A large, vibrant photograph of a tropical island scene. In the center, a small island is densely packed with tall palm trees and lush green vegetation. The island is surrounded by clear, turquoise water that transitions from a lighter blue near the shore to a deeper blue further out. The sky above is a bright, clear blue with a few wispy white clouds. The overall scene conveys a sense of remote, idyllic beauty.

Nowhere is too far.  
NERA will make it Near

**NERA TELECOMMUNICATIONS LTD**  
Annual Report 2006



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# contents

## Nowhere is too far. NERA will make it Near.

Distance is no barrier to communication. In this era, the ability to communicate seamlessly, across the globe regardless of place and time, will put you ahead of others.

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

Where certain parts of the world do not have fixed lines or basic communication, we have the capability to apply our wireless technology to enable people to be in touch. Our telecommunications infrastructure breaks through the most unreachable terrain where communication is vastly challenging.

No matter how far you are, Nera will bring you near to your family, friends, co-workers, customers and business partners via our wired and wireless technologies!

## Chairman's Statement



A handwritten signature in black ink, appearing to read 'S. Chandra Das'.

S Chandra Das  
**Chairman**

On behalf of the Board, I am pleased to present the report for FY2006.

Based on continuing operations, Group turnover declined 15.6% from S\$166.3 million in FY2005 to S\$140.3 million, attributed mainly to lower sales from the Telecommunications business segment. However, profit before tax increased significantly by 225.2% from S\$12.5 million in FY2005 to S\$40.8 million, due mainly to the exceptional gain of S\$28.8 million from the disposal of 68.27% interest in a subsidiary company, Nera Electronics Ltd. Profit after tax rose from S\$9.3 million in FY2005 to S\$37.8 million, representing a significant increase of 305.8%.

Basic earnings per ordinary share for the year based on net profit attributable to shareholders were recorded at 10.44 cents compared to 2.58 cents in FY2005, registering a significant increase of 304.7%. Net asset value per ordinary share based on issued capital of 361,883,000 ordinary shares was 18.48 cents compared to 26.52 cents in FY2005, a decline of 30.3%.

In September 2006, the Group disposed its 68.27% interest in Nera Electronics to NE Holdings Limited for S\$0.26 per ordinary share for an aggregate consideration of S\$58,579,820. The disposal, besides creating and unlocking shareholders' value, also allowed the Company to focus, strategically, on its core competence in developing and providing products, services and solutions for the telecommunications and infocomm industries. A special dividend of 15 cents per ordinary share (one tier tax exempt) was paid on 13 November 2006 from the proceeds of the sale of Nera Electronics Ltd.

The mobile market is expected to grow further as a result of continued investment by the mobile operators to upgrade their network infrastructure to increase their coverage, capacity and capabilities. This will lead to a demand for wireless transmission infrastructure. Coupled with the roll out of 3G mobile networks, we believe that the Group will benefit from these positive developments. In addition, the Group will continue to promote a complete range of mobile satellite terminals to customers in Asia, in particular, the Inmarsat BGAN land terminals. For the Infocomm business, the Group will position itself as a regional info-communications infrastructure provider by strengthening its product portfolio management and concentrate on developing key competence to serve the various customer segments.

To maintain our competitiveness, we will constantly review our operational efficiency to ensure that enhanced quality services will be delivered to our customers. The skills of our workforce will continuously be upgraded to meet the increasingly challenging business environment.

The Board is pleased to recommend a final dividend of 3 cents per ordinary share, one tier tax exempt (FY2005: first and final dividend of 24.5% or 1.225 cents less 20% income tax and one tier tax exempt of 40.4% or 2.02 cents). The proposed dividend, if approved at the Annual General Meeting on 27 April 2007, will be paid on 18 May 2007.

On behalf of my fellow Directors, I would like to express my appreciation to Bjorn Olafsson and Svein Ove Strommen, who left the Board on 12 October 2006 and 16 October 2006 respectively, for their invaluable contributions. The Board welcomes Morten F Angelil and Lars Jervan, who were appointed as Directors on 17 October 2006. With their wealth of knowledge and experience, they will certainly serve the Group well.

Finally, on behalf of the Board, I would like to thank our shareholders, customers and business partners for their continuous support as well as the management and staff for their commitment and contributions.



**S Chandra Das**  
Chairman



## President and CEO's Statement



A stylized signature of Ang Seong Kang Samuel, consisting of a long, horizontal, slightly curved line with a small 'm' and a dot at the end.

Ang Seong Kang Samuel  
President and CEO

## BUSINESS REVIEW

FY2006 was a challenging year for the NeraTel Group.

Based on continuing operations, turnover for the Group declined by 15.6% from S\$166.3 million in FY2005 to S\$140.3 million. This was attributed to the lower turnover from the Telecommunications (Telecom) business segment. Profit before tax rose from S\$12.5 million in FY2005 to S\$40.8 million, representing a significant increase of 225.2%. This was attributed mainly to the exceptional gain of S\$28.8 million from the divestment of 68.27% interest in a subsidiary company, Nera Electronics Ltd. If we were to exclude the exceptional gain, profit before tax would be reduced slightly by 4% from S\$12.5 million in FY2005 to S\$12.0 million. Profit after tax increased from \$9.3 million in FY2005 to S\$37.8 million, up by 305.8% from the previous year. As at end of the year, the Group registered positive cash and bank balances of S\$25.8 million.

The Telecom business segment declined by 27.1% in turnover from S\$116.9 million in FY2005 to S\$85.2 million. Profit from operations decreased by 20.2% from S\$7.8 million in FY2005 to S\$6.3 million. The decrease in turnover was attributed to lower sales of microwave radio equipment to certain customers as well as delays in projects and equipment deliveries from our supplier. Satellite sales were lower than the previous year due mainly to the absence of sale of satellite terminals to a customer in Taiwan and Inmarsat Gateway to India.

The Infocomm (IC) business segment registered an increase of 11.6% from S\$49.5 million in FY2005 to S\$55.1 million. Profit from operations declined from S\$5.3 million in FY2005 to S\$4.1 million. The increase in turnover was attributed to the higher sales in fixed network infrastructure solutions to Telco customers.

## BUSINESS OUTLOOK

### Telecommunications (Telecom)

The Transmission business remains active and the demand for wireless transmission infrastructure equipment are driven by mobile operators' continued investments into increasing their coverage, capacity and capabilities such as high speed broadband and video services for their mobile infrastructure. There are also a number of new and existing operators rolling out 3G mobile networks.

With the introduction of Evolution, Nera's new SDH access radio products, the Group will have a complete range of SDH trunk and access radios and low capacity Compact IV PDH radios for mobile markets as well as the non-Telcos markets such as Defence, Broadcasting and Enterprises.

# President and CEO's Statement

The Group has benefited from these positive developments and has announced the receipt of approximately S\$44 million in orders for the SDH and PDH radio transmission equipment from the customers in Asia.

In the Satellite business area, the Group previously had a mutually exclusive representation agreement with Nera Satcom AS Norway for their various products, but in the fourth quarter of the year Nera Satcom AS was acquired by Thrane and Thrane Denmark. The Group has reached an Agreement with Thrane and Thrane to distribute their land and marine satellite terminals on a non-exclusive basis. The Group will continue to promote the complete range of mobile satellite terminals to customers in Asia, in particular, the Inmarsat BGAN land terminals, to select market sectors.

On the satellite systems business, we will continue to address enhancement, upgrading and maintenance opportunities of the current Inmarsat gateway customers as well as seeking new opportunities in VSAT and satellite broadband to the satellite operator, government, defence and the broadcasting sectors.

Although there are many opportunities in the telecommunications industry, the market remains highly competitive with ongoing consolidation, creating fewer but larger companies. Customers are constantly demanding for higher performance, lower price, shorter delivery time and attractive commercial terms. Competition is expected to continue to be intense as many operators are aggressively targeting at increasing their market share.

## **Infocomm (IC)**

Growth from the Infocomm industry is largely driven by the increase in various internet services such as VoIP, video, gaming, entertainment, etc. and consumer demand for higher speed and capacity, and secured connections. Operators, service providers, enterprises, government and others are investing in higher performance broadband, multi-service and secured infrastructure networks to improve efficiencies and competitiveness.

The Group with its competence in fixed networks, payment solutions, broadcasting and wireless access, has reorganised its resources to focus on five (5) key market segments, namely Service Providers, Enterprises, Financial Service and Retail, Media and Broadcasting, and Government, Transport and Utilities.



In the Service Provider market segment, Telcos and ISP demand for carrier class core networking equipment is driven by the growth in broadband and data related services. The convergence of mobile and fixed networks, multi-service IP networks as well as high speed wireless broadband access mesh wifi and wimax networks will also offer many business opportunities. The Group has secured repeat orders for IP network infrastructure equipment from Telco customers and believes that these customers will continue to invest in their networks.

In the Enterprise market segment, the Group is focusing mainly on delivering web security gateway, security solutions and internet appliances to various SMEs.

In the Financial Service and Retail market segment, the Group will focus on providing different types of payment terminals, e.g. contactless, wireless, IP, bio-metrics, etc. over a single acceptance platform. The Group has secured direct purchase orders, rental, leasing and maintenance from various banks and financial institutions for EMV-compliant point-of-sale (POS) terminals. More banks and financial institutions are expected to gradually migrate to EMV POS terminals. Recently, the Group has secured sales and maintenance business from new customers in Thailand, Indonesia and Taiwan.

In the Media and Broadcasting market segment, it is expected that the broadcasters will gradually migrate their analogue TV systems to digital systems. Therefore, we are focusing on promoting turnkey Digital Terrestrial TV (DvB T/H/M) infrastructure network capabilities to potential broadcasters.

In the Government, Transport and Utilities market segment, the Group will offer integrated infocomm infrastructure products and solutions to the defence, education, healthcare, utilities and transportation industries.

Competition in the Infocomm industry is keen and the market is dominated by major industry players in their respective fields. The Group will position itself as a regional Info-communications infrastructure provider by strengthening its product portfolio management and concentrate on developing key competence to serve the various customer segments.

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



**Ang Seong Kang Samuel**  
President and CEO

## Board of Directors



*From Left to Right:*

Morten Fernand Angelil, Ang Seong Kang Samuel, Lars Jervan  
S Chandra Das, Lau Ping Sum, Sitoh Yih Pin

### **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. 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 Southern African Investments Pte Ltd, a subsidiary of Temasek Holdings Pte Ltd. In addition, he is presently 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 Sincere Watch Ltd. Mr Das was a Member of Parliament from 1980 to 1996. He was also the chairman of NTUC Fairprice Cooperative Limited until September 2005. 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 Eltek ASA Management Team. 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. He was the director of Nera Electronics Ltd and the Norwegian Business Association of Singapore. Mr Ang holds a degree in Business Administration from Oklahoma City University.

### **MR MORTEN FERNAND ANGELIL**

Mr Morten Fernand Angelil was appointed as the non-executive Director of the Company on 17 October 2006. Mr Angelil is presently the CEO of Eltek ASA. He held various management positions within the Eltek Group of Companies including key positions of General Manager, Managing Director and Group Director. Mr Morten holds a Bachelor of Science degree in Electrical Engineering (Power Electronics) from North-Eastern University, Boston USA and Graduate Course in Electrical Engineering from Boston University, Boston USA.

# Board of Directors

## ■ MR LARS JERVAN

Mr Lars Jervan was appointed as the non-executive Director of the Company on 17 October 2007. Currently, Mr Jervan is the CEO of Nera Networks AS. He held various management positions within Eltek Energy AS from 1991 to 2006 including the previous appointments as Chief Operating Officer, Vice President for Global Accounts and Vice President for APAC. Mr Jervan holds a Master of Science degree in Electrical Engineering from the Norwegian University of Science and Technology.

## ■ MR LAU PING SUM

Mr Lau Ping Sum is an independent Director of the Company. He was appointed to the Board on 29 April 1999. Mr Lau is presently the Executive Director of People's Action Party / People's Action Party Community Foundation Headquarters. He has more than 20 years of experience in information technology (IT) and was responsible for the IT functions in two local banks. He is also a director of Huan Hsin Holdings Ltd, Cortina Holdings Ltd and Sunpower Group Ltd. Mr Lau was a Member of Parliament from 1980 to 1996. Mr Lau holds a degree in Economics from the Australian National University and a Diploma in Business Administration from the University of Singapore.

