (appointed on 8 October 2004)

* *Independent Directors*

The members of the AC are appropriately qualified and have relevant accounting and related management expertise and experience to discharge the functions effectively.

The key functions of the AC are:

- (a) to consider the appointment and re-appointment of the external auditors, audit fee and matters relating to the resignation and dismissal of the auditors;
- (b) to review with the auditors the audit plans, the evaluation of the system of internal accounting controls and the audit reports;
- (c) to review the quarterly and audited annual financial statements for recommendation to the Board for approval, focusing in particular, on:
 - (i) changes in accounting policies and practices
 - (ii) major risk areas
 - (iii) significant adjustments resulting from the audit
 - (iv) the going concern statement
 - (v) compliance with accounting standards
 - (vi) legal and regulatory matters that may have a material impact on the financial statements.
- (d) to review interested person transactions;
- (e) to review the scope and results of the internal audit procedures; and
- (f) to review the assistance given by the Management to the auditors.

The AC has adopted written terms of reference.

The AC has the explicit authority to conduct investigations into any matters within its terms of reference, including having full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings. The AC has reasonable resources to discharge its functions properly.

The AC has conducted an annual review of the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their re-nomination for the ensuing year. The AC has also reviewed interested person transactions, the Company's material internal controls including financial, operational and compliance controls. Risk management is also conducted at least annually. The AC is satisfied that there are adequate internal controls in the Company.

The AC meets with both the external and internal auditors, without the presence of Management, at least once a year.

Corporate Governance Report

Principle 13 : Internal Audit (IA)

IA is an independent function that reports to the Audit Committee and administratively to the President & CEO. The scope of work covers all business and support functions in the Company, its subsidiaries and an associated company. The AC reviews and approves the annual IA plans and resources to ensure that the IA unit has the necessary resources to adequately perform its functions. To ensure the adequacy of the internal audit function, the AC reviews the IA activities on a quarterly basis.

Compensation Committee (CC)

Principle 7 : Procedures for Developing Remuneration Policies

Principle 8 : Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The Compensation Committee comprises three members, a majority of whom are independent Directors. The composition of the CC is as follows:

S Chandra Das, Chairman*

Bjorn Ove Skjeie

Sitoh Yih Pin*

** Independent Directors*

The principal responsibilities of the CC are:

- (a) to review and recommend to the Chairman of the Board, a framework of remuneration and to determine the specific remuneration packages for executive Director. This covers all aspects of remuneration including the Directors' fees, salaries, allowances, options and benefits in kind.
- (b) to approve and administer the Employees' Share Option Schemes or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.

The CC has adopted written terms of reference.

The remuneration package for Executive Director includes variable cash bonus and long term incentive in the form of stock options. In determining the remuneration for Executive Director, the following factors were taken into account:

- (a) The level of remuneration should be of a level to attract, retain and motivate the leadership of the Group;
- (b) There should be an alignment of his interest with those of shareholders of the Company; and
- (c) Remuneration is linked to the performance of both the Group and individual.

Independent Directors are paid basic Directors' fees and additional fees for being members of the Audit Committee, Nominating Committee and Compensation Committee, subject to approval at the Annual General Meeting. Non-Independent and Non-Executive Directors will not receive Directors' fees.

Corporate Governance Report

The following table shows the breakdown (in percentage terms) of the remuneration and fees of the Directors for the year ended 31 December 2004:

Remuneration Bands / Name	Fees	Salary	Bonus	Total
	(S\$)	(S\$)	(S\$)	
	%	%	%	%
S\$500,000 and above				
Ang Seong Kang Samuel ⁽¹⁾	-	47	53	100
S\$250,000 to S\$499,999				
NIL	-	-	-	-
Below S\$250,000				
(Fees paid to independent Directors) ⁽²⁾				
S Chandra Das (S\$50,000)	100	-	-	100
Lau Ping Sum (S\$31,150) ⁽³⁾	100	-	-	100
Sitoh Yih Pin (S\$30,000)				
Per Brekke (S\$5,000) ⁽⁴⁾	100	-	-	100
Sverre Ording Fjeld (S\$15,000) ⁽⁵⁾	100	-	-	100

Notes:

⁽¹⁾ The salary and bonus are inclusive of CPF.

⁽²⁾ These fees are subject to approval by the shareholders as a lump sum for FY2004 at the Annual General Meeting.

⁽³⁾ The fees for Lau Ping Sum included a pro-rated NC fee as he was appointed a member of Nominating Committee ("NC") on 8 Oct 2004.

⁽⁴⁾ Per Brekke will receive a pro-rated director's fee as he was appointed a Director on 1 Oct 2004.

⁽⁵⁾ Sverre Ording Fjeld retired from the Board on 1 July 2004. He will be paid director's fee for the period of 1 Jan 2004 to 30 Jun 2004.

⁽⁶⁾ No other directors, other than disclosed above, received directors' fees and/or remuneration during the period.

⁽⁷⁾ There were no share options granted in FY2004.

As part of its review, the CC shall ensure that:

- (i) all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are covered.
- (ii) the remuneration package should be comparable within the industry and comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing the executive Director's performance.

The CC had also reviewed and recommended the quantum of fees to be paid to Independent Directors which will be tabled for shareholders' approval at the Annual General Meeting.

Key Executives' Remuneration

Key executives of the Company who were below the S\$250,000 band (in percentage terms) during the year are as follows:

Remuneration Bands / Name and Position	Salary	Bonus	Total
	% ⁽¹⁾	% ⁽¹⁾	%
Below S\$250,000			
Chief Operating Officer / Senior Vice President (COO / SVP)			
Tan Hong Pew – Chief Operating Officer and SVP, Satellite Communications, Region Asia	78	22	100
Chan Heng Chew Michael – SVP, Investment & Business Development and IT Retail Systems, Region Asia	76	24	100
Tay Kheng Seng – SVP, North East Asia and Microwave Networks, Region Asia	76	24	100
Chan Lai Yoke – SVP, Accounts, Administration & Human Resources	74	26	100

Corporate Governance Report

Remuneration Bands / Name and Position	Salary	Bonus	Total
	% ⁽¹⁾	% ⁽¹⁾	%
Below S\$250,000			
Vice President (VP)			
Chiang Hock Chin Jessie – VP, Corporate Affairs, Region Asia	75	25	100
Lucy Phua – VP, Accounts	75	25	100
Yap Chei Leong Albert – VP, Telecommunications, Microwave Networks - Client Management, Region Asia	75	25	100
Goh Yoke Lim – VP, Telecommunications, Satellite Communications	77	23	100
Png Keng Geok Albert – VP, IT Network Infrastructure	73	27	100
Koh Seng Chye Roy – VP, IT Optical Solutions	80	20	100
Phua Ai Geok Adeline – VP, IT Retail Systems	77	23	100
Moh Kah Ling Zoey – VP, IT Broadcasting	81	19	100

Notes:

⁽¹⁾ Salary is inclusive of allowances. In addition, the salary and bonus are inclusive of CPF.

⁽²⁾ There were no share options granted in FY2004.

There were no employees who are immediate family members of a Director or the CEO.

Communication with Shareholders

Principle 10 : Accountability and Audit

Principle 14 : Communication with Shareholders

Principle 15 : Greater Shareholder Participation

The Company has adopted quarterly results reporting since its listing in July 1999, ahead of the regulatory timeline imposed by the SGX. News releases and quarterly results announcements are published through the SGXNET.

The Company does not practise selective disclosure. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

The Company communicates with its shareholders, both institutional and retail, on a regular basis. The Annual Report and Notice of Annual General Meeting are forwarded to all shareholders of the Company. The Notice of Annual General Meeting is also advertised in the newspaper. At the Annual General Meeting, shareholders are given the opportunity to communicate their views to the Directors and Management on matters relating to the Company.

Dealing in Securities

The Company has adopted an internal compliance code in relation to dealings in the Company's securities. Directors and key employees within the Group are not allowed to deal in the Company's securities two weeks before the announcement of the Company's quarterly results and ending on the date of announcement of the results, and at all times when in possession of price-sensitive information.

In view of the compliance processes in place, the Board is of the opinion that the Company has complied with its internal compliance code.

Interested Person Transactions

The Company's policy on transactions with interested persons is driven by compliance with statutory and regulatory requirements, namely Chapter 9 of the SGX-ST Listing Manual on interested person transactions.

Corporate Governance Report

The followings are details of the aggregate value of interested person transactions for FY2004 undertaken pursuant to a shareholder's general mandate obtained at the last Annual General Meeting.

Name of Interested Person	Aggregate value of all interested person transactions conducted during the financial year under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	(S\$ '000)
Sales	
Nera Networks AS	19,844
Nera Inc. (formerly Nera Networks Inc.)	8,447
Nera Satcom AS	1,852
Nera Networks Pty Ltd (Australia)	115
Nera India Ltd	549
Nera Broadband Satellite AS	1,986
Nera ASA	207
Purchases	
Nera Networks AS	37,800
Nera Inc. (formerly Nera Networks Inc.)	663
Nera Satcom AS	13,453
Nera Broadband Satellite AS	1,040
Other Operating Income	
Nera Networks Pty Ltd (Australia)	191

Note: All interested person transactions conducted during the financial year were under shareholders' mandate pursuant to Rule 920.

