



MEETING
TOMORROW'S
CHALLENGES



ANNUAL
REPORT
2007

NERA TELECOMMUNICATIONS LTD

Contents

Chairman's Statement 02	President and CEO's Statement 04	Board of Directors 08	Senior Management 11	Business Segments 12	Financial Highlights 17
Corporate Information 18	Group Structure 19	Our People 20	Corporate Governance Report 21	Financial Statements 29	Statistics of Shareholdings 87
Notice of Annual General Meeting 88	Proxy Form 91				

Meeting Tomorrow's Challenges

The growing demand for communication excellence globally requires a highly competent communication network to enable seamless communications across the globe. It has to be sophisticated yet rugged, innovative yet reliable, and able to build and enhance solutions backed by quality service. This will put you on tomorrow's leading edge.

Nera Telecommunications is well poised to meet these challenges - leveraging on technological advancements to build and enhance solutions for its telecom and infocomm business segments which are backed by its key competencies and skill sets of its human capital.

As a premier solutions provider, Nera Telecommunications will help you to scale greater heights in meeting your communication needs!



S Chandra Das
Chairman

On behalf of the Board, I am pleased to present the report for FY2007.

Based on continuing operations, the Group registered a growth of 18.5% in turnover from S\$140.3 million in FY2006 to S\$166.4 million, supported by the strong performance of the Transmission and Infocomm business. Profit before tax (before exceptional item) recorded a jump of 17.1% from S\$12.0 million in FY2006 to S\$14.1 million, due to higher turnover and other operating income. Profit after tax declined by 69.7% from S\$37.8 million in FY2006 to S\$11.5 million, attributed mainly to the absence of one-off gain from the disposal of a subsidiary company (the former Nera Electronics Ltd) recorded in FY2006. If we were to exclude the one-off gain of S\$28.8 million from the disposal of a subsidiary company, profit after tax would have been S\$9.0 million in FY2006 compared to S\$11.5 million, representing an increase of 27.4%.

Basic earnings per ordinary share for the year based on net profit attributable to shareholders were recorded at 3.16 cents compared to 10.44 cents in FY2006. Net asset value per ordinary share based on issued capital of 361,897,000 ordinary shares was 18.57 cents compared to 18.48 cents.

The Board is pleased to recommend a final one-tier tax exempt dividend of 4 cents per ordinary share (FY2006: a final one-tier tax exempt dividend of 3 cents per ordinary share). The proposed dividend, if approved at the Annual General Meeting on 25 April 2008, will be paid on 15 May 2008.

The mobile market will continue to grow as a result of the investment made by the mobile operators to upgrade their network infrastructure to increase their coverage, capacity and capabilities. Coupled with their introduction of various high speed mobile broadband data and video services to increase their market share and revenue, it will provide more opportunities for our transmission business.


The Inmarsat Fleet Broadband marine is expected to be introduced in 2008. We believe that the Group will benefit from this positive development when these new products gradually replace the older marine satellite terminals. In addition, the Group will continue to focus on the sales and services of a wide range of land and marine satellite communications products to the various market sectors such as oil & gas, marine & offshore, fabricators, government, media and enterprises.

Demand in the Infocomm industry is driven by voice, data, video, entertainment and broadband as well as secured services via the internet. The Group will focus on exploring the various business opportunities from the network infrastructure, broadcast infrastructure, payment and wireless products and solutions to five key market sectors, namely Service Providers, Enterprises, Financial Services & Retail, Media & Broadcasting and the Government, Transport & Utilities.

In addition, we will continue to focus on developing new markets for both core business segments, namely Telecommunications and Infocommunications. To maintain our competitiveness, we will constantly review our operational efficiency to ensure that enhanced quality services are delivered to our customers. The skills of our workforce will continuously be upgraded to meet the increasingly challenging business environment.

On behalf of my fellow Directors, I would like to thank Morten Angelil and Lars Jervan, who left the Board on 5 February 2008, for their contributions. The Board welcomes Jorgen Larsen and Arve Johansen, who were appointed as Directors on 6 February 2008. 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 the shareholders, customers and business partners for their continuous support as well as the management and staff for their commitment and helping us stay ahead of the competition.


S Chandra Das
 Chairman

Ang Seong Kang Samuel
President and CEO



Business Review

FY2007 was a relatively good year for the NeraTel Group.

Based on continuing operations, the Group enjoyed a higher turnover of 18.5% from S\$140.3 million FY2006 to S\$166.4 million. This was attributed to the strong performance of the Transmission and Infocomm business. Profit before tax (before exceptional item) rose from S\$12.0 million in FY2006 to S\$14.1 million, representing an increase of 17.1%. Profit after tax declined by 69.7% from \$37.8 million in FY2006 to S\$11.5 million, attributed mainly to the absence of one-off gain from the disposal of a subsidiary company (the former Nera Electronics Ltd) recorded in FY2006. Had the one-off gain of S\$28.8 million from the disposal of a subsidiary company been excluded, profit after tax would have been S\$9.0 million in FY2006 compared to S\$11.5 million, representing an increase of 27.4%. As at end of the year, the Group registered positive cash and bank balances of S\$21.2 million.

The Telecommunications ("Telecom") business segment grew from S\$85.2 million in FY2006 to S\$100.2 million in turnover, representing an increase of 17.6% over the previous year. The increase in turnover was attributed to the higher sales of microwave radio equipment. Satellite sales were lower than the previous year due mainly to the absence of project sale of satellite gateway systems and land terminals. Profit from operations increased by 29.7% from S\$6.3 million in FY2006 to S\$8.1 million.