## ■ 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, GKE International Limited, Joynn Holdings Limited (formerly known as Cytech Software Limited), 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 7 publicly listed companies in the preceding five years including Bio-Treat Technology Limited, CWT Limited (formerly known as CWT Distribution Limited), Fibrechem Technologies Limited, Futuristic Group Ltd (formerly known as Futuristic Image Builder Ltd), KS Energy Services Limited (formerly known as KS Tech Ltd), WPG International Pte. Ltd. (formerly known as WPG International Limited) and Middle East Development Singapore Ltd (formerly known as Hitchins Group Ltd). 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.

# Senior Management

**Dr Tan Hong Pew** is the Executive Vice President for Telecommunications - Satellite Communications. He is responsible for the overall performance of Satellite Communications business in Asia. Dr Tan has many years of working experience in senior management positions in both local and foreign MNCs. Dr Tan holds a Bachelor of Science (1st Class Honours) degree from the University of New South Wales, a Master of Science degree (Industrial Engineering) from the National University of Singapore and a degree of Doctor in Business Administration from the University of Western Australia.

**Mr Tay Kheng Seng Alvin** is the Executive Vice President for Telecommunications - Transmission Networks. He is responsible for the overall performance of the Transmission Networks business in Asia. Mr Tay has more than twenty-seven years of working experience in sales and marketing, financial services and has held several senior management positions prior to joining the Company. Mr Tay holds a Master of Business Administration degree from the Brunel University.

**Mr Chan Heng Chew Michael** is the Senior Vice President for Contracts and Investment. He is responsible for project financing, risk management 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. He has more than sixteen years of experience in marketing, logistics, investment, business and corporate development in various industries such as shipping, healthcare, leisure, printing and publishing. Mr Chan holds a Bachelor of Science degree in Finance from the Indiana University and a Master of Business Administration degree from the Monash University.

**Ms Chiang Hock Chin Jessie** is the Senior Vice President for Corporate Affairs/Staff. She is responsible for the corporate secretarial functions, corporate communications and investor relations of the NeraTel Group, which include crisis management, corporate identity and the strategic positioning of the Company and NeraTel Group. She has more than nineteen years of experience in the areas she is currently serving. In addition, she oversees the Group's functions of Human Resource, Administration and Information Services. Ms Chiang is a member of the Institute of Public Relations of Singapore.

**Mr Mark Weng Kwai** is the Financial Controller. He is responsible for the financial planning, analysis and budgeting as well as taxation, treasury functions and related financial matters of the NeraTel Group. In addition, he is responsible for the compliance with the accounting and financial policies and procedures within the NeraTel Group. He has more than sixteen years of experience including seven years in audit with Price Waterhouse, Singapore (now known as PricewaterhouseCoopers, Singapore) and senior finance positions in two public listed companies in Singapore. Mr Mark obtained his Bachelor of Accountancy (Honours) degree from the National University of Singapore. He is a Fellow Certified Public Accountant (FCPA Singapore) and a member of Institute of Certified Public Accountants of Singapore.

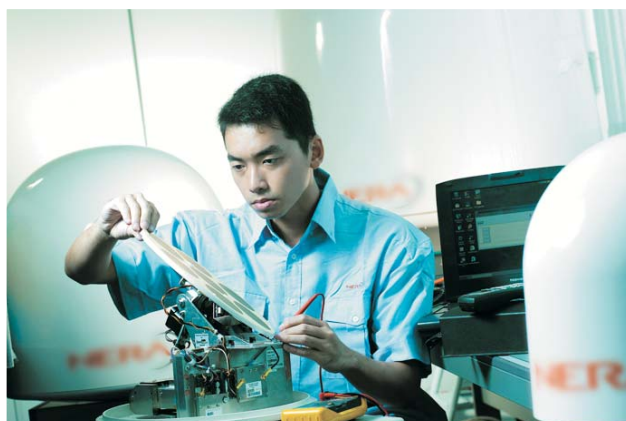
## Business Segment



Marine & Land Satellite Terminals



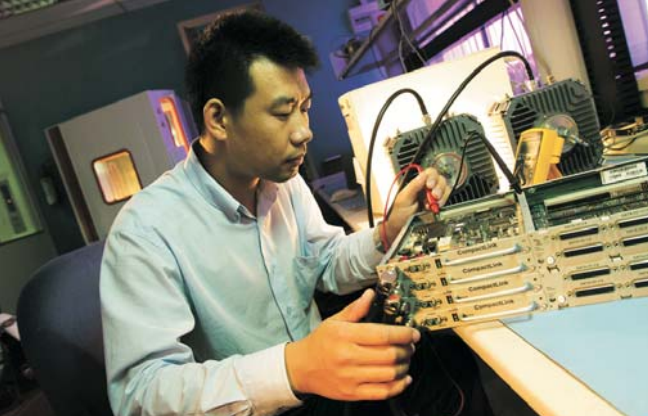
Engineer fixing the broadband satellite antenna



Servicing of Satellite Terminal

# telecommunications





Transmission R&D Engineer at work



Product discussion on Compact Link

### Transmission 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 competitive solutions that are easy to plan, install and implement, our three product lines namely Evolution, InterLink and CompactLink, offer a spectrum of transmission networks (ranging from low to high frequencies) in a variety of capacities.

The Evolution series, which were launched recently, are designed to offer multi-level capacity and services, thus providing customers better capabilities to handle escalating demand for bandwidth as well as new service demand such as triple play and 3G.

Our high capacity SDH trunk and access products (Evolution and InterLink), coupled with our PDH radio, CompactLink, is a cost effective low-to-medium capacity transmission network.

### Satellite Communications

Our Satellite Communications portfolio has a comprehensive range of communication products and solutions deploying various technologies.

The mobile satellite terminals, utilising the Inmarsat BGAN (Broadband Global Area Network) services, enables the users to access voice and data services simultaneously from almost any part of the world. It also offers live television streaming and video conferencing. The largest segments are expected to be defence and military, aid and rescue, construction and mining, media and printed press, civil government, oil and gas.

For the broadband satellite system, it has the ability to exploit available satellite capacity efficiently, thus offers our customers bandwidth at a competitive 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.

## Business Segment



Infocomm Network Solutions Laboratory

# infocomm



Staff interaction in Infocomm Broadcasting Lab



Point-of-Sale Terminal

### Network Infrastructure

The Infocomm Network Infrastructure business comprises the Security Solutions, Internet Appliances and Networking Solutions.

#### 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 security products, coupled with highly skilled network expertise, enable us to offer reliable and cost effective security solutions to the customers, helping them to 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 demand by 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

Our Networking Solutions unit provides high performance IP Networks, IP routers and switches and network management systems to carrier, enterprises and government organizations. Our proficient Infocomm Network Infrastructure specialists provide end-to-end solutions that include network design, planning, project management and implementation to customers.

#### Payment Solutions

Our Infocomm Payment Solutions is one of the market leaders in the point-of-sale (POS) 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.



## Business Segments - Infocomm

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 various banks and financial institutions. New service and maintenance businesses have also been secured with banks and financial institutions in the Philippines and Thailand.

### Broadcasting

In the Infocomm Broadcasting business, we provide digital mobile TV infrastructure network that made Singapore a lead user in Digital Video Broadcast (DVB) technology. We also offer expertise in both analogue and digital TV from turnkey solutions to broadcasting auxiliary services such as headend equipment, coverage planning, antennas and transmitters. In addition, we provide IP and Network Security solutions as well as high definition media storages.

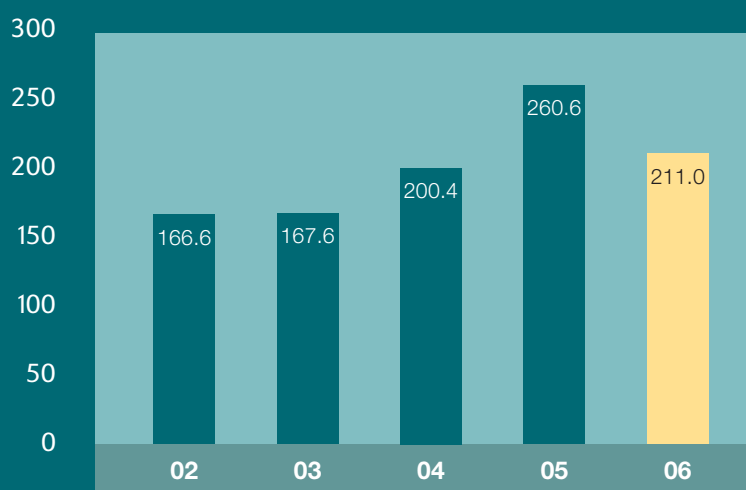
Our broadcasting business also includes the maintenance and servicing of cable TV systems (CATV) and digital TV networks for property developers.

### Wireless Broadband Networks

Our Wireless Broadband Networks offers two products, namely Nera NetLink and MultiLink. Both NetLink and MultiLink deliver resilient networks that support data, voice, video and mobility applications. NetLink allows carriers and service providers to offer their subscribers with reliable, high speed, high capacity internet and telephony access while MultiLink facilitates backhauling in cellular networks for volume and traffic control.

We also offer WiLink product; IEEE 802.16 open standard worldwide inter-operability for Microwave Access (WiMAX) solutions to explore new technologies for ways to leverage sustainable competitive advantages. WiLink will become an important Broadband Wireless Access solution for fixed and portable services in non-cellular bands.

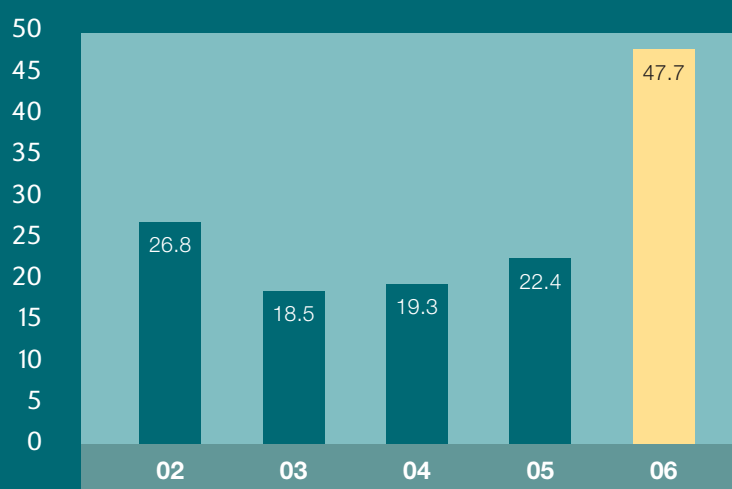
# Financial Highlights



## TURNOVER (S\$M)

Turnover declined by 19% from S\$260.6 million in FY2005 to S\$211.0 million in FY2006.

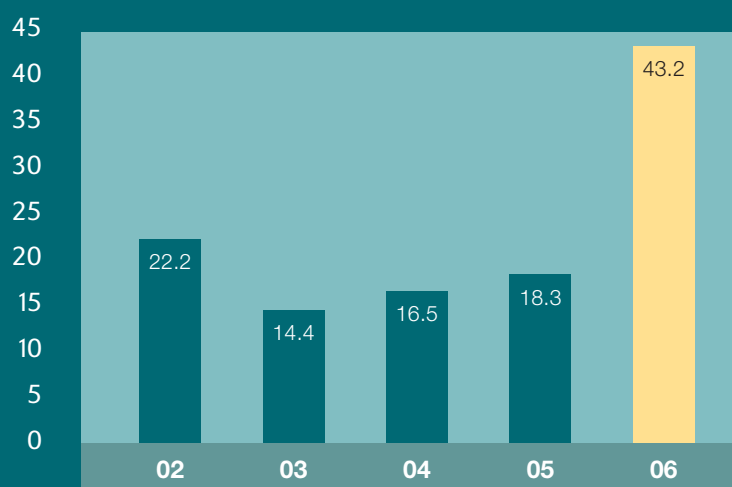
(Turnover for FY2006 comprised S\$140.3 million from continuing operations and S\$70.7 million from discontinued operation up to 14 September 2006)



## PROFIT BEFORE TAX (S\$M)

Profit before tax increased by 113% from S\$22.4 million in FY2005 to S\$47.7 million in FY 2006.