Directors' Attendance at Board and Board Committee Meetings in 2004

Name of Directors	Board Meetings		Audit Committee Meetings		Compensation Committee Meetings		Nominating Committee Meetings	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
S Chandra Das	4	4	-	-	1	1	1	1
Ang Seong Kang Samuel	4	4	-	-	-	-	-	-
Bjorn Ove Skjeie	4	4	-	-	1	1	1	1
Svein Ove Strommen ⁽¹⁾	4	1	-	-	-	-	-	-
Bjorn Olafsson ⁽²⁾	4	4	4	1	-	-	-	-
Per Brekke ⁽³⁾	4	1	-	-	-	-	1	1
Lau Ping Sum	4	4	4	4	-	-	1	1
Sitoh Yih Pin	4	4	4	4	1	1	-	-

Notes:

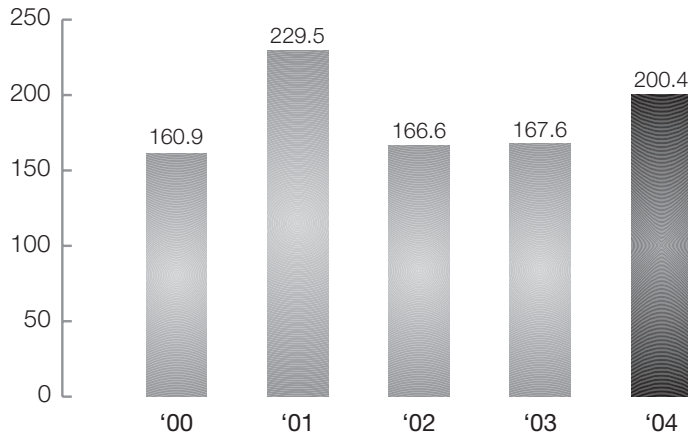
⁽¹⁾ Svein Ove Strommen was appointed as a Director on 1 October 2004.

⁽²⁾ Bjorn Olafsson was appointed a member of the Audit Committee on 8 October 2004.

⁽³⁾ Per Brekke was appointed as a Director on 1 October 2004.

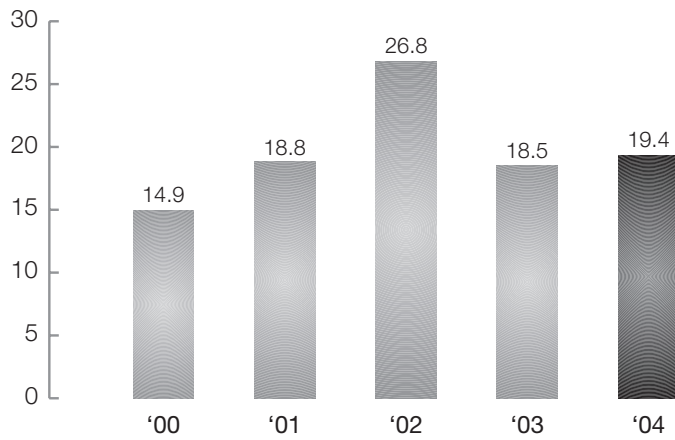
Financial Highlights

Turnover (\$M)



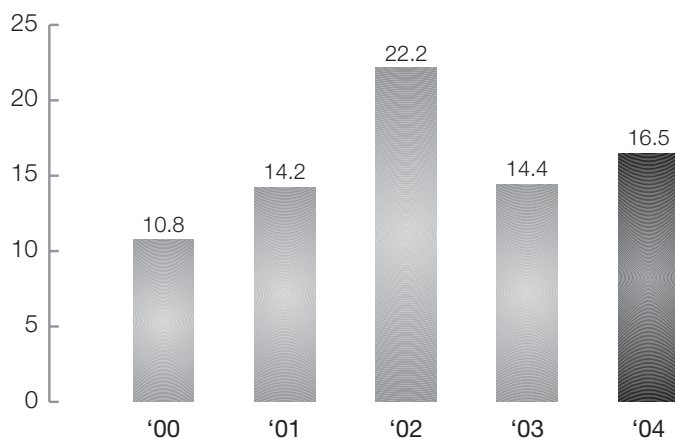
Turnover in FY2004 was S\$200.4 million compared to S\$167.6 million in FY2003, an increase of 19.6%

Profit Before Tax (\$M)



Profit before tax in FY2004 was S\$19.4 million compared to S\$18.5 million in FY2003, an increase of 4.4%

Profit After Tax (\$M)



Profit after tax in FY2004 was S\$16.5 million compared to S\$14.4 million in FY2003, an increase of 14.5%

Financial Statements

- 34 Report of the Directors
- 39 Statement by the Directors
- 40 Auditors' Report
- 41 Balance Sheets
- 43 Consolidated Profit and Loss Account
- 44 Consolidated Statements of Changes in Equity
- 45 Consolidated Cash Flow Statement
- 47 Notes to the Financial Statements

Report of the Directors

The directors are pleased to present their report to the members together with the audited financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2004.

Directors

The directors of the Company in office at the date of this report are :

S Chandra Das, Chairman *

Ang Seong Kang Samuel, President & CEO **

Bjorn Ove Skjeie ***

Svein Ove Strommen *** (Appointed on 1 October 2004)

Bjorn Olafsson ***

Lau Ping Sum *

Sitoh Yih Pin *

Per Brekke * (Appointed on 1 October 2004)

* Independent Director

** Executive Director

*** Non-Executive Director

⁽¹⁾ Johan Fredrik Odfjell, a Non-Executive Director and Sverre Ordning Fjeld, an Independent Director, resigned on 20 September 2004 and 1 July 2004 respectively.

Arrangements to enable directors to acquire shares and debentures

Except for the Employees' Share Option Scheme as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

According to the Register of Directors' Shareholdings required to be kept under Section 164 of the Companies Act, the interests of the directors holding office at the end of the financial year in the shares or debentures of the Company and related corporations were as follows :-

Name of director	Held by director			Other shareholdings in which the director is deemed to have an interest		
	As at 1.1.2004	As at 31.12.2004	As at 21.1.2005	As at 1.1.2004	As at 31.12.2004	As at 21.1.2005
Ultimate holding company						
Nera ASA						
Ordinary shares of NOK2.00 each						
S Chandra Das	11,500	11,500	11,500	-	-	-
Ang Seong Kang Samuel	20,000	20,000	20,000	-	-	-
Bjorn Ove Skjeie	100,225	100,225	100,225	-	-	-
Bjorn Olafsson *	-	-	-	10,000	10,000	10,000
Svein Ove Strommen **	-	-	-	-	1,400,000	1,400,000

* Mr Bjorn Olafsson is deemed to be interested in the 10,000 shares of NOK2 in the capital of Nera ASA held by Opsjonshuset AS, which is owned by Mr Bjorn Olafsson and his spouse.

** Mr Svein Ove Strommen is deemed to be interested in the 1,400,000 shares of NOK2 in the capital of Nera ASA held by Isinvest AS.

Report of the Directors

Directors' interests in shares and debentures (cont'd)

Name of director	Held by director			Other shareholdings in which the director is deemed to have an interest		
	As at 1.1.2004	As at 31.12.2004	As at 21.1.2005	As at 1.1.2004	As at 31.12.2004	As at 21.1.2005
The Company						
Ordinary shares of \$0.05 each						
S Chandra Das *	2,500,000	1,500,000	1,500,000	-	1,000,000	1,000,000
Ang Seong Kang Samuel **	2,430,000	2,430,000	2,430,000	65,000	65,000	65,000
Bjorn Ove Skjeie	80,000	80,000	80,000	-	-	-
Lau Ping Sum	450,000	450,000	450,000	-	-	-
Sitoh Yih Pin	400,000	400,000	400,000	-	-	-

* Mr S Chandra Das is deemed to be interested in the 1,000,000 shares held by his spouse, Ms Rosie Pillai.

** Mr Ang Seong Kang Samuel is deemed to be interested in the 40,000 shares under the Central Provident Fund Share Investment Scheme of the United Overseas Bank and in the 25,000 shares held by his spouse, Ms Lim Yew Hua.

Name of director	As at 1.1.2004	As at 31.12.2004	As at 21.1.2005
Related Corporations			
Nera Electronics Ltd			
Ordinary shares of \$0.05 each			
Ang Seong Kang Samuel	5,290,000	5,290,000	5,290,000
S Chandra Das	1,500,000	1,500,000	1,500,000
Nera Infocom (M) Sdn Bhd			
Ordinary shares of RM 1 each			
Ang Seong Kang Samuel	1	1	1
Nera (Philippines) Inc.			
Ordinary shares of Peso 100 each			
Ang Seong Kang Samuel	1	1	1
P.T. Nera Indonesia			
Ordinary shares of US\$2,000 each			
Ang Seong Kang Samuel	1	1	1
Nera Telecommunications (Taiwan) Co., Ltd.			
Ordinary shares of NT\$10 each			
Ang Seong Kang Samuel	1	1	1
Nera Telecommunications (India) Pvt Ltd			
Ordinary shares of 10 Rupees each			
Ang Seong Kang Samuel	5,000	5,000	5,000

Except as disclosed above, no other director had an interest in the shares or debentures of the Company or related corporations, either at the beginning or end of the financial year and on 21 January 2005.