(Profit before tax for FY2006 comprised S\$40.8 million from continuing operations and S\$6.9 million from discontinued operation up to 14 September 2006)



## PROFIT AFTER TAX (S\$M)

Profit after tax increased by 135.7% from S\$18.3 million in FY2005 to S\$43.2 million in FY2006.

(Profit after tax for FY2006 comprised S\$37.8 million from continuing operations and S\$5.4 million from discontinued operation up to 14 September 2006)

# Corporate Information

## Board Of Directors

S Chandra Das \*  
*Chairman*

Ang Seong Kang Samuel \*\*  
*President & CEO*

Morten Fernand Angelil \*\*\*  
*(appointed on 17 October 2006)*

Lars Jervan \*\*\*  
*(appointed on 17 October 2006)*

Lau Ping Sum \*

Sitoh Yih Pin \*

\* *Independent Director*

\*\* *Executive Director*

\*\*\* *Non-Executive Director*

## Audit Committee

Lau Ping Sum  
*Chairman*

Sitoh Yih Pin

Lars Jervan  
*(appointed on 17 October 2006)*

## Nominating Committee

S Chandra Das  
*Chairman*

Lau Ping Sum

Ang Seong Kang Samuel

## Compensation Committee

S Chandra Das  
*Chairman*

Sitoh Yih Pin

Morten Fernand Angelil  
*(appointed on 17 October 2006)*

## 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

3 Church Street #08-01

Samsung Hub

Singapore 049483

Tel : (65) 6536 5355

Fax : (65) 6536 1360

## Registrars And Share Transfer Office

*Lim Associates (Pte) Ltd*

3 Church Street #08-01

Samsung Hub

Singapore 049483

Tel : (65) 6536 5355

Fax : (65) 6536 1360

## Auditors

*Ernst & Young*

One Raffles Quay

North Tower, Level 18

Singapore 048583

Partner-in-charge: Tan Wee Khim

(appointed with effect  
from financial year ended  
31 December 2005)

## 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



# Group Structure

INDIA  
(New Delhi)

CHINA  
(Beijing)

TAIWAN  
(Taipei)

VIETNAM  
(Hanoi)

PHILIPPINES  
(Manila)

THAILAND  
(Bangkok)

MALAYSIA  
(Kuala Lumpur)

SINGAPORE

INDONESIA  
(Jakarta)

AUSTRALIA  
(Sydney)

## Subsidiaries and Associated Company

- 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



Kick Off Meeting



Trip to Genting Highlands



Lunar New Year Celebration



Dinner and Dance



Christmas Celebration

To remain competitive and to stay at the forefront of technology, we are committed to developing our human capital to handle the challenges of tomorrow.

Our training programmes answer the complexities of today's working environment, with various programmes catered for different levels of employees to allow them to learn and grow with the challenges they face. We believe that the acquired skills and knowledge not only further enhance their productivity and performance in their current roles, but also provides them the opportunities for career development within the organisation.

Some social activities like sport and recreation, dinner and dance, festive celebrations and get-togethers are organised to provide a platform for the employees to interact across all levels. This will not only strengthen the working relationship between the employees but also enhance the working environment.

## our people

# Corporate Governance Report

Nera Telecommunications Ltd ("the Company") is committed to maintaining high standard of corporate governance so as to ensure greater transparency and protect the interests of its employees, customers and shareholders. The Board's approach to corporate governance is in compliance with the benchmark set by the Code of Corporate Governance 2005 ("the Code") issued by the Ministry of Finance on 14 July 2005.

This report outlines the Company's corporate governance framework in place with reference to the revised Code, which forms part of the Continuing Obligations of the Singapore Exchange Securities Trading Limited's Listing Manual.

## 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; and
- (d) assuming responsibility for good 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 six Directors. Half 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\*

Morten Fernand Angelil (appointed on 17 October 2006)

Lars Jervan (appointed on 17 October 2006)

Lau Ping Sum\*

Sitoh Yih Pin\*

\* Independent Directors

# 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 six 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 fulfill 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 including the Chairman are independent Directors. The Chairman is not associated with a substantial shareholder, thus complying with the new requirement of the Code. The composition of the NC is as follows:

S Chandra Das, Chairman \*  
Lau Ping Sum \*  
Ang Seong Kang Samuel

*\* Independent Director*

# 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. In considering the appointment of any new director, the NC ensures that the new director possesses the necessary skills, knowledge and experience that could facilitate the Board in making sound and well considered decisions.

In accordance with the Company's Articles of Association, new Directors must submit themselves to re-election at the next Annual General Meeting of the Company and 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, Morten Fernand Angelil and Lars Jervan, for re-election at the forthcoming Annual General Meeting. Sitoh Yih Pin is retiring under Article 87 of the Company's Articles of Association while Lars Jervan and Morten Fernand Angelil 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 14 April 2005. 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.

Lars Jervan, a non-executive Director, was appointed to the Board on 17 October 2006. He is also a member of the Audit Committee. Lars Jervan will, upon re-election as Director of the Company, remain a member of the Audit Committee.

Morten Fernand Angelil, a non-executive Director, was appointed to the Board on 17 October 2006. He is also a member of the Compensation Committee. Morten Fernand Angelil will, upon re-election as Director of the Company, remain a member of the Compensation Committee.

## 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 since FY2003.

# Corporate Governance Report

## Audit Committee (AC)

### Principle 11 : Audit Committee

### Principle 12 : Internal Controls

The Audit Committee comprises three non-executive Directors, the majority of whom, including the Chairman, are independent Directors. The composition of the AC is as follows:

Lau Ping Sum, Chairman\*

Sitoh Yih Pin\*

Lars Jervan (appointed on 17 October 2006)

*\* Independent Director*

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 quarter, half-year and annual financial statements for recommendation to the Board for approval, focusing in particular, on:
  - (i) significant financial reporting issues and judgments
  - (ii) changes in accounting policies and practices
  - (iii) major risk areas
  - (iv) significant adjustments resulting from the audit
  - (v) the going concern statement
  - (vi) compliance with accounting standards
  - (vii) compliance with statutory and regulatory requirements.
- (d) to review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position;
- (e) to review interested person transactions;
- (f) to review the scope and results of the internal audit procedures; and
- (g) 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.



# Corporate Governance Report

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

The Company has put in place a whistle-blowing framework, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. The details of the whistle-blowing policies and arrangements have been made available to the employees.

## **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. To ensure the adequacy of the internal audit functions, the AC reviews the IA activities on a quarterly basis.

The Audit Committee is satisfied that there has been adequate internal audit functions and that the existing system of internal control is adequately maintained.

## **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, all are non-executive Directors and a majority of whom are independent Directors. The composition of the CC is as follows:

S Chandra Das, Chairman\*

Sitoh Yih Pin\*

Morten Fernard Angelil (appointed on 17 October 2006)

*\* Independent Director*

The principal responsibilities of the CC are:

- (a) to review and recommend to the Chairman of the Board, a framework of remuneration and the specific remuneration packages for both executive and non-executive Directors. This covers all aspects of remuneration including the Directors' fees, salaries, allowances, options and benefits in kind. The CC will empower the CEO, who is an executive Director, to review and fix the framework of remuneration for the senior management.
- (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.

As part of its review, the CC takes into consideration:

- (a) that the remuneration packages should be comparable within the industry and in comparable companies and shall include a performance related element coupled with appropriate and meaningful measures of assessing individual directors' and senior management's performance. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate (Group) and individual performance;
- (b) that the remuneration packages of employees related to executive directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

# Corporate Governance Report

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, who are employees of the NeraTel Group or its related companies, will not be paid Directors' fees.

The CC has 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.

The following table shows the makeup (in percentage terms) of the remuneration and fees of the Directors for the year ended 31 December 2006:

Remuneration Bands / Name	Fees	Salary	Bonus	Total
	(S\$) %	(S\$) %	(S\$) %	%
<b>S\$500,000 and above</b>				
Ang Seong Kang Samuel <sup>(1)</sup>	-	45	55	100
<b>S\$250,000 to S\$499,999</b>				
NIL	-	-	-	-
<b>Below S\$250,000</b>				
<b>(Fees paid to independent Directors) <sup>(2)</sup></b>				
S Chandra Das (S\$70,000)	100	-	-	100
Svein Ove Strommen (S\$30,626) <sup>(3)</sup>	100	-	-	100
Lau Ping Sum (S\$50,000)	100	-	-	100
Sitoh Yih Pin (S\$45,000)	100	-	-	100

**Notes:**

<sup>(1)</sup> The salary and bonus are inclusive of CPF.

<sup>(2)</sup> These fees are subject to approval by the shareholders as a lump sum for FY2006 at the Annual General Meeting.

<sup>(3)</sup> Svein Ove Strommen, who left the Board on 16 October 2006, will receive pro-rated director's fee.

<sup>(4)</sup> No other directors, other than disclosed above, received directors' fees or remuneration during the period.

<sup>(5)</sup> The above table excludes share options which are described in the Directors' Report.

# Corporate Governance Report

## Senior Management's Remuneration

Senior management of the Company who were above S\$250,000 and below S\$250,000 bands (in percentage terms) during the year are as follows:

Remuneration Band / Name and Position	Salary <sup>(1)</sup>	Bonus <sup>(1)</sup>	Total
	%	%	%
<b>S\$250,000 to S\$499,999</b>			
Tan Hong Pew, Executive Vice President, Satellite Communications	76	24	100
<b>Below S\$250,000</b>			
Tay Kheng Seng Alvin, Executive Vice President, Transmission Networks	76	24	100
Chan Heng Chew Michael, Senior Vice President, Contracts & Investment	77	23	100
Chiang Hock Chin Jessie, Senior Vice President, Corporate Affairs/ Staff	77	23	100
Mark Weng Kwai, Financial Controller <sup>(2)</sup>	93	7	100

Notes:

<sup>(1)</sup> Salaries are inclusive of allowances. In addition, salaries and bonuses are inclusive of CPF.

<sup>(2)</sup> Mark Weng Kwai received 13-month supplementary bonus in FY2006.

<sup>(3)</sup> There were no share options granted in FY2006.

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. All Directors including chairpersons of the Audit, Nominating and Compensation Committee are encouraged to be present at all Annual General Meeting. 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

In line with the best practice guide enumerated in the new listing rule requirements, 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 (2) weeks before the announcement of the Company's financial statements for first, second and third quarters of its financial year and one (1) month before the announcement of the Company's financial statements for its full financial year, and ending on the date of announcement of the results, and at all times when in possession of price-sensitive information.

During the period under review, the Company adopted two (2) weeks window period of prohibiting directors and key employees for dealing in securities.

# Corporate Governance Report

## 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.

The followings are details of the aggregate value of interested person transactions for FY2006 undertaken pursuant to a shareholder's general mandate obtained at the last Annual General Meeting.

Aggregate value of all interested person transactions conducted during the financial year under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
Name of Interested Person	S\$'000
<b>Sales</b>	
Nera Networks AS	19,507
Nera Networks Inc.	8,520
Nera Satcom AS	2,665
Nera Broadband Satellite	517
<b>Purchases</b>	
Nera Networks AS	21,310
Nera Satcom AS	9,496
Nera Broadband Satellite	420
<b>Other Operating Revenues</b>	
Nera Networks AS	569

Note:

(i) All interested person transactions conducted during the financial year were under shareholders' mandate pursuant to Rule 920.

(ii) Nera Satcom AS is no longer part of the Nera ASA group with effect from October 2006. Accordingly, disclosure of transactions with Nera Satcom AS is up to September 2006.

## Directors' Attendance at Board and Board Committee Meetings in 2006

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	5	4	-	-	1	1	1	1
Ang Seong Kang Samuel	5	5	-	-	-	-	1	1
Svein Ove Strommen <sup>(1)</sup>	5	3	-	-	1	1	-	-
Bjorn Olafsson <sup>(2)</sup>	5	4	4	3	-	-	-	-
Lau Ping Sum	5	5	4	4	-	-	1	1
Sitoh Yih Pin	5	4	4	3	1	1	-	-
Morten Fernand Angelil <sup>(3)</sup>	5	1	-	-	-	-	-	-
Lars Jervan <sup>(3)</sup>	5	1	4	1	-	-	-	-

Notes:

<sup>(1)</sup> Svein Ove Strommen resigned as a Director on 16 October 2006

<sup>(2)</sup> Bjorn Olafsson resigned as a Director on 12 October 2006

<sup>(3)</sup> Lars Jervan and Morten Fernand Angelil were appointed as Directors on 17 October 2006

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# financial statements

# Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Nera Telecommunications Ltd (the "Company") and its subsidiaries (the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2006.

## Directors

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

S Chandra Das	(Chairman)
Ang Seong Kang Samuel	(President and Chief Executive Officer)
Lau Ping Sum	
Sitoh Yih Pin	
Morten Fernand Angelil	(Appointed on 17 October 2006)
Lars Jervan	(Appointed on 17 October 2006)

## 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 objects are, or one of 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

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations as stated below :

Name of director	Held by director			Other shareholdings in which the director is deemed to have an interest		
	As at 1.1.2006/ date of appointment	As at 31.12.2006	As at 21.1.2007	As at 1.1.2006/ date of appointment	As at 31.12.2006	As at 21.1.2007
<b>Ultimate holding company</b>						
<b>Eltek ASA</b>						
<b>Ordinary shares</b>						
S Chandra Das	—	1,800	1,800	—	—	—
Ang Seong Kang Samuel	—	3,130	3,130	—	—	—
Morten Fernand Angelil *	—	—	—	182,708	182,708	182,708
Lars Jervan **	—	—	—	178,408	178,408	178,408
<b>Option to subscribe for</b>						
<b>Ordinary shares</b>						
Morten Fernand Angelil	150,000	195,000	195,000	—	—	—
Lars Jervan	70,000	70,000	70,000	—	—	—



# Directors' Report

## 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 1.1.2006/ date of appointment	As at 31.12.2006	As at 21.1.2007	As at 1.1.2006/ date of appointment	As at 31.12.2006	As at 21.1.2007
<b>The Company</b>						
<b>Ordinary shares</b>						
S Chandra Das ***	1,650,000	—	—	1,000,000	1,000,000	1,000,000
Ang Seong Kang Samuel ****	2,630,000	2,630,000	2,630,000	65,000	65,000	65,000
Lau Ping Sum	550,000	550,000	550,000	—	—	—
Sitoh Yih Pin	500,000	500,000	500,000	—	—	—

\* 178,408 shares are held by Mola AS, which Morten Fernand Angelil has interest in, and 4,300 shares held by Bimo Invest AS, which is owned by Morten Fernand Angelil.

\*\* 178,408 shares are held by Mola AS, which Lars Jervan has interest in.

\*\*\* 1,000,000 shares are held by the spouse of S Chandra Das.

\*\*\*\* 25,000 shares are held by the spouse of Ang Seong Kang Samuel and 40,000 shares are under the Central Provident Fund share investment scheme.

Name of director	Held by director		
	As at 1.1.2006	As at 31.12.2006	As at 21.1.2007
<b>Related Corporations</b>			
<b>Nera Infocom (M) Sdn Bhd</b>			
Ordinary shares of RM 1 each			
Ang Seong Kang Samuel	1	1	1
<b>Nera (Philippines) Inc.</b>			
Ordinary shares of Peso 100 each			
Ang Seong Kang Samuel	1	1	1
<b>P.T. Nera Indonesia</b>			
Ordinary shares of US\$2,000 each			
Ang Seong Kang Samuel	1	1	1
<b>Nera Telecommunications (Taiwan) Co., Ltd.</b>			
Ordinary shares of NT\$10 each			
Ang Seong Kang Samuel	1	1	1
<b>Nera Telecommunications (India) Pvt Ltd</b>			
Ordinary shares of 10 Rupees each			
Ang Seong Kang Samuel	5,000	5,000	5,000
<b>Nera Electronics (India) Pvt Ltd</b>			
Ordinary shares of 10 Rupees each			
Ang Seong Kang Samuel	1	1	1

Except as disclosed in this report, no other director who held office at the end of the financial year had interests in shares, share options or debentures of the Company, or of related corporations, either at the beginning or end of the financial year and on 21 January 2007.

# Directors' Report

## 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) Morten Fernand Angelil
- (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 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	–	20.3.2005 to 19.3.2008
Lau Ping Sum	0.625	–	100,000	–	100,000	1.3.2004 to 28.2.2007
	0.22	–	100,000	100,000	–	20.3.2005 to 19.3.2008
Sitoh Yih Pin	0.625	–	100,000	–	100,000	1.3.2004 to 28.2.2007
	0.22	–	100,000	100,000	–	20.3.2005 to 19.3.2008
Ang Seong Kang	0.625	–	200,000	–	200,000	1.3.2004 to 28.2.2012
Samuel	0.22	–	200,000	200,000	–	20.3.2005 to 19.3.2013

# Directors' Report

## 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 at the respective exercisable price were as follows :

	Exercise price \$	Aggregate options outstanding as at beginning of financial year	Options granted during the financial year	Options exercised during the financial year	Options cancelled during the financial year	Aggregate options outstanding as at end of financial year	Exercisable period
Employees of the Company	0.625	641,000	–	–	22,000	619,000	1.3.2004 to 28.2.2012
	0.22	14,000	–	–	–	14,000	20.3.2005 to 19.3.2013
Employees of the subsidiaries	0.625	685,000	–	–	426,000	259,000	1.3.2004 to 28.2.2012
	0.22	9,000	–	–	–	9,000	20.3.2005 to 19.3.2013
Employees of an associate	0.625	143,000	–	–	24,000	119,000	1.3.2004 to 28.2.2007

Except for the above, no options have been granted to controlling shareholders of the Company, their associates or employees of related corporations and no participant has 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 Singapore Companies Act, Cap. 50. The functions performed are detailed in the Report on Corporate Governance.

# Directors' Report

## Auditors

Ernst & Young have expressed their willingness to accept reappointment as auditors.

On behalf of the board of directors,

**S Chandra Das**

Director

**Ang Seong Kang Samuel**

Director

Singapore

23 March 2007

# Statement by Directors

Pursuant to Section 201(15)

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, statements 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 Group and of the Company as at 31 December 2006 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors,

**S Chandra Das**

Director

**Ang Seong Kang Samuel**

Director

Singapore

23 March 2007

# Independent 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 37 to 82, which comprise the balance sheets of the Group and the Company as at 31 December 2006, the statements of changes in equity of the Group and the Company, and the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion,

- (i) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore 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 2006 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (ii) 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  
23 March 2007



# Balance Sheets

as at 31 December 2006

		Group		Company	
	Note	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Non-current assets</b>					
Fixed assets	3	6,379	10,703	4,309	3,809
Investment in subsidiaries	4	–	–	4,316	9,580
Investment in an associate	5	1,094	1,274	199	199
Deferred tax assets	26	875	2,612	175	682
		8,348	14,589	8,999	14,270
<b>Current assets</b>					
Stocks	6	5,642	33,083	4,320	7,851
Contract work-in-progress	7	18,627	14,351	16,794	11,444
Trade receivables	8	29,957	35,131	24,812	16,725
Other receivables, deposits and prepayments	9	1,863	3,663	569	373
Amounts due from subsidiaries					
– trade	10	–	–	4,497	3,474
– non-trade	10	–	–	–	1,028
Amount due from an associate					
– trade	10	7,231	11,066	6,303	10,861
– non-trade	10	1,263	1,263	1,263	1,263
Amounts due from related companies					
– trade	10	156	6,948	56	1,987
Fixed deposits	11	12,896	18,026	12,896	18,026
Cash and bank balances		12,935	37,063	10,088	9,819
		90,570	160,594	81,598	82,851
<b>Current liabilities</b>					
Trade payables	12	16,393	30,445	14,716	12,608
Other payables and accruals	13	9,706	17,080	7,662	6,181
Amounts due to subsidiaries (trade)	10	–	–	384	2,620
Amount due to an associate (trade)	10	18	18	–	–
Amounts due to related companies (trade)	10	374	6,136	327	6,069
Provision for taxation		2,495	5,981	2,704	3,517
Provision for warranty	14	3,044	4,249	1,403	1,682
		32,030	63,909	27,196	32,677
<b>Net current assets</b>		58,540	96,685	54,402	50,174
<b>Net assets</b>		66,888	111,274	63,401	64,444

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

# Balance Sheets

as at 31 December 2006

		Group		Company	
	Note	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Equity attributable to equity holders of the Company</b>					
Share capital	15	29,906	18,094	29,906	18,094
Share premium	16	–	11,812	–	11,812
Revenue reserve		38,645	62,317	33,494	34,536
Capital reserve	17	–	4,951	–	–
Employee share option reserve	17	1	2	1	2
Translation reserve	17	(1,664)	(1,206)	–	–
		66,888	95,970	63,401	64,444
Minority interest		–	15,304	–	–
		66,888	111,274	63,401	64,444

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

# Consolidated Profit and Loss Account

for the year ended 31 December 2006

	Note	2006 \$'000	2005 \$'000
(As restated)			
<b>Continuing operations</b>			
Turnover	18	140,343	166,291
Cost of sales		(109,965)	(133,657)
<b>Gross profit</b>		30,378	32,634
Other operating income	19	723	590
Distribution and selling expenses		(13,987)	(14,064)
Administrative expenses	20	(5,748)	(5,633)
Other operating expenses	20	(1,030)	(393)
<b>Profit from operating activities</b>		10,336	13,134
Financial income	23	2,052	1,204
Financial expenses	24	(173)	(286)
Exceptional item	25	28,777	–
		40,992	14,052
Share of loss of an associate	5	(166)	(1,498)
<b>Profit before tax</b>		40,826	12,554
Tax	26	(3,059)	(3,247)
<b>Net profit for the year from continuing operations</b>		37,767	9,307
<b>Discontinued operation</b>			
Profit for the year from a discontinued operation	25	5,420	9,016
<b>Profit for the year</b>		43,187	18,323
Attributable to :			
Equity holders of the Company		41,467	15,463
Minority interests		1,720	2,860
<b>Profit attributable to shareholders</b>		43,187	18,323
<b>Earnings per share</b>			
Basic – continuing operations	27	10.44	2.58
Basic – discontinued operation	27	1.02	1.70
Diluted – continuing operations	27	10.44	2.58
Diluted – discontinued operation	27	1.02	1.70

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

# Statement of Changes in Equity

for the year ended 31 December 2006

Group	Share capital (Note 15) \$'000	Share premium (Note 16) \$'000
<b>2006</b>		
At 1 January 2006	18,094	11,812
Foreign currency translation difference	–	–
Net income recognised directly in equity	–	–
Net profit for the year	–	–
Total recognised income and expenses for the year	–	–
Employee share options cancelled	–	–
Transfer of share premium reserve to share capital account	11,812	(11,812)
Disposal of a subsidiary company	–	–
Dividends (Note 28)	–	–
At 31 December 2006	29,906	–
<b>2005</b>		
At 1 January 2005	18,000	11,383
Foreign currency translation difference	–	–
Net income recognised directly in equity	–	–
Net profit for the year	–	–
Total recognised income and expenses for the year	–	–
Exercise of employee share options	94	429
Dividends (Note 28)	–	–
At 31 December 2005	18,094	11,812

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

Attributable to equity holders  
of the Company

Revenue reserve	Capital reserve	Employee share option reserve	Translation reserve	Minority interests	Total equity
\$'000	(Note 17) \$'000	(Note 17) \$'000	(Note 17) \$'000	\$'000	\$'000
62,317	4,951	2	(1,206)	15,304	111,274
–	–	–	(458)	–	(458)
–	–	–	(458)	–	(458)
41,467	–	–	–	1,720	43,187
41,467	–	–	(458)	1,720	42,729
–	–	(1)	–	–	(1)
–	–	–	–	–	–
–	(4,951)	–	–	(16,186)	(21,137)
(65,139)	–	–	–	(838)	(65,977)
38,645	–	1	(1,664)	–	66,888
55,177	4,951	74	(1,428)	13,282	101,439
–	–	–	222	–	222
–	–	–	222	–	222
15,463	–	–	–	2,860	18,323
15,463	–	–	222	2,860	18,545
–	–	(72)	–	–	451
(8,323)	–	–	–	(838)	(9,161)
62,317	4,951	2	(1,206)	15,304	111,274