Report of the Directors

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Share options

The Employees' Share Option Scheme (the "Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 26 April 2002 to enable the eligible directors and executives employed by the Group to participate in the equity of the Company.

The Scheme is administered by a compensation committee comprising independent and non-executive directors as follows:

- (i) S Chandra Das
- (ii) Bjorn Ove Skjeie
- (iii) Sitoh Yih Pin

The Scheme shall continue to be in force at the discretion of the Committee.

The options granted by the Company to directors holding office at the end of the financial year to subscribe for ordinary shares of \$0.05 each at the respective exercisable price were as follows:

	Exercise price \$	Options granted during the financial year	Aggregate options granted since commencement of Scheme to end of financial year	Aggregate options/exercised/cancelled since commencement of Scheme to end of financial year	Aggregate options outstanding as at end of financial year	Exercisable period
S Chandra Das	0.625	—	150,000	—	150,000	1.3.2004 to 28.2.2007
	0.22	—	150,000	—	150,000	21.4.2005 to 20.3.2008
Lau Ping Sum	0.625	—	100,000	—	100,000	1.3.2004 to 28.2.2007
	0.22	—	100,000	—	100,000	21.4.2005 to 20.3.2008
Sitoh Yih Pin	0.625	—	100,000	—	100,000	1.3.2004 to 28.2.2007
	0.22	—	100,000	—	100,000	21.4.2005 to 20.3.2008
Ang Seong Kang Samuel	0.625	—	200,000	—	200,000	1.3.2004 to 28.2.2012
	0.22	—	200,000	—	200,000	21.4.2005 to 20.3.2013

Report of the Directors

Share options (cont'd)

The options granted by the Company to employees of the Company, its subsidiaries and associate under the Scheme to subscribe for ordinary shares of \$0.05 each at the respective exercisable price were as follows :-

	Exercise price \$	Options granted during the financial year	Aggregate options granted since commencement of Scheme to end of financial year	Aggregate options/exercised/cancelled since commencement of Scheme to end of financial year	Aggregate options outstanding as at end of financial year	Exercisable period
Employees of the Company	0.625	–	739,000	(9,000)	730,000	1.3.2004 to 28.2.2012
	0.22	–	876,000	(19,000)	857,000	21.4.2005 to 20.3.2013
Employees of the subsidiaries	0.625	–	792,000	(49,000)	743,000	1.3.2004 to 28.2.2012
	0.22	–	392,000	(41,000)	351,000	21.4.2005 to 20.3.2013
Employees of an associate	0.625	–	171,000	–	171,000	1.3.2004 to 28.2.2007
	0.22	–	176,000	–	176,000	21.4.2005 to 20.3.2008

Except for the above, no options have been granted to controlling shareholders of the Company, their associates or employees of related corporations and no employees have received 5% or more of the total options available under the Scheme.

During the financial year, no shares of the Company were issued by virtue of the exercise of options to take up unissued shares of the Company.

The options granted by the Company do not entitle the holders of options, by virtue of such holdings, to any right to participate in any share issue of any other corporation.

There were no options granted during the financial year.

Audit Committee

The audit committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report on Corporate Governance.

Report of the Directors

Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the board of directors,

S Chandra Das

Director

Ang Seong Kang Samuel

Director

Singapore

15 March 2005

Statement by the Directors

We, S Chandra Das and Ang Seong Kang Samuel, being two of the directors of Nera Telecommunications Ltd, do hereby state that, in the opinion of the directors,

- (i) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the results of the business, changes in equity and cash flows of the Group for the year then ended; 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.

On behalf of the board of directors,

S Chandra Das

Director

Ang Seong Kang Samuel

Director

Singapore

15 March 2005

Auditors' Report

to the Members of Nera Telecommunications Ltd

We have audited the accompanying financial statements of Nera Telecommunications Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 41 to 73 for the year ended 31 December 2004. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2004 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG

Certified Public Accountants

Singapore
15 March 2005

Balance Sheets

as at 31 December 2004

		Group		Company	
	Note	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Non-current assets					
Fixed assets	3	10,080	8,378	4,434	4,544
Investments in subsidiaries	4	–	–	9,580	9,580
Investments in an associate	5	2,720	3,147	199	199
Deferred tax assets	26	1,630	1,595	787	784
Current assets					
Stocks	6	32,223	15,174	8,572	1,389
Contract work-in-progress	7	10,631	11,139	10,631	11,139
Trade debtors	8	38,429	23,413	20,251	10,003
Other debtors, deposits and prepayments	9	4,235	2,034	925	317
Amounts due from subsidiaries					
- trade		–	–	4,052	2,645
- non-trade	10	–	–	969	4,953
Amount due from an associate					
- trade	10	6,482	2,995	6,482	2,992
- non-trade	10	3,939	12,555	3,939	12,608
Amount due from related companies (trade)		8,150	7,620	4,992	3,840
Fixed deposits	11	17,000	26,000	17,000	26,000
Cash and bank balances		28,926	39,711	3,720	10,329
		150,015	140,641	81,533	86,215
Current liabilities					
Trade creditors		28,797	27,704	14,350	19,365
Other creditors and accruals	12	17,578	12,767	8,437	7,484
Amounts due to subsidiaries (trade)		–	–	1,757	808
Amounts due to an associate (trade)		1,595	150	–	–
Amounts due to related companies (trade)		6,956	12,668	6,895	11,682
Provision for taxation		4,373	3,119	3,034	2,321
Provision for warranty	13	3,748	3,033	2,286	1,588
Lease obligations, current portion	14	14	359	–	–
		63,061	59,800	36,759	43,248

Balance Sheets

as at 31 December 2004

		Group		Company	
	Note	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Net current assets		86,954	80,841	44,774	42,967
Non-current liability					
Lease obligations, non-current portion	14	42	56	–	–
		101,342	93,905	59,774	58,074
Equity					
Share capital	15	18,000	18,000	18,000	18,000
Share premium	16	11,383	11,383	11,383	11,383
Capital reserves		4,951	4,951	–	–
Accumulated profits	17	55,154	49,121	30,391	28,691
Translation reserve		(1,428)	(1,055)	–	–
		88,060	82,400	59,774	58,074
Minority interest		13,282	11,505	–	–
		101,342	93,905	59,774	58,074

Consolidated Profit and Loss Account

for the year ended 31 December 2004

	Note	2004 \$'000	2003 \$'000
Turnover	18	200,429	167,570
Cost of sales		(154,057)	(127,907)
Gross profit		46,372	39,663
Other operating income	19	1,363	450
Distribution and selling expenses		(19,096)	(15,892)
Administrative expenses	20	(8,235)	(6,956)
Other operating expenses		(1,663)	(1,656)
Profit from operating activities		18,741	15,609
Financial income	23	1,159	1,662
Financial expenses	24	(297)	(238)
Exceptional items, net	25	–	1,500
		19,603	18,533
Share of (loss)/profit of an associate		(253)	6
Profit before tax		19,350	18,539
Tax	26	(2,840)	(4,114)
Profit after tax		16,510	14,425
Minority interests		(2,197)	(1,295)
Profit attributable to shareholders		14,313	13,130
Basic per share (cents)	27	3.98	3.65
Fully diluted earnings per share (cents)	27	3.96	3.65

Consolidated Statement of Changes in Equity

for the year ended 31 December 2004

	Note	2004 \$'000	2003 \$'000
Issued capital	15		
Balance at beginning and end of year		18,000	18,000
Share premium	16		
Balance at beginning and end of year		11,383	11,383
Translation reserve			
Balance at beginning of year		(1,055)	(1,053)
Currency translation differences		(373)	(2)
Balance at end of year		(1,428)	(1,055)
Accumulated profits			
Balance at beginning of year		49,121	38,097
Net profit for the year		14,313	13,130
Dividends paid	28	(8,280)	(2,106)
Balance at end of year		55,154	49,121
Capital reserves			
Arising from dilution of interest in a subsidiary, representing balance at end of year		4,951	4,951
Total equity		88,060	82,400