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

# Statement of Changes in Equity

for the year ended 31 December 2006

Company	Share capital (Note 15) \$'000	Share premium (Note 16) \$'000	Revenue reserve \$'000	Employee share option reserve (Note 17) \$'000	Total equity \$'000
<b>2006</b>					
At 1 January 2006	18,094	11,812	34,536	2	64,444
Net profit for the year	–	–	64,097	–	64,097
Employee share options cancelled	–	–	–	(1)	(1)
Transfer of share premium reserve to share capital account	11,812	(11,812)	–	–	–
Dividends (Note 28)	–	–	(65,139)	–	(65,139)
At 31 December 2006	29,906	–	33,494	1	63,401
<b>2005</b>					
At 1 January 2005	18,000	11,383	30,414	74	59,871
Net profit for the year	–	–	12,445	–	12,445
Exercise of employee share options	94	429	–	(72)	451
Dividends (Note 28)	–	–	(8,323)	–	(8,323)
At 31 December 2005	18,094	11,812	34,536	2	64,444

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



# Consolidated Cash Flow Statement

for the year ended 31 December 2006

	Note	2006 \$'000	2005 \$'000
<b>Cash flows from operating activities</b>			
Profit from continuing operations before taxation		40,826	12,554
Profit from discontinued operation before taxation		6,906	9,854
		47,732	22,408
Adjustments for :			
Depreciation of fixed assets	3	2,591	3,266
(Gain)/loss on disposal of fixed assets		(16)	47
Gain from disposal of a subsidiary company, net	25	(28,777)	–
Allowance for stock obsolescence	6	1,417	2,158
Allowance for doubtful trade debts	8	588	147
Provision for warranty	14	1,957	2,996
Interest expense		–	14
Interest income		(2,392)	(1,578)
Share of loss of an associate		166	1,498
Share-based payment expense		(1)	37
<b>Operating profit before working capital changes</b>		23,265	30,993
Decrease/(increase) in :			
Stocks		(9,696)	(3,014)
Contract work-in-progress		(4,276)	(3,720)
Trade receivables		(15,371)	3,400
Other receivables, deposits and prepayments		(2,484)	1,702
Changes in related companies and associate balances		(703)	(3,255)
(Decrease)/increase in :			
Trade payables		12,360	1,648
Other payables and accruals		1,723	(498)
Provision for warranty		(1,295)	(2,492)
<b>Cash generated from operations</b>		3,523	24,764
Income tax paid		(4,385)	(4,589)
Interest paid		–	(14)
<b>Net cash flows (used in)/from operating activities</b>		(862)	20,161
<b>Cash flows from investing activities</b>			
Proceeds from disposal of fixed assets		19	59
Purchase of fixed assets		(3,929)	(3,994)
Interest received		2,392	1,578
Disposal of a subsidiary, net of cash disposed	25	39,508	–
<b>Net cash from/(used in) investing activities</b>		37,990	(2,357)

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

# Consolidated Cash Flow Statement

for the year ended 31 December 2006

	Note	2006 \$'000	2005 \$'000
<b>Cash flows from financing activities</b>			
Repayment of lease obligations		–	(56)
Dividends paid to shareholders of the Company	28	(65,139)	(8,323)
Dividends paid to minority shareholders of subsidiary		(838)	(838)
Proceeds from issue of ordinary shares on exercise of employees' share options		–	414
<b>Net cash used in financing activities</b>		<b>(65,977)</b>	<b>(8,803)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(28,849)</b>	<b>9,001</b>
Effect of exchange rate changes		(409)	162
Cash and cash equivalents at beginning of year		55,089	45,926
Cash and cash equivalents at end of year	29	25,831	55,089

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

# Notes to the Financial Statements

31 December 2006

## 1. Corporate information

The Company is a limited liability company incorporated and domiciled in Singapore.

The merger of Eltek ASA and Nera ASA was completed on 19 October 2006 and Eltek ASA is now the company's ultimate holding company, incorporated in Norway.

The registered office of the Company is 3 Church Street, #08-01 Samsung Hub, Singapore 049483. 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 other than the disposal of the subsidiary, Nera Electronics Ltd during the year, as shown in Note 25 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at their fair values.

The financial statements are presented in Singapore dollars (SGD or \$) and all values are rounded to the nearest thousand (\$'000) except when otherwise indicated.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

### 2.2 FRS and INT FRS not yet effective

The Group and the company have not applied the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (Annual periods beginning on or after)
FRS 1	: Amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)	1 January 2007
FRS 40	: Investment Property	1 January 2007
FRS 107	: Financial Instruments: Disclosures	1 January 2007
FRS 108	: Operating Segments	1 January 2009
INT FRS 107	: Applying the Restatement Approach under FRS 29, Financial Reporting in Hyperinflationary Economies	1 March 2006
INT FRS 108	: Scope of FRS 102, Share-based Payment	1 May 2006
INT FRS 109	: Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110	: Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111	: Group and Treasury Share Transactions	1 March 2007
INT FRS 112	: Service Concession Arrangements	1 January 2008

# Notes to the Financial Statements

31 December 2006

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

### 2.2 FRS and INT FRS not yet effective (cont'd)

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107, FRS 108 and the amendment to FRS 1 as indicated below.

*FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)*

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 from annual period beginning 1 January 2007.

*FRS 108, Operating Segments*

FRS 108 requires an entity to adopt a "management perspective approach" in reporting financial and descriptive information about its reportable segment. Financial information is required to be reported on the basis that it is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. FRS 108 introduces additional segmental disclosures to be made to improve the information about operating segments. The Group will apply FRS 108 from annual period beginning 1 January 2009.

### 2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Key sources of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below.

#### (i) Depreciation of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over the machineries' useful lives. Management estimates the useful lives of these plant and equipment to be within 2 to 7 years. The carrying amount of the Group's plant and equipment at 31 December 2006 was \$3,892,000 (2005: \$7,471,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

#### (ii) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and net deferred tax assets at 31 December 2006 were \$2,495,000 (2005 : \$5,981,000) and \$875,000 (2005 : \$2,612,000) respectively.

# Notes to the Financial Statements

31 December 2006

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

### 2.4 Functional and foreign currency

#### (a) Functional currency

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

#### (b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

#### (c) Foreign currency translation

The results and financial position of foreign operations are translated into SGD using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

### 2.5 Subsidiaries and principles of consolidation

#### (a) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it 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 any impairment losses.

# Notes to the Financial Statements

31 December 2006

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

### 2.5 Subsidiaries and principles of consolidation (cont'd)

#### (b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Acquisitions of subsidiaries are accounted for using the purchase method.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

### 2.6 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the board of directors.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the profit or loss of the associate is recognised in the consolidated profit and loss account. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and un-audited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and transactions and events in similar circumstances.

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



# Notes to the Financial Statements

31 December 2006

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

### 2.7 Related parties/related companies

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

Related companies in these financial statements referred to Nera ASA group of companies. With effect from 19 October 2006, related companies in these financial statements refer to the Eltek ASA group of companies.

### 2.8 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 its working condition for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of fixed assets.

Depreciation of a fixed asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset 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	–	2 to 5 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of fixed assets.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

During the year, the useful life for new equipment held for leasing was changed from 3 years to 5 years after a review of the useful life. The change resulted in a reduction in depreciation of \$482,000 for the financial year.

### 2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

# Notes to the Financial Statements

31 December 2006

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

### 2.9 Impairment of non-financial assets (cont'd)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses'.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account.

### 2.10 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

#### (a) Financial assets at fair value through profit or loss

Derivative financial instruments whose fair value is positive are classified as financial assets at fair value through profit or loss. The accounting policy for derivative financial instruments is included in Note 2.24.

#### (b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### 2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, short-term deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form a part of the group's cash management.

Cash and short term deposits carried in the balance sheets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.10.

# Notes to the Financial Statements

31 December 2006

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

### 2.12 Trade and other receivables

Trade and other receivables, including amounts due from subsidiaries, associate and related companies are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.10.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.13.

### 2.13 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. When there is an impairment loss, the carrying amount of the asset may be reduced either directly or through the use of an allowance accounts. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

### 2.14 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.

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

### 2.15 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 progress billings which match the billing milestones as indicated in the contract, to the total contract sum.

# Notes to the Financial Statements

31 December 2006

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

### 2.15 Contract work-in-progress (cont'd)

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.

### 2.16 Trade and other payables

Liabilities for trade and other amounts payable, which are normally settled on 30–90 day terms, and payables to subsidiaries, associate and related companies are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

### 2.17 Derecognition of financial assets and liabilities

#### (a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

#### (b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

# Notes to the Financial Statements

31 December 2006

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

### 2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, 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. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

#### *Provision for warranty*

The warranty provision represents the management's estimate of the Group's liability to repair or replace products still 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.

### 2.19 Employee benefits

#### (a) Defined contribution plans

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 contributions 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.

#### (b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

#### (c) Employee share option plans

Employees (including directors and senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share options ('equity-settled transactions').

#### *Equity-settled transactions*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the company ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

# Notes to the Financial Statements

31 December 2006

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

### 2.19 Employee benefits (cont'd)

#### (c) Employee share option plans (cont'd)

##### *Equity-settled transactions (cont'd)*

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has taken advantage of the transitional provisions of FRS 102 in respect of equity-settled awards and has applied FRS 102 only to equity-settled awards granted after 22 November 2002 that had not vested on or before 1 January 2005.

### 2.20 Leases

#### (a) Finance lease

Finance leases, which effectively transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at 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 rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss account. Contingent rents, if any, are charged as expenses in the period in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

#### (b) Operating lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item 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.

### 2.21 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.

#### (a) 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.



# Notes to the Financial Statements

31 December 2006

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

### 2.21 Revenue recognition (cont'd)

#### (b) 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 progress billings which match the billing milestones as indicated in the contract, as a percentage of the total contract sum.

#### (c) Dividend income

Revenue is recognised when dividends are declared payable.

#### (d) Interest income

Revenue is recognised on an accrual basis (using the effective interest method) unless collectibility is in doubt.

### 2.22 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in the profit and loss account over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

### 2.23 Income taxes

#### (a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

#### (b) Deferred tax

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

# Notes to the Financial Statements

31 December 2006

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

### 2.23 Income taxes (cont'd)

#### (b) Deferred tax (cont'd)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### (c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### 2.24 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss account for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

### 2.25 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 2006

## 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 1 January 2005	5,150	2,067	16,190	1,407	1,753	5,036	31,603
Additions	–	232	3,107	6	20	629	3,994
Disposals/written off	–	(53)	(1,036)	(15)	(429)	(50)	(1,583)
Currency realignment	–	7	34	2	1	10	54
At 31 December 2005 and 1 January 2006	5,150	2,253	18,295	1,400	1,345	5,625	34,068
Additions	–	27	1,136	112	55	2,599	3,929
Disposals/written off	–	(1,477)	(16,391)	(504)	(270)	(126)	(18,768)
Currency realignment	–	(5)	20	5	2	(5)	17
At 31 December 2006	5,150	798	3,060	1,013	1,132	8,093	19,246
Accumulated depreciation							
At 1 January 2005	2,789	1,703	11,203	901	1,313	3,614	21,523
Charge for the year	286	80	1,760	105	167	868	3,266
Disposals/written off	–	(11)	(986)	(2)	(428)	(50)	(1,477)
Currency realignment	–	8	35	4	1	5	53
At 31 December 2005 and 1 January 2006	3,075	1,780	12,012	1,008	1,053	4,437	23,365
Charge for the year	286	54	1,429	98	117	607	2,591
Disposals/written off	–	(1,140)	(11,136)	(466)	(261)	(103)	(13,106)
Currency realignment	–	(3)	15	2	3	–	17
At 31 December 2006	3,361	691	2,320	642	912	4,941	12,867
Net book value							
At 31 December 2005	2,075	473	6,283	392	292	1,188	10,703
At 31 December 2006	1,789	107	740	371	220	3,152	6,379

# Notes to the Financial Statements

31 December 2006

## 3. Fixed assets (cont'd)

Company	Leasehold land and building	Leasehold improvements	Plant and other equipment	Furniture and fittings	Motor vehicles	Equipment held for leasing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
At 1 January 2005	5,150	720	714	529	1,304	4,592	13,009
Additions	–	–	17	–	–	639	656
Disposals/written off	–	–	(14)	–	(427)	(41)	(482)
At 31 December 2005 and 1 January 2006	5,150	720	717	529	877	5,190	13,183
Additions	–	29	15	37	–	1,359	1,440
Disposals/written off	–	–	(2)	–	–	(126)	(128)
At 31 December 2006	5,150	749	730	566	877	6,423	14,495
Accumulated depreciation							
At 1 January 2005	2,789	645	359	313	1,013	3,456	8,575
Charge for the year	286	26	111	43	97	718	1,281
Disposals/written off	–	–	(14)	–	(427)	(41)	(482)
At 31 December 2005 and 1 January 2006	3,075	671	456	356	683	4,133	9,374
Charge for the year	286	10	108	32	70	409	915
Disposals/written off	–	–	(1)	–	–	(102)	(103)
At 31 December 2006	3,361	681	563	388	753	4,440	10,186
Net book value							
At 31 December 2005	2,075	49	261	173	194	1,057	3,809
At 31 December 2006	1,789	68	167	178	124	1,983	4,309

As at 31 December 2006, 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

# Notes to the Financial Statements

31 December 2006

## 4. Investment in subsidiaries

	Company	
	2006 \$'000	2005 \$'000
Unquoted shares, at cost	4,379	4,379
Quoted shares, at cost	–	5,264
Carrying amount before impairment loss	4,379	9,643
Impairment loss	(63)	(63)
Carrying amount after impairment loss	4,316	9,580

The details and the principal activities of the subsidiaries are :

Name of Company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of investment	
			2006 %	2005 %	2006 \$'000	2005 \$'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	–	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
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

# Notes to the Financial Statements

31 December 2006

## 4. Investment in subsidiaries (cont'd)

Name of Company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of investment	
			2006 %	2005 %	2006 \$'000	2005 \$'000
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
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
					4,379	9,643

# Notes to the Financial Statements

31 December 2006

## 4. Investment in subsidiaries (cont'd)

Name of Company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of investment	
			2006 %	2005 %	2006 \$'000	2005 \$'000
Held by subsidiary						
Nera Electronics Inc. @	Marketing of electronics manufacturing services	United States of America	–	100		
Nera Electronics (India) Pvt Ltd ++	To provide electronics contract manufacturing services of printed circuit boards assemblies, microwave radios and complete products	India	–	100		

*β Audited by Ernst & Young Singapore*

*\* Audited by member firms of Ernst & Young Global in the respective countries*

*# Audited by Paul Hadiwinata, Hidajat, Arsono & Rekan, Indonesia*

*## Audited by Stirling SCI, Australia*

*+ Audited by PriceWaterhouse & Co, Chennai*

*++ Audited by Prasad & Srinath, Chennai*

*@ Not required to be audited by laws of its country of incorporation*

*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*

On 14 September 2006, the Company disposed of its 68.27% interest in a subsidiary company, Nera Electronics Ltd (Note 25).

## 5. Investment in an associate

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Unquoted equity shares, at cost	199	199	199	199
Share of post-acquisition :-				
Revenue reserve	1,640	1,806	–	–
Translation reserve	(745)	(731)	–	–
Carrying amount of investment	1,094	1,274	199	199

# Notes to the Financial Statements

31 December 2006

## 5. Investment in an associate (cont'd)

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	
			2006 %	2005 %
Nera (Malaysia) Sdn Bhd*	Sale, installation and maintenance of telecommunications equipment	Malaysia	30	30

\* Audited by Ernst & Young Malaysia

The summarised financial information of the associate is as follows :—

	2006 \$'000	2005 \$'000
<b>Assets and liabilities</b>		
Current assets	14,446	20,790
Non-current assets	220	457
Total assets	14,666	21,247
Current liabilities	11,030	17,010
Results :—		
Revenue	24,124	11,585
Loss for the year	(552)	(4,993)

## 6. Stocks

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Raw materials, at net realisable value	—	12,046	—	—
Work-in-progress, at cost	—	7,911	—	—
Finished goods, at cost	483	4,280	—	—
Finished goods, at net realisable value	5,159	8,846	4,320	7,851
	5,642	33,083	4,320	7,851

During the financial year, the Group and the Company wrote-down \$1,417,000 and \$183,000 (2005 : 2,158,000 and \$522,000) of stocks respectively which are recognised as expense in the profit and loss account.



# Notes to the Financial Statements

31 December 2006

## 7. Contract work-in-progress

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Contract work in progress comprise:–				
Cost incurred to date	71,718	67,579	69,111	62,770
Profits recognised to date	6,731	6,886	6,352	6,460
	78,449	74,465	75,463	69,230
Progress billings	(59,822)	(60,114)	(58,669)	(57,786)
	18,627	14,351	16,794	11,444
Gross amount due from customers for contract work	18,627	14,351	16,794	11,444

## 8. Trade receivables

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade receivables	31,452	36,837	25,994	18,124
Less : Allowance for doubtful debts	(1,495)	(1,706)	(1,182)	(1,399)
	29,957	35,131	24,812	16,725

### Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' term. They are recognised at their original invoice amounts which represents their fair values on initial recognition.

Included in trade receivables is a fair value adjustment of forward currency contract amounting to \$345,000 (2005: \$40,000) which has been recognised in the profit and loss account.

As at 31 December 2005, the following amounts are included in trade receivables for the Group and the Company :–

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Retention sums relating to contract	250	98	81	–
Trade receivables denominated in a currency other than the entity's functional currency :				
- denominated in US dollars	17,944	25,748	16,897	12,368
- denominated in Malaysian Ringgit	2,946	2,211	–	–
- denominated in Norwegian Kroner	1,632	1,329	1,632	1,097
- denominated in Thai Baht	567	257	–	–
- denominated in Euro dollars	2	236	2	1
- denominated in other currencies	917	1,031	20	104

### Allowance for doubtful receivables

For the year ended 31 December 2006, the Group and the Company wrote-down \$588,000 and wrote-back \$6,000 (2005 : wrote-down \$147,000 and \$81,000) of debts respectively which are recognised as expense in the profit and loss account, subsequent to debt recovery assessment performed on trade receivables as at 31 December 2006.

# Notes to the Financial Statements

31 December 2006

## 9. Other debtors, deposits and prepayments

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Prepayments	213	190	76	63
Deposits	218	589	32	76
Advances to suppliers	422	326	412	153
Staff advances	97	17	23	17
Other debtors	813	1,411	26	64
Tax recoverable	100	1,130	–	–
	1,863	3,663	569	373

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

The non-trade balances are unsecured, repayable on demand and are to be settled in cash. The balances due from subsidiaries of \$Nil (2005 : \$1,363,000) bears interest at Nil% (2005 : 4.25% to 10%) per annum. The balance due from an associate for the Group and the Company of \$8,494,000 (2005 : \$12,329,000) and \$7,566,000 (2005 : \$12,124,000) respectively, bears interest at 4.25% to 10.35% (2005 : 4.25% to 9.31%) per annum.

## 11. Fixed deposits

Included in fixed deposits of the Group and the Company as at year end is fixed deposits with maturity terms between 1 to 2 months (2005 : 1 to 3 months) from the date of deposit amounting to \$12,896,000 (2005 : \$18,026,000).

Fixed deposits of the Group and the Company earned interest of 2.10% to 3.30% (2005 : 1.03% to 2.875%) per annum, which are also the effective interest rates, during the financial year.

## 12. Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' term.

Included in trade payables was a fair value of forward currency contract amounting to \$5,000 (2005: \$267,000) which had been recognised in the profit and loss account.

As at 31 December, the following amounts denominated in a currency other than the entity's functional currency are included in trade payables for the Group and the Company:–

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Denominated in US dollars	13,415	16,778	12,519	4,770
Denominated in Norwegian Kroner	836	–	836	–
Denominated in Euro dollars	23	535	4	1
Denominated in Japanese Yen	–	1,846	–	1
Denominated in other currencies	855	548	94	212

# Notes to the Financial Statements

31 December 2006

## 13. Other payables and accruals

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Accrued payroll expenses	4,833	6,060	4,076	3,294
Accrued contract and material cost	529	982	–	–
Other accrued operating expenses	1,253	6,406	1,099	1,153
Customer advances	2,071	3,188	1,974	948
Other creditors	1,020	444	513	786
	9,706	17,080	7,662	6,181

## 14. Provision for warranty

A provision is recognised for expected warranty claims on goods and services sold in the past 18 months based on past experience of the level of repairs and returns. The majority of the cost is expected to be incurred in the next financial year.

Movements in provision for warranty during the year are as follows :–

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
At 1 January	4,249	3,748	1,682	2,286
Provision for the year	4,836	5,308	1,659	1,952
Write-back of provision	(2,879)	(2,312)	(1,073)	(1,732)
Utilised during the year	(1,295)	(2,492)	(865)	(824)
Disposal of subsidiary	(1,875)	–	–	–
Currency realignment	8	(3)	–	–
At 31 December	3,044	4,249	1,403	1,682

## 15. Share capital

	Group and Company			
	Number of shares			
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Issued and fully paid :–				
At 1 January	361,883	360,000	18,094	18,000
Issued for cash under employee share option scheme (Note 30)	–	1,883	–	94
Transfer of share premium reserve to share capital	–	–	11,812	–
At 31 December	361,883	361,883	29,906	18,094

# Notes to the Financial Statements

31 December 2006

## 15. Share capital (cont'd)

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.

The Company has an employee share option scheme (Note 30) under which options to subscribe for the Company's ordinary shares have been granted to employees.

As a result of the Companies (Amendment) Act 2005, which came into effect on 30 January 2006, the concept of authorised share capital and par value has been abolished. The amount standing to the credit of the share premium account has been transferred to the Company's share capital account in the current year.

## 16. Share premium

	Group and Company	
	2006 \$'000	2005 \$'000
At 1 January	11,812	11,383
Premium on issue of 1,883,000 ordinary shares following the exercise of employee share options	–	429
Transfer of share premium to share capital	(11,812)	–
At 31 December	–	11,812

## 17. Other reserves

### (a) Capital reserve

The capital reserve resulted from the dilution of interest in a subsidiary.

### (b) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees (Note 30). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

	Group and Company	
	2006 \$'000	2005 \$'000
At 1 January	2	74
Exercise of share options	–	(72)
Share options cancelled	(1)	–
Balance at 31 December	1	2

# Notes to the Financial Statements

31 December 2006

## 17. Other reserves (cont'd)

### c) Translation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group and Company	
	2006 \$'000	2005 \$'000
At 1 January	(1,206)	(1,428)
Net effect of exchange differences	(458)	222
At 31 December	(1,664)	(1,206)
Net effect of exchange differences arises from :—		
Translation of financial statements of foreign operations	(458)	222

## 18. Turnover

	Group	
	2006 \$'000	2005 \$'000
Sales of goods	114,460	147,022
Services rendered	25,883	19,269
	140,343	166,291

## 19. Other operating income

	Group	
	2006 \$'000	2005 \$'000
Service fee	487	—
Commission income	164	372
Gain on disposal of fixed assets	16	—
Grant income	—	151
Others	56	67
	723	590

# Notes to the Financial Statements

31 December 2006

## 20. Administrative and other operating expenses

Administrative and other operating expenses include :

	Group	
	2006 \$'000	2005 \$'000
Administrative and other operating expenses include :		
Non-audit fees paid to :-		
Auditors of the Company	24	5
Foreign exchange loss/(gain), net	79	(232)
Loss on disposal of fixed assets	–	47

## 21. Personnel expenses and employee benefits

	Group	
	2006 \$'000	2005 \$'000
Wages, salaries and bonuses	11,554	11,128
Pension contributions	1,509	1,067
Termination benefits	213	–
Other personnel benefits	980	911
	14,256	13,106

Personnel expenses include directors and executive officers' remuneration as shown in Note 32.

## 22. Directors' remuneration

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

	2006	2005
\$500,000 and above	1	1
\$250,000 to \$499,999	–	–
Below \$250,000	4	5
	5	6

# Notes to the Financial Statements

31 December 2006

## 23. Financial income

	Group	
	2006 \$'000	2005 \$'000
Interest income from :-		
Bank deposits	1,119	446
An associate	929	758
Others	4	—
	2,052	1,204

## 24. Financial expenses

	Group	
	2006 \$'000	2005 \$'000
Other interest expense	—	(6)
Bank charges	(173)	(280)
	(173)	(286)

## 25. Exceptional item and discontinued operation

The exceptional item relates to the gain on disposal of its 68.27% interest in a subsidiary company, Nera Electronics Ltd. The disposal was completed on 14 September 2006 and the disposal consideration was fully settled in cash.