Consolidated Cash Flow Statement

for the year ended 31 December 2004

	2004 \$'000	2003 \$'000
Cash flows from operating activities		
Profit before tax	19,350	18,539
Adjustments for :		
Gain on sale of investment in an associate	-	(1,500)
Depreciation of fixed assets	2,907	3,008
Gain on disposal of fixed assets	(21)	(14)
Provision for stock obsolescence	1,936	1,125
Write-back of provision for stock obsolescence	(886)	(1,506)
Provision for doubtful trade debts	1,520	1,116
Write-back of provision for doubtful trade debts	(1,829)	(1,390)
Provision for warranty	3,932	3,601
Write-back of provision for warranty	(2,030)	(4,000)
Interest expense	31	55
Interest income	(1,159)	(1,662)
Share of profit/(loss) of an associate	253	(6)
Operating profit before working capital changes	24,004	17,366
Decrease/(increase) in :		
Stocks	(18,099)	10,510
Contract work-in-progress	508	1,464
Trade debtors	(14,707)	(3,781)
Other debtors, deposits and prepayments	(269)	301
Changes in subsidiaries, associates and related company balances	332	(1,801)
(Decrease)/increase in :		
Trade creditors	1,093	(1,398)
Other creditors and accruals	4,811	3,193
Provision for warranty	(1,187)	(565)
Cash (used in)/generated from operations	(3,514)	25,289
Income tax paid	(3,553)	(5,118)
Interest paid	(31)	(55)
Net cash flows (used in)/generated from operating activities	(7,098)	20,116

Consolidated Cash Flow Statement

for the year ended 31 December 2004

	2004 \$'000	2003 \$'000
Cash flows from investing activities		
Proceeds from disposal of fixed assets	39	14
Purchase of fixed assets	(4,654)	(2,521)
Interest received	1,159	1,662
Proceeds from disposal of investment in an associate	-	1,500
Net cash (used in)/from investing activities	(3,456)	655
Cash flows from financing activities		
Repayment of lease obligations	(359)	(647)
Payment of dividends to shareholders	(8,700)	(2,515)
Net cash used in financing activities	(9,059)	(3,162)
Net (decrease)/increase in cash and cash equivalents	(19,613)	17,609
Effect of exchange rate changes	(172)	-
Cash and cash equivalents at beginning of year	65,711	48,102
Cash and cash equivalents at end of year (Note 29)	45,926	65,711

Notes to the Financial Statements

31 December 2004

1. Corporate information

The Company is a limited liability company incorporated and domiciled in Singapore. The ultimate holding company is Nera ASA, incorporated in Norway.

The registered office of the Company is 10 Collyer Quay, #19-08, Ocean Building, Singapore 049315. The address of the Company's principal place of business is 109 Defu Lane 10, Singapore 539225.

The principal activities of the Company are to engage in the sale, distribution, design, engineering, servicing, installation and maintenance of telecommunication systems and products in transmission networks and satellite communications and information technology networks. The principal activities of the subsidiaries are shown in Note 4 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The Group and Company employed 438 and 141 (2003 : 402 and 141) employees respectively as at 31 December 2004.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Companies Act.

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in Singapore dollars (SGD or \$).

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, after the elimination of all material intercompany transactions, balances and unrealised profit or loss on intercompany transactions. The equity and net profit attributable to minority shareholders are shown separately in the consolidated balance sheet and consolidated profit and loss account, respectively.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date in which control is transferred out of the Group. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Assets, liabilities and results of foreign subsidiaries are translated into Singapore dollars on the basis outlined in paragraph (g) below.

(c) Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment loss.

(d) Associates

An associate is an entity, not being a subsidiary, in which the Group has a long-term interest of not less than 20% nor more than 50% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

Notes to the Financial Statements

31 December 2004

2. Summary of significant accounting policies (cont'd)

(d) Associates (cont'd)

The Group's investments in associates are accounted for using the equity method. The Group's investments in associates include goodwill (net of accumulated amortisation) on acquisition, which is treated in accordance with the accounting policy for goodwill stated below.

When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition of losses is discontinued except to the extent of the Group's commitment.

The Group's share of the results of associates is included in the consolidated profit and loss account. Where the audited financial statements are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period. In the Company's separate financial statements, investments in associates are stated at cost less any impairment loss.

(e) Related parties/related companies

Related parties refer to the directors and key management personnel of the Company.

Related companies in these financial statements refer to the Nera ASA group of companies.

(f) Foreign currencies translation

Transactions in foreign currencies during the year are recorded at exchange rates approximating those ruling at the transaction dates. Foreign currency denominated monetary assets and liabilities at balance sheet date are translated into the respective measurement currencies at exchange rates ruling at balance sheet date or at contracted short-term forward contract rates where they are covered by forward exchange contracts. All resultant exchange differences are recognised in the profit and loss account.

(g) Translation of foreign currency denominated financial statements

Assets and liabilities of the foreign entities are translated into Singapore dollars at exchange rates ruling at balance sheet date. The results of the foreign subsidiaries are translated into Singapore dollars at average exchange rates for the year. Foreign currency translation adjustments arising on consolidation are accumulated in translation reserve as a separate component of equity.

(h) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment loss. The initial cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures incurred for repairs and maintenance are normally charged to the profit and loss account in the period in which the costs are incurred.

(i) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows :-

Leasehold land and building	-	18 years
Leasehold improvements	-	10 years
Plant and other equipment	-	5 to 7 years
Furniture and fittings	-	5 to 10 years
Motor vehicles	-	5 years
Equipment held for leasing	-	3 to 7 years

Notes to the Financial Statements

31 December 2004

2. Summary of significant accounting policies (cont'd)

(j) Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary or associate at the date of acquisition. Goodwill is amortised using the straight-line basis over a period of 5 years. Goodwill is stated at cost less accumulated amortisation and any impairment losses.

(k) Cash and cash equivalents

Cash consists of cash on hand and bank balances. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(l) Trade and other receivables

Trade debtors, which generally have 30 to 90 day credit terms, are recognised and carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from subsidiaries, associates and related companies are recognised and carried at cost less an allowance for any uncollectible amounts.

(m) Stocks

Stocks are valued at the lower of cost and net realisable value. Costs are primarily determined using the weighted average method and include all costs in bringing the stocks to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal level of activity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provision is made where necessary for obsolete, slow-moving and defective stocks.

(n) Contract work-in-progress

Contract work-in-progress is stated at the aggregate of contract costs incurred to date plus profit recognised based on the value of work completed less progress billings and provisions for foreseeable losses.

Cost includes both variable and fixed costs directly related to specific contracts and those which can be attributed to contract activity in general and which can be allocated to specific contracts. Also included are any costs expected to be incurred under penalty clauses and rectification provisions.

The percentage of completion is measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

Where it is probable that a loss will arise on completion of contracts entered into at the balance sheet date, the excess of total estimated costs over expected revenue is recognised as an expense immediately.

(o) Trade and other payables

Liabilities for trade and other amounts payable which are normally settled on 30 to 90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to subsidiaries, holding and related companies are carried at cost.

Notes to the Financial Statements

31 December 2004

2. Summary of significant accounting policies (cont'd)

(p) Impairment of assets

Fixed assets and long-term investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Whenever the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in the profit and loss account. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

(q) Provision for warranty

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

The warranty provision represents an estimate of the Group's liability to repair or replace products under warranty at the balance sheet date. The provision is calculated based on past experience of the level of warranty claims and costs incurred for after sales services.

(r) Leases

(i) Finance lease

Finance leases, which effectively transfer to the Group substantially all the risks and rewards incidental to ownership of the lease item, are capitalised at amounts equal, at the inception of the lease, to the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. Finance charges are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(ii) Operating lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Notes to the Financial Statements

31 December 2004

2. Summary of significant accounting policies (cont'd)

(s) Employee benefits

Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contribution to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee share incentive plan

The Company has an employee share incentive plan for the granting of non-transferable options. No compensation cost is recognised upon granting or exercise of the options. When the options are exercised, the proceeds received net of any transaction cost are credited to share capital and share premium as appropriate.

(t) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) *Sale of goods*

Revenue is recognised upon the passing of title to the customer, which generally coincides with their delivery and acceptance of the goods sold.

(ii) *Rendering of services*

Revenue is recognised on an individual contract basis by reference to the stage of completion. Stage of completion is measured by reference to the cost incurred to date as a percentage of total estimated cost for each contract.

(iii) *Dividend income*

Revenue is recognised when dividends are declared payable.

(iv) *Interest income*

Revenue is recognised on an accrual basis unless collectibility is in doubt.

Notes to the Financial Statements

31 December 2004

2. Summary of significant accounting policies (cont'd)

(u) Income taxes

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(v) Financial instruments

The Group uses derivative instruments, including foreign currency forward exchange contracts, to hedge its exposure to foreign exchange risk arising from operational activities. In accordance with Group policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments used for hedging purposes are accounted for on an equivalent basis to the underlying assets or liabilities. Any profit or loss arising from the derivative financial instrument is recognised on the same basis as that arising from the related assets or liabilities.

(w) Segments

For management purposes, the Group is organised on a world-wide basis into three major operating businesses (divisions). The divisions are the basis on which the Group reports its primary segment information. Segment revenue, expenses and results include transfers between business segments and between geographical segments.

Segment accounting policies are the same as the policies of the Group as disclosed in the preceding paragraphs. The Group generally accounts for inter-segment sales transfers as if the sales or transfers were to third parties at current market prices.

Notes to the Financial Statements

31 December 2004

3. Fixed assets

Group	Lease- hold land and building	Lease- hold improve- ments	Plant and other equip- ment	Furniture and fittings	Motor vehicles	Equipment held for leasing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
At beginning of year	5,150	2,045	13,500	1,200	1,841	4,069	27,805
Additions	-	60	3,102	232	280	980	4,654
Disposals	-	(32)	(355)	(17)	(363)	-	(767)
Currency alignment	-	(6)	(57)	(8)	(5)	(13)	(89)
At end of year	5,150	2,067	16,190	1,407	1,753	5,036	31,603
Accumulated depreciation							
At beginning of year	2,503	1,621	10,293	804	1,378	2,828	19,427
Additions	286	117	1,302	112	300	790	2,907
Disposals	-	(29)	(349)	(10)	(361)	-	(749)
Currency alignment	-	(6)	(43)	(5)	(4)	(4)	(62)
At end of year	2,789	1,703	11,203	901	1,313	3,614	21,523
Charge for 2003	286	119	1,192	98	340	973	3,008
Net book value							
As at 31 December 2004	2,361	364	4,987	506	440	1,422	10,080
As at 31 December 2003	2,647	424	3,207	396	463	1,241	8,378

Notes to the Financial Statements

31 December 2004

3. Fixed assets (cont'd)

Company	Lease- hold land and building \$'000	Lease- hold improve- ments \$'000	Plant and other equip- ment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Equipment held for leasing \$'000	Total \$'000
Cost							
At beginning of year	5,150	734	632	434	1,439	4,067	12,456
Additions	–	18	346	91	229	536	1,220
Transfers	–	–	6	4	–	(11)	(1)
Disposals	–	(32)	(270)	–	(364)	–	(666)
At end of year	5,150	720	714	529	1,304	4,592	13,009
Accumulated depreciation							
At beginning of year	2,503	602	552	266	1,163	2,826	7,912
Additions	286	72	69	44	212	639	1,322
Transfers	–	–	6	3	–	(9)	–
Disposals	–	(29)	(268)	–	(362)	–	(659)
At end of year	2,789	645	359	313	1,013	3,456	8,575
Charge for 2003	286	74	26	43	244	998	1,671
Net book value							
As at 31 December 2004	2,361	75	355	216	291	1,136	4,434
As at 31 December 2003	2,647	132	80	168	276	1,241	4,544

As at 31 December 2004, the leasehold land and building of the Group and the Company consists of the following:

Location	Purpose	Approximate land area	Approximate gross floor area	Tenure of lease
109 Defu Lane 10, Singapore 539225	Office, workshop cum warehouse	3,875 sq. metre	3,246 sq. metre	30 years expiring 20 September 2012 with option for a further term of 30 years

Plant and other equipment and motor vehicles of the Group with net book values of approximately \$Nil and \$69,000 (2003 : \$1,062,000 and \$105,000) respectively, were acquired under finance leases.

Notes to the Financial Statements

31 December 2004

4. Investments in subsidiaries

	Company	
	2004 \$'000	2003 \$'000
Unquoted shares, at cost :-		
At beginning of year	4,379	3,220
Addition during the year	–	1,159
	4,379	4,379
Quoted shares, at cost :-		
At beginning of year	5,264	5,256
Addition during the year	–	8
At end of year	5,264	5,264
	9,643	9,643
Impairment loss	(63)	(63)
Carrying amount after impairment loss	9,580	9,580

The Company had the following subsidiaries as at 31 December :

Name of Company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of investment	
			2004 %	2003 %	2004 \$'000	2003 \$'000
Nera Infocom Pte Ltd B	Dormant	Singapore	100	100	^	^
Nera Electronics Ltd B	To provide electronics contract manufacturing services of printed circuit boards assemblies, microwave, radios and complete products	Singapore	68.27	68.27	5,264	5,264
Nera (Thailand) Ltd*	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks and satellite communications and information technology networks	Thailand	100	100	975	975

Notes to the Financial Statements

31 December 2004

4. Investments in subsidiaries (cont'd)

Name of Company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of investment	
			2004 %	2003 %	2004 \$'000	2003 \$'000
Nera Philippines, Inc.*	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks and satellite communications and information technology networks	Philippines	100	100	1,128	1,128
Nera Infocom (M) Sdn Bhd*	Sales, installation and maintenance of information technology equipment	Malaysia	100	100	225	225
Nera Telecommunications (Taiwan) Co., Ltd*	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks and satellite communications and information technology networks	Taiwan	100	100	545	545
P.T. Nera Indonesia#ø	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks and satellite communications and information technology networks	Indonesia	100	100	347	347
Nera Telecommunications (Australia) Pty Ltd##ø	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks and satellite communications and information technology networks	Australia	100	100	589	589

Notes to the Financial Statements

31 December 2004

4. Investments in subsidiaries (cont'd)

Name of Company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of investment	
			2004 %	2003 %	2004 \$'000	2003 \$'000
Nera Telecommunications (India) Pvt Ltd+ø	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks and satellite communications and information technology networks	India	100	100	570	570
					9,643	9,643

Held by subsidiary

Nera Electronics Inc. @	Marketing of electronics manufacturing services	United States of America	100	100
-------------------------	---	--------------------------	-----	-----

^B Audited by Ernst & Young Singapore

^{*} Audited by associated firms of Ernst & Young Singapore

[#] Audited by Drs. Johan, Malonda & Rekan, Indonesia

^{##} Audited by Nexia Court & Co, Australia.

⁺ Audited by Lovelock & Lewes, Chennai.

[@] Not required by laws of the country of incorporation to present audited financial statements for the financial year ended 31 December 2003 and 31 December 2004.

^ø The subsidiaries are not considered to be significant subsidiaries of the Group as contribution from these subsidiaries is not material.

[^] Amounts less than \$1,000

Notes to the Financial Statements

31 December 2004

5. Investment in an associate

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Unquoted equity shares, at cost :-				
At beginning of year	199	8,199	199	8,199
Disposal during the year	–	(8,000)	–	(8,000)
At end of year	199	199	199	199
Share of post-acquisition:-				
Accumulated profits	3,304	3,610	–	–
Translation reserve	(783)	(662)	–	–
	2,720	3,147	199	199

As at 31 December, the Group had the following associate:

Name of Company	Principal activity	Country of incorporation and place of business	Effective equity interest held by the Group	
			2004 %	2003 %
Nera (Malaysia) Sdn Bhd*	Sale, installation and maintenance of telecommunications equipment	Malaysia	30	30

* Audited by Ernst & Young Malaysia

6. Stocks

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Raw materials, at net realisable value	5,762	5,981	–	–
Work-in-progress, at cost	8,888	4,650	–	–
Finished goods, at cost	4,653	2,302	–	–
Finished goods, at net realisable value	12,920	2,241	8,572	1,389
	32,223	15,174	8,572	1,389
Raw materials and finished goods are stated after deducting provision for stock obsolescence of	3,404	3,249	624	751

Notes to the Financial Statements

31 December 2004

6. Stocks (cont'd)

Movements in provision for stock obsolescence during the financial year were as follows:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At beginning of year	3,249	4,877	751	1,450
Provision for the year	1,936	1,125	683	540
Write-back of provision	(886)	(1,506)	(709)	(776)
Written off against provision	(889)	(1,249)	(101)	(463)
Currency realignment	(6)	2	–	–
At end of year	3,404	3,249	624	751

7. Contract work-in-progress

	Group and Company	
	2004 \$'000	2003 \$'000
Contract work-in-progress comprise:-		
Cost incurred	87,028	105,597
Profits recognised to date	12,035	9,477
	99,063	115,074
Progress billings	(88,432)	(103,935)
	10,631	11,139

8. Trade debtors

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade debtors	40,229	25,748	21,573	11,641
Less : provision for doubtful debts	(1,800)	(2,335)	(1,322)	(1,638)
	38,429	23,413	20,251	10,003

Included in trade debtors balances are retention amounts of \$63,000 (2003 : \$101,000).

Notes to the Financial Statements

31 December 2004

8. Trade debtors (cont'd)

Movements in provision for doubtful debts during the financial year were as follows :-

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At beginning of year	2,335	2,422	1,638	1,613
Provision for the year	1,520	1,116	335	508
Reclassified from amount due from associates due to disposal of an associate	–	643	–	643
Write-back of provision	(1,829)	(1,390)	(552)	(735)
Written off against provision	(217)	(451)	(99)	(391)
Currency realignment	(9)	(5)	–	–
At end of year	1,800	2,335	1,322	1,638

9. Other debtors, deposits and prepayments

Dividend receivable	–	–	183	–
Prepayments	318	66	59	29
Deposits	151	132	18	63
Advances to suppliers	763	155	541	77
Staff advances	119	58	45	43
Other debtors	851	666	79	105
Custom duty recoverable from a customer	–	957	–	–
Tax recoverable	2,033	–	–	–
	4,235	2,034	925	317

10. Amount due from an associate (trade and non-trade)/Amount due from/(to) subsidiaries (non-trade)

The non-trade balances are unsecured and repayable within the next twelve months. The balance due from subsidiaries bears interest at 4.25% to 11% (2003 : 4.25% to 10.5%) per annum. The balance due from an associate of \$3,939,000 (2003 : \$12,555,000) bears interest at 4.25% to 9.55% (2003 : 5%) per annum.