The value of assets and liabilities of Nera Electronics Ltd recorded in the consolidated financial statements up to date of disposal, and the cash flow effect of the disposal were :-

	Group	
	2006 \$'000	2005 \$'000
Fixed assets	5,640	—
Deferred tax assets	1,295	—
Trade and other receivables	28,893	—
Stocks	35,720	—
Cash and bank balances	18,847	—
Trade and other payables	(37,598)	—
Provision for taxation	(2,082)	—
	50,715	—
Minority interest	(16,186)	—

# Notes to the Financial Statements

31 December 2006

## 25. Exceptional item and discontinued operation (cont'd)

	Group	
	2006 \$'000	2005 \$'000
Attributable net assets disposed	34,529	–
Capital reserve released upon disposal of interest in subsidiary	(4,951)	–
Gain on disposal of subsidiary company	28,777	–
Net cash consideration received	58,355	–
Cash and bank balances of the subsidiary	(18,847)	–
Net cash inflow on disposal of a subsidiary	39,508	–

Nera Electronics Ltd is the only company involved in contract manufacturing in the Group. Accordingly, the disposal resulted in a discontinued operation. The financial results of the discontinued operation up to the date of disposal are as follows :–

	Group	
	2006 \$'000	2005 \$'000
		(Restated)
Turnover	70,696	94,310
Cost of sales	(58,083)	(76,586)
Gross profit	12,613	17,724
Other operating income	521	130
Distribution and selling expenses	(4,143)	(4,190)
Administrative expenses	(2,229)	(3,533)
Other operating expenses	(141)	(563)
Profit from operations	6,621	9,568
Financial expenses	(55)	(88)
Financial income	340	374
Profit before taxation	6,906	9,854
Taxation	(1,486)	(838)
Profit for the period/year from discontinued operation	5,420	9,016



# Notes to the Financial Statements

31 December 2006

## 26. Tax

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

	Group	
	2006 \$'000	2005 \$'000
Current tax :-		
Current year	2,322	3,008
Foreign tax	698	460
Over provision in respect of prior years	(264)	-
Deferred tax :-		
Current year	14	(122)
Over recognition of deferred tax assets in prior year	254	51
Effect on prior years due to change in tax rate	-	(9)
Effects from previously unrecognised deferred tax assets	-	(107)
Realisation of deferred tax assets previously not recognised	-	(34)
Reversal of deferred tax asset recognised previously	35	-
Income tax attributable to continuing operations	3,059	3,247
Income tax attributable to discontinued operation (Note 25)	1,486	838
Income tax expense recognised in the profit and loss account	4,545	4,085

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	
	2006 \$'000	2005 \$'000
Profit from continuing operations before taxation	40,826	12,554
Profit from discontinued operation before taxation (Note 25)	6,906	9,854
Accounting profit before income tax	47,732	22,408
Tax at 20% (2005 : 20%)	9,546	4,482
Tax effect of expenses that are not deductible in determining taxable profit	292	429
Realisation of deferred tax assets previously not recognised	-	(34)
Double tax deduction	(5)	-
Tax exemption	(25)	(22)
Reversal of deferred tax asset recognised previously	35	-
Under/(over) provision in respect of prior years	107	(1,146)
Difference in tax rates applicable to subsidiaries and associates	7	(33)
Tax effect of reduction in tax rates	-	(9)
Deferred tax assets not recognised by subsidiaries	313	230
Share of results of an associate	33	300
Utilisation of previously unrecognised tax losses	(12)	(107)
Tax effect of income not subject to tax	(5,756)	-
Others	10	(5)
Income tax expense recognised in the profit and loss account	4,545	4,085

# Notes to the Financial Statements

31 December 2006

## 26. Tax (cont'd)

### *Deferred income tax assets and liabilities*

Deferred tax as at 31 December related to the following:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Deferred tax liability :—				
Excess of tax over book depreciation of fixed assets	(495)	(665)	(469)	(276)
Deferred tax assets :—				
General provisions	1,370	3,244	644	958
Tax losses	—	33	—	—
Net deferred tax assets	875	2,612	175	682

### *Unrecognised tax losses*

The Group has tax losses of approximately \$2,075,000 (2005 : \$1,341,000) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

## 27. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (after deducting dividends) 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	
	2006 \$'000	2005 \$'000
Net profit attributable to ordinary equity holders of the Company for basic and diluted earnings per share	41,467	15,463
Weighted average number of ordinary shares in issue applicable to basic earnings per share	361,883,000	361,315,521
Effect of dilutive share options	9,022	11,500
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	361,892,022	361,327,021

There have been no transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the completion of these financial statements.

# Notes to the Financial Statements

31 December 2006

## 28. Dividends

	Group and Company	
	2006 \$'000	2005 \$'000
A final dividend paid in respect of the previous financial year of 1.225 cents (2005 : 0.875 cents) per share less tax at 20% (2005 : 20%) and 2.02 cents (2005 : nil) per share one-tier tax exempt	10,856	2,533
A special dividend paid in respect of the current financial year of 15 cents (2005 : 2 cents) per share one-tier tax exempt (2005 : tax at 20%)	54,283	5,790
	65,139	8,323

The directors proposed a final dividend of 3 cents (2005 : 2.02 cents) per share one-tier tax exempt dividend (2005 : one-tier tax exempt) amounting to \$10,856,000 (2005 : \$7,310,000) and nil cents (2005 : 1.225 cents) per share less tax at 20% (2005 : 20%) amounting to \$nil (2005 : \$3,546,000) in respect of the year ended 31 December 2006. The proposed final dividend is subject to the approval by shareholders at the Annual General Meeting of the Company. The proposed dividend has 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	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Fixed deposits	12,896	18,026	12,896	18,026
Cash and bank balances	12,935	37,063	10,088	9,819
	25,831	55,089	22,984	27,845

Cash and bank balances earn interest at 0.2% to 5.5% (2005 : 0.7% to 4.78%) per annum.

## 30. Employee share option scheme

Share options under the Employees' Share Option Scheme (the "Scheme") are granted to executive, non-executive directors and other employees on a discretionary basis. The exercise price of the options is at a discount which shall not exceed 20% of the market price of the shares for the 3 consecutive market days immediately preceding the date of grant.

The options may be exercised after two years but not later than ten years from the date of grant for employees of the Company and subsidiaries and Executive directors, and not later than five years from the date of grant for employees of the associate and non-executive directors of the Company. The shares under option may be exercised in full or in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. There are no cash settlement alternatives.

# Notes to the Financial Statements

31 December 2006

## 30. Employee share option scheme (cont'd)

Details of share options to subscribe for ordinary shares pursuant to the Scheme are as follows :—

2006	Exercise price \$	Number of options out-standing at 1.1.2006 <sup>(1)</sup>	During the year			Number of options out-standing at 31.12.2006	Exercisable period
Category			Granted	Exercised	Forfeited		
Employees of the Company	0.625 0.22	641,000 14,000	— —	— —	22,000 —	619,000 14,000	1.3.2004 to 28.2.2012 20.3.2005 to 19.3.2013
Employees of the subsidiaries	0.625 0.22	685,000 9,000	— —	— —	426,000 —	259,000 9,000	1.3.2004 to 28.2.2012 20.3.2005 to 19.3.2013
Employees of an associate	0.625	143,000	—	—	24,000	119,000	1.3.2004 to 28.2.2007
		1,492,000	—	—	472,000	1,020,000	
Non-executive directors	0.625	350,000	—	—	—	350,000	1.3.2004 to 28.2.2007
Executive director	0.625	200,000	—	—	—	200,000	1.3.2004 to 28.2.2012
		550,000	—	—	—	550,000	
Total		2,042,000	—	—	472,000	1,570,000	
Exercisable at end of year						1,570,000	

2005	Exercise price \$	Number of options out-standing at 1.1.2005 <sup>(1)</sup>	During the year			Number of options out-standing at 31.12.2005	Exercisable period
Category			Granted	Exercised	Forfeited		
Employees of the Company	0.625 0.22	743,000 871,000	— —	— 857,00	102,000 —	641,000 14,000	1.3.2004 to 28.2.2012 20.3.2005 to 19.3.2013
Employees of the subsidiaries	0.625 0.22	730,000 337,000	— —	— 300,000	45,000 28,000	685,000 9,000	1.3.2004 to 28.2.2012 20.3.2005 to 19.3.2013
Employees of an associate	0.625 0.22	171,000 176,000	— —	— 176,000	28,000 —	143,000 —	1.3.2004 to 28.2.2007 20.3.2005 to 19.3.2008
		3,028,000	—	1,333,000	203,000	1,492,000	
Non-executive directors	0.625 0.22	350,000 350,000	— —	— 350,000	— —	350,000 —	1.3.2004 to 28.2.2007 20.3.2005 to 19.3.2008
Executive director	0.625 0.22	200,000 200,000	— —	— 200,000	— —	200,000 —	1.3.2004 to 28.2.2012 20.3.2005 to 19.3.2013
		1,100,000	—	550,000	—	500,000	
Total		4,128,000	—	1,883,000	203,000	2,042,000	
Exercisable at end of year						2,042,000	

# Notes to the Financial Statements

31 December 2006

## 30. Employee share option scheme (cont'd)

<sup>(1)</sup> Included within these balances are equity-settled options that have not been recognised in accordance with FRS 102 as these equity-settled options were granted on or before 22 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 102.

The fair value of share options as at the date of grant is estimated by an external valuer using a trinomial model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the years ended 31 December 2006 and 31 December 2005 are shown below.

Expected dividend payout (\$)	0.009 – 0.020
Expected volatility (%)	44
Risk free interest rate (%)	1.016 – 1.086
Expected life of option (years)	5 – 10
Average share price (\$)	0.057 – 0.061

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may accrue. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

During the year, nil options were exercised. As at 31 December 2005, 1,883,000 options were exercised on 21 April 2005 with an exercise price of \$0.22.

## 31. Non-cancellable operating lease commitments

As at 31 December 2006, 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 \$1,330,000 (2005 : \$1,441,000).

Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

	2006 \$'000	2005 \$'000
Not later than one year	766	1,501
Later than one year but not later than five years	1,739	4,053
Later than five years	257	599
	2,762	6,153

# Notes to the Financial Statements

31 December 2006

## 32. 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 :

	2006 \$'000	2005 \$'000
Income :-		
Sales to ultimate holding company	–	70
Sales to related companies	31,314	57,433
Sales to an associate	10,330	9,859
Sales to a related party *	–	671
Commission income from related companies	113	143
Service fee from a related company	487	–
Expenses :-		
Purchase of goods from related companies	31,246	61,073
Directors of the Company :-		
Directors' fees	245	131
Directors' remuneration	983	888
Defined contribution benefits	7	64
Equity compensation benefits **	–	11
Directors of the subsidiaries :-		
Directors' fees	2	129
Directors' remuneration	427	821
Defined contribution benefits	11	43
Equity compensation benefits **	–	3
Key executive officers :-		
Key executive officers' remuneration	1,984	1,879
Defined contribution benefits	139	151
Equity compensation benefits **	–	12

\* The Chairman holds substantial equity interest in its holding company.

\*\* Equity compensation benefits are calculated based on the value of the employment/director services recognised in the current year profit and loss account in return of granting employee share options to these directors and key executive officers.