Notes to the Financial Statements

31 December 2004

11. Fixed deposits

Included in fixed deposits of the Group and the Company as at year end is fixed deposits with maturity term of more than 3 months from the date of deposit amounts to \$ NIL (2003 : \$4,000,000). The remaining fixed deposits of the Group and the Company of \$ 17,000,000 (2003 : \$22,000,000) have maturity terms of between 1 to 2 months (2003 : 1 to 3 months).

Fixed deposits of the Group and the Company earned interest at 0.3125% to 1.16% (2003 : 0.31% to 0.62%) p.a. during the financial year.

12. Other creditors and accruals

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Accrued payroll expenses	5,832	4,416	3,605	3,215
Accrued contract and material cost	2,617	3,888	2,095	2,516
Other accrued operating expenses	3,362	2,769	1,400	746
Customer advances	4,690	1,277	797	740
Other creditors	1,077	417	540	267
	17,578	12,767	8,437	7,484

13. Provision for warranty

Movements in provision for warranty during the financial year were as follows:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At beginning of year	3,033	3,997	1,588	1,830
Provision for the year	3,932	3,601	1,217	1,886
Write-back of provision	(2,030)	(4,000)	–	(1,777)
Utilised during the year	(1,247)	(574)	(519)	(351)
Currency realignment	60	9	–	–
	3,748	3,033	2,286	1,588

The warranty provision relates to goods and services sold in the past 18 months. The majority of the warranty cost is expected to be incurred in the next financial year, with all costs expected to be incurred within 2 years of the balance sheet date.

Notes to the Financial Statements

31 December 2004

14. Lease obligations

	2004			2003		
	Minimum lease payments \$'000	Interest \$'000	Present value of payments \$'000	Minimum lease payments \$'000	Interest \$'000	Present value of payments \$'000
Between 2 to 5 years	49	(7)	42	66	(10)	56
Not later than 1 year	17	(3)	14	388	(29)	359
Total	66	(10)	56	454	(39)	415

Lease terms range from 3 to 7 years and do not contain restrictions concerning dividends, additional debt or further leasing. The average discount rate implicit in the leases is 2.63% (2003 : 5%) per annum.

15. Share capital

	Group and Company	
	2004 \$'000	2003 \$'000
Authorised :-		
800,000,000 (2003 : 800,000,000) ordinary shares of \$0.05 each	40,000	40,000
Issued and fully paid :-		
360,000,000 (2003 : 360,000,000) ordinary shares of \$0.05 each	18,000	18,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

16. Share premium

The share premium may be applied only for the purposes specified in the Companies Act. The balance is not available for distribution of dividends except in the form of shares.

17. Accumulated profits

Movements in accumulated profits for the Group are disclosed in the consolidated statement of changes in equity. Movements in accumulated profits for the Company are set out below :-

	2004 \$'000	2003 \$'000
Balance at beginning of year, as previously reported	28,691	19,882
Net profit for the year	9,980	10,915
Dividends paid (Note 28)	(8,280)	(2,106)
Balance at end of year	30,391	28,691

Notes to the Financial Statements

31 December 2004

18. Turnover

	Group	
	2004 \$'000	2003 \$'000
Sales of goods	180,230	151,011
Services rendered	20,199	16,559
	200,429	167,570

19. Other operating income

	Group	
	2004 \$'000	2003 \$'000
Commission income	1,189	133
Gain on disposal of fixed assets	21	14
Foreign exchange gain, net	107	260
Sales of scrap	34	21
IES grant	12	22
	1,363	450

20. Administrative expenses

Administrative expenses include :

	Group	
	2004 \$'000	2003 \$'000
Auditors' remuneration :-		
Auditors of the Company	135	90
Other auditors	24	45
Non-audit fees to auditors of the Company	86	21

Notes to the Financial Statements

31 December 2004

21. Personnel expenses and employee benefit

	Group	
	2004 \$'000	2003 \$'000
Wages, salaries and bonuses	16,579	12,962
Pension contributions	1,788	1,610
Other personnel benefits	1,153	622
	19,520	15,194

Personnel expenses include directors and executive officers' remuneration as shown in Note 31.

Share options granted to the executive officers of the Group under the Employees' Share Option Scheme to subscribe for the Company's ordinary shares of \$0.05 each were as follows:-

Exercise Price	Exercisable period	Aggregate options granted and outstanding as at year end	
		2004 '000	2003 '000
\$			
0.625	1.3.2004 to 28.2.2012	844	844
0.220	21.4.2005 to 20.3.2013	637	637
		1,481	1,481

22. Directors' remuneration

The number of directors of the Company whose remunerations fell within the bands indicated was as follows:

	2004	2003
\$500,000 and above	1	1
\$250,000 to \$499,999	—	—
Below \$250,000	9	7
	10	8

Notes to the Financial Statements

31 December 2004

23. Financial income

	Group	
	2004 \$'000	2003 \$'000
Interest income from :-		
Bank deposits	380	365
An associate	777	1,032
A related company	2	265
	1,159	1,662

24. Financial expenses

	Group	
	2004 \$'000	2003 \$'000
Interest expense for :-		
Short term loan	–	(4)
Lease obligations	(31)	(51)
Bank charges	(266)	(183)
	(297)	(238)

25. Exceptional items, net

	Group	
	2004 \$'000	2003 \$'000
Gain on disposal of an associate	–	1,500

Notes to the Financial Statements

31 December 2004

26. Tax

Major components of income tax expense for the year ended 31 December were:

	Group	
	2004 \$'000	2003 \$'000
Current tax :-		
Current year	4,401	3,400
Foreign tax	325	110
Over provision in respect of prior years	(1,932)	(77)
Deferred tax :-		
Current year	(133)	719
Under recognition of deferred tax assets in prior year	79	(38)
Effect on prior years due to change in tax rate	100	–
	2,840	4,114

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the year ended 31 December is as follows :

	Group	
	2004 \$'000	2003 \$'000
Accounting profit	19,350	18,539
Tax at 20% (2003 : 22%)	3,870	4,079
Tax effect of expenses that are not deductible in determining taxable profit	410	415
Tax effect of income of a capital nature that is not subject to income tax	–	(330)
Double tax deduction	(9)	(20)
Tax exemption	(22)	(23)
Additional tax on foreign income	20	23
Over provision in respect of prior years	(1,853)	(115)
Difference in tax rates applicable to subsidiaries and associates	146	85
Tax effect of reduction in tax rates	100	–
Deferred tax assets not recognised by subsidiaries	147	–
Others	31	–
	2,840	4,114

Notes to the Financial Statements

31 December 2004

26. Tax (Cont'd)

Deferred income tax assets and liabilities

Deferred tax as at 31 December related to the following:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Deferred tax liability :-				
Excess of tax over book depreciation of fixed assets	(578)	(618)	(296)	(358)
Deferred tax assets :-				
General provisions	2,208	2,213	1,083	1,142
Net deferred tax assets	1,630	1,595	787	784

27. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

The following reflects the income and share data used in the basic and diluted earnings per share computations for the years ended 31 December :

	Group	
	2004 \$'000	2003 \$'000
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	14,313	13,130
Weighted average number of ordinary shares in issue applicable to basic earnings per share	360,000,000	360,000,000
Effect of dilutive share options	1,127,861	696,518
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	361,127,861	360,696,518

There have been no transactions involving ordinary shares or potential ordinary shares since the end of the financial year.

Notes to the Financial Statements

31 December 2004

28. Dividends

	Group and Company	
	2004 \$'000	2003 \$'000
A final dividend paid in respect of the previous financial year of 0.875 cents (2003 : 0.75 cents) per share less tax at 20% (2003 : 22%)	2,520	2,106
A special dividend paid in respect of the current financial year of 2 cents (2003 : Nil) per share less tax at 20% (2003 : 22%)	5,760	–
	8,280	2,106

The directors proposed a final dividend of 0.875 cents (2003 : 0.875 cents) per share less tax at 20% (2003 : 20%) amounting to \$2,520,000 (2003 : \$2,520,000) and a special dividend of 2 cents (2003 : 2 cents) per share less tax at 20% amounting to \$5,760,000 (2003 : \$5,760,000) in respect of the year ended 31 December 2004. The proposed final and special dividends are subject to the approval by shareholders at the Annual General Meeting of the Company. The proposed dividends have not been recognised as liabilities as at year end in accordance with FRS 10, Events after the Balance Sheet Date.

29. Cash and cash equivalents

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Fixed deposits	17,000	26,000	17,000	26,000
Cash and bank balances	28,926	39,711	3,720	10,329
	45,926	65,711	20,720	36,329

Cash and bank balances earn interest at 0.3125% to 1.16% (2003 : at 0.25% to 0.70%) p.a.

30. Commitments and contingent liabilities

(a) Non-cancellable operating lease commitments

As at 31 December 2004, the Group has commitments under operating leases for office and factory premises. The leases contain renewable options and do not contain escalation clauses or provide for contingent rentals. Lease terms do not contain restrictions on the activities concerning dividends, additional debt or further leasing. Operating lease expenses included in the consolidated profit and loss account during the year amounted to \$1,264,000 (2003 : \$1,057,000).

Notes to the Financial Statements

31 December 2004

30. Commitments and contingent liabilities (cont'd)

(a) Non-cancellable operating lease commitments (cont'd)

Future minimum lease payments are as follows as at 31 December:

	2004 \$'000	2003 \$'000
No later than one year	1,052	1,104
1 year through 5 years	1,670	2,594
Later than five years	940	1,001
	3,662	4,699

(b) Foreign currency forward exchange contract commitments

As at 31 December 2004, the Group has outstanding foreign currency forward exchange contracts for hedging its trade receivables and payables and future purchase commitments denominated in Norwegian Kroner ("NOK"), Thai Baht ("THB") and United States Dollars ("USD"):

Forward contracts to buy or sell NOK, THB and USD	19,360	9,909
---	--------	-------

31. Related party disclosures

In addition to the related party information disclosed elsewhere in the financial statements, significant transactions with related parties, on terms agreed between the parties were as follows :

	2004 \$'000	2003 \$'000
Income :-		
Sales to related parties	33,208	13,857
Sales to an associate	4,292	13,550
Commission income from related parties	215	—
Expenses :-		
Purchase of goods from related companies	52,993	48,784
Directors' and executives' remuneration :-		
Directors' remuneration		
- directors of the Company	859	945
- directors of the subsidiaries	615	503
Directors' fees		
- directors of the Company	194	215
- directors of the subsidiaries	65	65
Executive officers' remuneration	2,816	2,634

Notes to the Financial Statements

31 December 2004

32. Segment information

Business segments

The Group is organised on a worldwide basis into three main operating divisions, namely:

- Telecommunications
- Information technology
- Contract manufacturing

2004	Telecom- munications \$'000	Information technology \$'000	Contract manu- facturing \$'000	Elimination \$'000	Group \$'000
Turnover	88,349	53,431	58,649	–	200,429
Intercompany sales	6,159	2,284	14,637	(23,080)	–
Total sales	94,508	55,715	73,286	(23,080)	220,429
Gross profit	17,805	16,584	11,983		46,372
Other operating income	686	568	109		1,363
Distribution and selling expenses	(6,232)	(9,558)	(3,306)		(19,096)
Administrative expenses	(4,582)	(1,381)	(2,272)		(8,235)
Other operating expenses	(743)	(687)	(233)		(1,663)
Profit from operating activities	6,934	5,526	6,281		18,741
Interest expense					(31)
Interest income					1,159
Other financial expenses					(266)
Exceptional items, net					–
Share of results of an associate					(253)
Profit before tax					19,350
Tax					(2,840)
Net profit					16,510
Segment assets	50,529	25,816	31,692		108,037
Investment in an associate					2,720
Unallocated assets					53,688
Total assets					164,445
Segment liabilities	19,185	11,335	997		31,517
Tax liabilities					4,373
Finance lease obligations					56
Unallocated liabilities					27,157
Total liabilities					63,103
Capital expenditure	991	926	2,737		4,654
Depreciation and amortisation	504	1,273	1,130		2,907

Notes to the Financial Statements

31 December 2004

32. Segment information (cont'd)

Business segments (cont'd)

2003	Telecom- munications \$'000	Information technology \$'000	Contract manu- facturing \$'000	Elimination \$'000	Group \$'000
Turnover	78,945	37,532	51,093	–	167,570
Intercompany sales	8,553	2,332	417	(11,302)	–
Total sales	87,498	39,864	51,510	(11,302)	167,570
Gross profit	13,802	15,129	10,732		39,663
Other operating income	282	125	43		450
Distribution and selling expenses	(3,654)	(9,607)	(2,631)		(15,892)
Administrative expenses	(3,456)	(1,415)	(2,085)		(6,956)
Other operating expenses	(976)	(7)	(673)		(1,656)
Profit from operating activities	5,998	4,225	5,386		15,609
Interest expense					(55)
Interest income					1,662
Other financial expenses					(183)
Exceptional items, net					1,500
Share of results of an associate					6
Profit before tax					18,539
Tax					(4,114)
Net profit					14,425
Segment assets	30,313	18,138	19,766		68,217
Investment in an associate					3,147
Unallocated assets					82,397
Total assets					153,761
Segment liabilities	26,432	9,820	837		37,089
Tax liabilities					3,119
Finance lease obligations					415
Unallocated liabilities					19,233
Total liabilities					59,856
Capital expenditure	212	1,720	589		2,521
Depreciation and amortisation	422	1,621	965		3,008

Notes to the Financial Statements

31 December 2004

32. Segment information (cont'd)

Geographical segments

Turnover is based on the location of customers. Assets and additions to property, plant and equipment are based on the location of those assets.

	Turnover		Assets		Capital expenditure	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Singapore	55,982	53,367	142,920	135,434	3,957	1,842
Other Asian countries	116,825	84,046	21,525	18,327	697	679
Others	50,702	41,459	–	–	–	–
Less: Inter-segment elimination	(23,080)	(11,302)	–	–	–	–
	200,429	167,570	164,445	153,761	4,654	2,521

33. Financial instruments

Financial risk management objectives and policies

The main risks arising from the Company and Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. The Management reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group uses foreign currency forward exchange contracts in managing its foreign currency risk resulting from cash flows from anticipated transactions and from payables and receivables denominated in foreign currencies, primarily the United States dollar and Norwegian Kroner. Transaction risk is calculated in each foreign currency and includes foreign currency denominated assets and liabilities and firm purchase and sale commitments.

As at balance sheet date, after taking into account the effects of foreign currency forward exchange contracts, the Group's currency exposures are insignificant.

Interest rate risk

The Group obtains additional financing through leasing arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flows.

Notes to the Financial Statements

31 December 2004

33. Financial instruments (cont'd)

Credit risk

Credit risk is limited to the risk arising from the inability of a debtor to make payments when due. It is the Group's policy to provide credit terms to creditworthy customers. These debts are continually monitored and therefore, the Group does not expect to incur material credit losses.

The carrying amount of trade and other debtors, and cash and bank balances represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentration of credit risk. Cash is placed with reputable financial institutions.

Fair values

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and bank balances, short term receivables and short term payables

The carrying amounts of these financial instruments approximate their fair values due to their short term nature.

Lease obligations

The fair values of the lease obligations are estimated based on the expected cash flows discounted to present value with reference to the current market interest rates applicable to the financial instruments. Based on the estimate, the fair values of lease obligations approximate their carrying amounts as at 31 December 2003 and 31 December 2004.

Foreign currency forward exchange contracts

The fair value of foreign currency forward exchange contracts is estimated based on the difference between the applicable forward rates prevailing at the balance sheet date and the contracted forward rates, multiplied by the notional amounts.

As at 31 December 2004, the fair values of the outstanding foreign currency forward exchange contracts of the Group are as follows :-

	Notional carrying amount		Fair value	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Forward contracts to buy or sell NOK, EURO, DKK, THB, AUD and USD	19,360	9,909	97	281

34. Authorisation of financial statements

The financial statements for the year ended 31 December 2004 were authorised for issue in accordance with a resolution of the directors on 15 March 2005.

Statistics of Shareholdings

as at 11 March 2005

Authorised share capital	:	\$40,000,000
Issued and fully paid-up capital	:	\$18,000,000
Class of shares	:	Ordinary share of \$0.05 each
Voting rights	:	One vote per each share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	7	0.11	1,200	0.00
1,000 - 10,000	4,551	70.78	25,174,000	6.99
10,001 - 1,000,000	1,854	28.83	73,264,400	20.35
1,000,001 and above	18	0.28	261,560,400	72.66
Total	6,430	100.00	360,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Nera ASA	180,636,000	50.18
2.	HSBC (Singapore) Nominees Pte Ltd	16,588,000	4.61
3.	Raffles Nominees Pte Ltd	16,459,000	4.571
4.	United Overseas Bank Nominees Pte Ltd	13,576,000	3.77
5.	DBS Nominees Pte Ltd	10,817,000	3.00
6.	Citibank Nominees Singapore Pte Ltd	3,639,000	1.01
7.	OCBC Nominees Singapore Pte Ltd	2,612,000	0.73
8.	Ang Seong Kang Samuel	2,430,000	0.68
9.	Phillip Securities Pte Ltd	2,188,400	0.61
10.	NTUC Thrift & Loan Co-operative Ltd	1,800,000	0.50
11.	OCBC Securities Private Ltd	1,689,000	0.47
12.	G K Goh Stockbrokers Pte Ltd	1,504,000	0.42
13.	S Chandra Das	1,500,000	0.42
14.	Kim Eng Securities Pte. Ltd.	1,457,000	0.40
15.	Yim Chee Chong	1,300,000	0.36
16.	DBS Vickers Securities (S) Pte Ltd	1,246,000	0.35
17.	UOB Kay Hian Pte Ltd	1,089,000	0.30
18.	Ong See Boon or Tan Soon Kiat	1,030,000	0.29
19.	Rosie Pillai	1,000,000	0.28
20.	RBC (Asia) Ltd	1,000,000	0.28
TOTAL :		263,560,400	73.23