## 33. Segment information

### Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

### Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

# Notes to the Financial Statements

31 December 2006

## 33. Segment information (cont'd)

### Business segments

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

- Telecommunications
- Infocomm
- Contract manufacturing

	Continuing operations				Discontinued operation	Total operations
	Telecom-munications	Infocomm	Elimination	Total	Contract manufacturing	Total
2006	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	85,238	55,105	–	140,343	70,696	21,039
Inter-segment sales	4,286	2,645	(6,931)	–	–	–
Total turnover	89,524	57,750	(6,931)	140,343	70,696	211,039
Cost of sales	(73,704)	(43,192)	6,931	(109,965)	(58,083)	(168,048)
Gross profit	15,820	14,558	–	30,378	12,613	42,991
Other operating income	682	41	–	723	521	1,244
Distribution and selling expenses	(5,467)	(8,520)	–	(13,987)	(4,143)	(18,130)
Administrative expenses	(3,458)	(2,290)	–	(5,748)	(2,229)	(7,977)
Other operating expenses	(1,323)	293	–	(1,030)	(141)	(1,171)
Profit from operating activities	6,254	4,082	–	10,336	6,621	16,957
Interest income				2,052	340	2,392
Financial expenses				(173)	(55)	(228)
Exceptional item				28,777	–	28,777
				40,992	6,906	47,898
Share of loss of an associate				(166)	–	(166)
Taxation				(3,059)	(1,486)	(4,545)
Net profit for the year				37,767	5,420	43,187
Other information						
Segment assets	47,444	21,811		69,255	–	69,255
Investment in associated company						1,094
Unallocated assets						28,569
Total assets						98,918
Segment liabilities	13,202	6,627		19,829	–	19,829
Tax liabilities						2,495
Unallocated liabilities						9,706
Total liabilities						32,030
Capital expenditure	390	2,645		3,035	894	3,929
Depreciation	434	992		1,426	1,165	2,591

# Notes to the Financial Statements

31 December 2006

## 33. Segment information (cont'd)

### Business segments (cont'd)

	Continuing operations				Discontinued operation	Total operations
	Telecom-munications	Infocomm	Elimination	Total	Contract manufacturing	Total
2005	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	116,932	49,359	–	166,291	94,310	260,601
Inter-segment sales	8,119	1,640	(9,759)	–	–	–
Total turnover	125,051	50,999	(9,759)	166,291	94,310	260,601
Cost of sales	(107,030)	(36,386)	9,759	(133,657)	(76,586)	(210,243)
Gross profit	308	282	–	590	130	720
Distribution and selling expenses	(6,109)	(7,955)	–	(14,064)	(4,190)	(18,254)
Administrative expenses	(3,805)	(1,828)	–	(5,633)	(3,533)	(9,166)
Other operating expenses	(574)	181	–	(393)	(563)	(956)
Profit from operating activities	7,841	5,293	–	13,134	9,568	22,702
Interest income				1,204	374	1,578
Financial expenses				(286)	(88)	(374)
				14,052	9,854	23,906
Share of loss of an associate				(1,498)	–	(1,498)
Profit before tax				12,554	9,854	22,408
Taxation				(3,247)	(838)	(4,085)
Net profit for the year				9,307	9,016	18,323
Other information						
Segment assets	45,610	16,236		61,846	45,422	107,268
Investment in associated company						1,274
Unallocated assets						66,641
Total assets						175,183
Segment liabilities	17,679	4,945		22,624	1,499	24,123
Tax liabilities						5,981
Unallocated liabilities						33,805
Total liabilities						63,909
Capital expenditure	216	678		894	3,100	3,994
Depreciation	494	1,290		1,784	1,482	3,266



# Notes to the Financial Statements

31 December 2006

## 33. 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.

	Singapore		Other Asian		Others		Eliminations		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Revenue	58,822	60,322	83,027	107,677	69,190	92,702	–	–	211,039	260,601
Inter-company sales	1,173	157	5,758	9,602	–	–	(6,931)	(9,759)	–	–
	59,995	60,479	88,785	117,279	69,190	92,702	(6,931)	(9,759)	211,039	260,601
Revenue attributable to discontinued operation	(16,682)	(22,026)	(68)	(612)	(53,946)	(71,492)	–	–	(70,696)	(93,310)
Revenue from continuing operations	43,313	38,273	88,717	116,567	15,244	21,210	(6,931)	(9,759)	140,343	166,291
Assets	81,585	159,016	17,333	16,167	–	–	–	–	98,918	175,183
Capital expenditure	2,334	3,756	1,595	238	–	–	–	–	3,929	3,994

## 34. Financial risk management objectives and policies

The main risks arising from the 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, Euro 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's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

Information relating to the Group interest rate exposure is also disclosed in the notes to the financial statements.

### 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 2006

## 34. Financial risk management objectives and policies (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, amounts due from associate and related companies, 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.

## 35. Financial instruments

### **(a) Fair values**

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in forced or liquidation sale.

#### ***Financial instruments carried at fair value***

The Group and Company has carried all derivative financial instruments at their fair value as required by FRS 39.

#### ***Financial instruments whose carrying amount approximate fair value***

Management has determined that the carrying amounts of cash and bank balances, current trade and other receivables, current trade and other payables, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

#### ***Method and assumptions used to determine fair values***

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values as mentioned earlier, are as follow :-

#### **Financial assets and liabilities**

- Derivative financial instruments

#### **Methods and assumptions**

Fair value has been determined by reference to market prices at the balance sheet date without factoring in transaction costs.

# Notes to the Financial Statements

31 December 2006

## 35. Financial instruments (cont'd)

### (b) Interest rate risk

The following tables sets out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk :-

2006 Group	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

#### *Floating rate*

Cash assets	25,831	–	–	–	–	–	25,831
Amount due from an associate	8,494	–	–	–	–	–	8,494

#### **Company**

#### *Floating rate*

Cash assets	22,984	–	–	–	–	–	22,984
Amounts due from an associate	7,566	–	–	–	–	–	7,566

2005 Group	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

#### *Floating rate*

Cash assets	55,089	–	–	–	–	–	55,089
Amount due from an associate	12,329	–	–	–	–	–	12,329

#### **Company**

#### *Floating rate*

Cash assets	27,845	–	–	–	–	–	27,845
Amounts due from subsidiaries and an associate	13,487	–	–	–	–	–	13,487

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months. Interest on financial instruments at fixed rates are fixed until the maturity of the instrument. The other financial instruments of the Group and the Company that are not included in the above table are not subject to interest rate risk.

# Notes to the Financial Statements

31 December 2006

## 35. Financial instruments (cont'd)

### (c) Derivative financial instruments

	2006		2005	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Fair Value adjustment of forward currency contracts	345	(5)	40	(267)

## 36. Comparative figures

Certain prior year's comparatives in consolidated profit and loss account have been restated to conform with current year's presentation.

	Group	
	2005 (As restated) \$'000	2005 (As previously reported) \$'000
Stocks	33,083	35,990
Contract work-in-progress	14,351	11,444
Trade payables	30,445	28,034
Other payables and accruals	19,491	17,080
Non-cancellable operating lease commitments – later than five years	599	257
Trade receivables – Group:		
- denominated in US dollars	25,748	25,443
- denominated in Norwegian Kroner	1,329	1,416
- denominated in Malaysian Ringgit	2,211	–
- denominated in Thai Baht	257	–
- denominated in other currencies	1,031	169
Trade receivables – Company:		
- retention sums relating to contract	–	98
- denominated in Norwegian Kroner	1,097	1,189
Trade payables – Group:		
- denominated in US dollars	16,778	15,676
- denominated in Euro dollars	535	101
- denominated in Japanese Yen	1,846	–
- denominated in other currencies	548	2,633
Trade payables – Company:		
- denominated in Japanese Yen	1	–
- denominated in other currencies	212	250

Restatement of other comparative figures during the year relate to the disposal of a subsidiary, Nera Electronics Ltd during the year.

## 37. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the directors on 23 March 2007.

# Statistics of Shareholdings

as at 16 March 2007

Issued and fully paid-up capital	:	\$29,906,072
Number of ordinary shares in issue	:	361,883,000
Class of shares	:	Ordinary share
Voting rights	:	One vote per share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	8	0.13	1,200	0.00
1,000 – 10,000	3,996	64.96	22,301,000	6.16
10,001 – 1,000,000	2,130	34.63	94,971,800	26.25
1,000,001 and above	17	0.28	244,609,000	67.59
<b>TOTAL :</b>	<b>6,151</b>	<b>100.00</b>	<b>361,883,000</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Nera ASA*	181,136,000	50.05
2.	DBSN Services Pte Ltd	12,267,000	3.39
3.	HSBC Services (Singapore) Nominees Pte Ltd	11,440,000	3.16
4.	DBS Nominees Pte Ltd	7,336,000	2.03
5.	NTUC Thrift & Loan Co-operative Limited	7,001,000	1.93
6.	United Overseas Bank Nominees Pte Ltd	5,172,000	1.43
7.	OCBC Nominees Singapore Pte Ltd	3,054,000	0.84
8.	Citibank Nominees Singapore Pte Ltd	3,052,000	0.84
9.	Ang Seong Kang Samuel	2,630,000	0.73
10.	Poh Kheng Mui (Fu Qingmei)	2,000,000	0.55
11.	UOB Kay Hian Pte Ltd	1,677,000	0.46
12.	Chandra Das Nareshkumar	1,650,000	0.46
13.	Yim Chee Chong	1,500,000	0.41
14.	OCBC Securities Private Ltd	1,268,000	0.35
15.	Koh Peck Hoon	1,230,000	0.34
16.	DBS Vickers Securities (S) Pte Ltd	1,194,000	0.33
17.	Kim Leng Tee Investments Pte Ltd	1,002,000	0.28
18.	Phay Seng Whatt	1,000,000	0.28
19.	Pillai Rosie	1,000,000	0.28
20.	Phillip Securities Pte Ltd	892,400	0.25
<b>TOTAL :</b>		<b>247,501,400</b>	<b>68.39</b>

\* Effective 18 October 2006, Nera ASA was dissolved for merger with Eltek ASA.  
Eltek ASA is in the process of effecting the transfer of NeraTel Shares from Nera ASA to Eltek ASA.

## SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2007

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Nera ASA	181,136,000	50.05	–	–

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HAND

48.64% 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 27 April 2007 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 2006 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final dividend of 3 cents per share (one-tier tax exempt) for the year ended 31 December 2006 (2005: a first and final dividend of 1.225 cents per share less income tax of 20% and a one-tier tax exempt of 2.02 cents per share). **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:

Mr Sitoh Yih Pin	(Retiring under Article 87)	<b>(Resolution 3)</b>
Mr Lars Jervan	(Retiring under Article 94)	<b>(Resolution 4)</b>
Mr Morten Fernand Angelil	(Retiring under Article 94)	<b>(Resolution 5)</b>

Mr Sitoh Yih Pin will, upon re-election as Director of the Company, remain as member of the Audit and Compensation Committees and will be considered independent.

Mr Lars Jervan will, upon re-election as Director of the Company, remain as a member of the Audit Committee and will be considered non-independent.

Mr Morten Fernand Angelil will, upon re-election as Director of the Company, remain as a member of the Compensation Committee and will be considered non-independent.
4. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
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\$195,626 for the year ended 31 December 2006 (2005: S\$190,000). **(Resolution 7)**

# 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 shares in the capital of the Company**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of SGX-ST, the Directors be empowered to allot and issue shares and convertible securities in 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 shares in the 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 shares in the 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 8)**

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

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue shares 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 shares in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force 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.

[See Explanatory Note (ii)]

**(Resolution 9)**

By Order of the Board

**Tan Cher Liang**

**Julie Koh Ngin Joo**

Company Secretaries

Singapore, 4 April 2007

# Notice of Annual General Meeting

## Nera Telecommunications Ltd

(Company Registration No. 197802690R)

*(Incorporated in Singapore with limited liability)*

### Explanatory Notes:

- (i) The Ordinary Resolution 8 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 shares in the 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 shares in the capital of the Company.

For the purpose of this resolution, the percentage of issued shares is based on the issued shares in the capital of the Company 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 9 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, 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 in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued ordinary shares in the capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

### 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.
3. If the appointor is a corporation, the instrument appointing a proxy must be executed under its seal or the hand of its duly authorised officer or attorney.



# Proxy Form

## Nera Telecommunications Ltd

(Company Registration No. 197802690R)

(Incorporated in Singapore with limited liability)

(Please see notes overleaf before completing this Form)

### IMPORTANT

1. 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.
2. 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.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

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 27 April 2007 at 11.30 am 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. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(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 31 December 2006		
2	Payment of proposed final and one-tier tax exempt dividend		
3	Re-election of Mr Sitoh Yih Pin as a Director		
4	Re-election of Lars Jervan as a Director		
5	Re-election of Morten Fernand Angelil as a Director		
6	Re-appointment of Messrs Ernst & Young as Auditors		
7	Approval of Directors' fees amounting to S\$175,626		
8	Authority to allot and issue new shares and convertible securities		
9	Authority to allot and issue shares under the Nera Telecom Employees' Share Option Scheme		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2007

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**

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