Statistics of Shareholdings

as at 11 March 2005

SUBSTANTIAL SHAREHOLDERS AS AT 11 MARCH 2005

(As recorded in the Register of Substantial Shareholders)

	No. of shares of \$0.05 each fully paid			
	Direct Interest	%	Deemed Interest	%
Nera ASA	180,636,000	50.18	-	-

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HAND

48.1% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

Nera Telecommunications Ltd

(Company Registration No. 197802690R)

(Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Nera Telecommunications Ltd ("the Company") will be held at 109 Defu Lane 10, Singapore 539225 on 14 April 2005 at 11.30 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2004 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a first and final dividend of 17.5% (or 0.875 cents per ordinary share) and a special dividend of 40% (or 2 cents per ordinary share) less income tax at 20% for the year ended 31 December 2004 (2003: a first and final dividend of 17.5% or 0.875 cents and a special dividend of 40% or 2 cents per ordinary share). **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to Articles 87 and 94 of the Company's Articles of Association:

Mr Sitoh Yih Pin	(Retiring under Article 87)	(Resolution 3)
Mr Bjorn Olafsson	(Retiring under Article 87)	(Resolution 4)
Mr Svein Ove Strommen	(Retiring under Article 94)	(Resolution 5)
Mr Per Brekke	(Retiring under Article 94)	(Resolution 6)

Mr Sitoh Yih Pin and Mr Bjorn Olafsson will, upon re-election as Directors of the Company, remain members of the Audit Committee. Mr Sitoh Yih Pin will be considered independent for the purposes of Rule 704(8) of Listing Manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST").
4. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

6. To approve the payment of Directors' fees of S\$131,150 for the year ended 31 December 2004 (previous year: S\$140,000). **(Resolution 8)**

Notice of Annual General Meeting

Nera Telecommunications Ltd

(Company Registration No. 197802690R)

(Incorporated in Singapore with limited liability)

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to allot and issue shares up to 50 per centum (50%) of issued share capital**

That pursuant to Section 161 of the Companies Act, Cap. 50 Singapore (the “**Companies Act**”) and Rule 806 of the Listing Manual, the Directors be empowered to allot and issue shares and convertible securities in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares (including shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution) to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company’s next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.

[See Explanatory Note (i)]

(Resolution 9)

8. **Authority to allot and issue shares under the Nera Telecom Employees’ Share Option Scheme**

That pursuant to Section 161 of the Companies Act, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Nera Telecom Employees’ Share Option Scheme (the “**Scheme**”) upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued share capital of the Company from time to time.

[See Explanatory Note (ii)]

(Resolution 10)

9. **Renewal of Shareholders’ Mandate for Interested Person Transactions**

That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual (“**Chapter 9**”), for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the letter to shareholders dated 29 March 2005 (the “**Letter**”) with any party who is of the class of interested persons described in the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
- (b) the approval given in paragraph (a) above (the “**IPT Mandate**”) shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and
- (c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

[See Explanatory Note (iii)]

(Resolution 11)

Notice of Annual General Meeting

Nera Telecommunications Ltd

(Company Registration No. 197802690R)

(Incorporated in Singapore with limited liability)

10. **Renewal of Share Purchase Mandate**

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of S\$0.05 each fully paid in the capital of the Company (the “**Shares**”) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

- (i) market purchase(s) on the SGX-ST and/or any other stock exchange on which the Shares may for the time being be listed and quoted (“**Other Exchange**”); and/or
- (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Purchase Mandate**”);

- (b) unless varied or revoked by the Company in General Meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

- (i) the date on which the next Annual General Meeting of the Company is held; and
- (ii) the date by which the next Annual General Meeting of the Company is required by law to be held;

- (c) in this Resolution:

“**Average Closing Price**” means the average of the last dealt prices of a share for the five consecutive trading days on which the Shares are transacted on the SGX-ST or, as the case may be, Other Exchange immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five day period;

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

Notice of Annual General Meeting

Nera Telecommunications Ltd

(Company Registration No. 197802690R)

(Incorporated in Singapore with limited liability)

"Maximum Limit" means that number of issued Shares representing 10 per cent of the issued ordinary share capital of the Company as at the date of the passing of this Resolution; and

"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of a market purchase of a Share, 105 per cent of the Average Closing Price of the Shares; and
 - (ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 110 per cent of the Average Closing Price of the Shares; and
- (d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.
- [See Explanatory Note (iv)] **(Resolution 12)**

By Order of the Board

Tan Cher Liang
Julie Koh Ngin Joo
Company Secretaries

Singapore, 29 March 2005

**Delete where inapplicable*

Notice of Annual General Meeting

Nera Telecommunications Ltd

(Company Registration No. 197802690R)

(Incorporated in Singapore with limited liability)

Explanatory Notes:

- (i) The Ordinary Resolution 9 proposed in item 7 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this resolution would not exceed fifty per centum (50%) of the issued capital of the Company at the time of the passing of this resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum (20%) of the issued capital of the Company.

For the purpose of this resolution, the percentage of issued capital is based on the Company's issued capital at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

- (ii) The Ordinary Resolution 10 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme.
- (iii) The Ordinary Resolution 11 proposed in item 9 above, relates to the renewal of a mandate given by shareholders to the Company on 23 June 1999, and modified and renewed by the Company on 20 April 2004, allowing the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Cap 9), or any of them, to enter into transactions with interested persons as defined in Chapter 9. Please refer to letter to shareholders dated 29 March 2005 for details.

Notice of Annual General Meeting

Nera Telecommunications Ltd

(Company Registration No. 197802690R)

(Incorporated in Singapore with limited liability)

- (iv) The Ordinary Resolution 12 proposed in item 10 above relates to a mandate approved by shareholders on 20 April 2004 authorising the Company to purchase its own Shares subject to and in accordance with the rules of the SGX-ST.

The Company will use its internal sources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance the Company's purchase or acquisition of the Shares. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired and the price at which such Shares were purchased or acquired. Based on the existing issued and paid-up ordinary share capital of the Company as at 15 March 2005 ("the "Latest Practicable Date"), the purchase by the Company of 10 per cent of its Shares will result in the purchase or the acquisition of 36,000,000 Shares. In the case of market purchases by the Company and assuming that the Company purchases or acquires 36,000,000 Shares at the Maximum Price of S\$0.47 for one Share (being the price equivalent to five per cent above the Average Closing Price of the Shares for the last five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 36,000,000 Shares is S\$16,920,000. In the case of off-market purchases by the Company and assuming that the Company purchases or acquires 36,000,000 Shares at the Maximum Price of S\$0.50 for one Share (being the price equivalent to 10 per cent above the Average Closing Price of the Shares for the last five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 36,000,000 Shares is S\$18,000,000. The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Company and the Company, its subsidiaries and associated companies for the financial year ended 2004 based on these assumptions, are set out in paragraph 3.7.2 of the letter to shareholders dated 29 March 2005.

Please refer to the letter to shareholders dated 29 March 2005 for further details.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at 109 Defu Lane 10, Singapore 539225 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

This page has been intentionally left blank.

Proxy Form

Nera Telecommunications Ltd

(Company Registration No. 197802690R)
(Incorporated in Singapore with limited liability)

IMPORTANT

- For investors who have used their CPF monies to buy Nera Telecommunications Ltd's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

(Please see notes overleaf before completing this Form)

I/We, _____
of _____
being a member/members of Nera Telecommunications Ltd (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/ or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 14 April 2005 at 11.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended December 31, 2004		
2	Payment of proposed final & special dividends		
3	Re-election of Mr Sitoh Yih Pin as a Director		
4	Re-election of Mr Bjorn Olafsson as a Director		
5	Re-election of Mr Svein Ove Strommen as a Director		
6	Re-election of Mr Per Brekke as a Director		
7	Re-appointment of Messrs Ernst & Young as Auditors		
8	Approval of Directors' fees amounting to S\$131,150		
9	Authority to allot and issue new shares and convertible securities		
10	Authority to allot and issue shares under the Nera Telecom Employees' Share Option Scheme		
11	Renewal of Shareholders' Mandate for Interested Person Transactions		
12	Renewal of Share Purchase Mandate		

Dated this _____ day of _____ 2005

Total Number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder



Proxy Form

Nera Telecommunications Ltd

(Company Registration No. 197802690R)

(Incorporated in Singapore with limited liability)

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at 109 Defu Lane 10, Singapore 539225, not less than forty-eight (48) hours before the time appointed for the Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.





Nera Telecommunications Ltd

109 Defu Lane 10 Singapore 539225

Tel: (65) 6281 3388 Fax: (65) 6383 9566/ 6383 9577

Website: www.neratel.com.sg

Co. Reg. No.: 197802690R