The Infocomm business segment recorded an increase of 20.0% in turnover from S\$55.1 million in FY2006 to S\$66.1 million. The increase in turnover was attributed to the higher sales of network equipment to the Service Providers market sector and the point-of-sale terminals to the Financial Services & Retail market sector. Profit from operations rose from S\$4.1 million to S\$5.2 million, representing an increase of 27.5%.

Business Outlook

Telecommunications (Telecom)

The Telecommunication industry is expected to remain active with many business opportunities for the Transmission and Satellite business areas. The market remains to be highly competitive with customers constantly demanding for higher performance, lower price and shorter delivery time, and that competitors are aggressively targeting volume projects and strategic customers.

In the Transmission business area, the growing demand for wireless transmission equipment is driven by mobile operators' continued investments into increasing their coverage, capacity and capabilities, as well as introducing various high speed mobile broadband data and video services to increase their market share and revenue.

The Telecommunications ("Telecom") business segment grew from S\$85.2 million in FY2006 to S\$100.2 million in turnover, representing an increase of 17.6% over the previous year. The Infocomm business segment recorded an increase of 20.0% in turnover from S\$55.1 million in FY2006 to S\$66.1 million.

Apart from the continuous focus on providing a complete range of PDH, SDH access and SDH trunk radio transmission networks to the mobile market, the Group will also provide various transmission and telecommunications products and solutions to the Defence and Broadcasting market sectors.

In the Satellite business area, the Group will continue to focus on the sales and services of a wide range of land and marine satellite communication products to the various market sectors such as oil & gas, marine & offshore, fabricators, shipping, government, media and enterprises. The Inmarsat Fleet Broadband marine is expected to be introduced in 2008 and we believe that there will be business opportunities when these new products gradually replace the older marine satellite terminals. Sales and marketing activities will be increased to promote the satellite products, networks, solutions and services to satellite operators, ISP, broadcasters and government organisations.

Infocommunications (Infocomm)

Growth from the Infocomm industry is primarily driven by the demand for voice, data, video, entertainment, broadband and secured services via internet.

In the Infocomm business segment, the Group will explore the various business opportunities from the network infrastructure, broadcast infrastructure, payment and wireless products and solutions to five key market sectors, namely Service Providers, Enterprises, Financial Services & Retail, Media & Broadcasting, and the Government, Transport & Utilities. In addition, we will continue to strengthen our business relationship with key local accounts and global customers.

In the Service Provider market sector, demand for networking equipment is driven by the growth in broadband and internet services. There are also various opportunities in the region for the deployment of next generation IP broadband networks, wireless broadband access networks such as mesh-wifi, wimax and mobile TV infrastructure. The Group will continue to focus on providing high performance carrier class IP core network infrastructure products and solutions, next generation wireless infrastructure such as wimax to the various service providers to enable them to roll out their multi-media services which will lead to an increase in their market share.

In the Enterprise market sector, enterprises and organisations are constantly upgrading their IT infrastructure and utilise IT to improve their competitiveness and customer satisfaction. We will focus on providing internet appliances, devices and security products and solutions such as unified threat management, optimization, aggregation, caching devices, wireless access to enterprises for their deployment of a more cost effective and efficient network.

In the Financial Services and Retail market sector, the demand for point-of-sale ("POS") terminals, software and services is driven by the banks, financial institutions and retailers, who are migrating POS terminals to those with PCI PED compliant. The Group will continue to focus on developing its POS terminal sales, terminal applications, rental, leasing and maintenance business to the banks, financial institutions and retailers in Southeast Asia. Furthermore, Network infrastructure and wireless products and solutions will also be introduced to this market sector.

In the Media and Broadcasting market sector, we believe that the Broadcasters will gradually migrate their analogue TV systems to digital systems. The Group is focusing on promoting its turnkey Digital Terrestrial TV (DVB T/H/M) infrastructure network capabilities to the potential Broadcasters. In addition, we are also introducing some new broadcast infrastructure products to the customers to this market sector.

In the Government, Transport and Utilities market sector, the Group intends to provide integrated infocomm infrastructure products and solutions to the defence, education, healthcare, utilities and transportation industries. We are working with business partners to gradually add new infocomm products such as IP surveillance, train and offshore communication systems as well as optical networks to our product portfolio.

Competition in the Infocomm industry is keen and the market is dominated by local and global industry players. The Group is well positioned as a regional Infocommunications infrastructure provider and we are strengthening our product portfolios and focus on providing competitive products and services, as well as developing key competencies to serve the various customer segments.

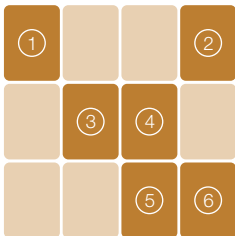
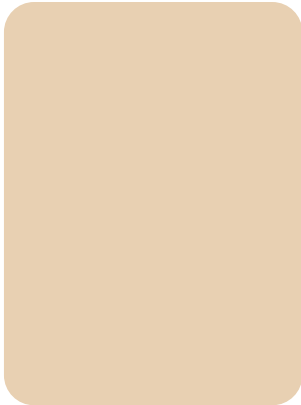
To remain competitive, we have to be at the forefront of the technology. Hence, we are constantly developing and improving our products and services by acquiring new skills and technology. We will continue to develop key competence and complementary skills of our workforce to enable them to take on the challenges of tomorrow. This will further enhance our competitiveness and productivity.

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

For the Infocomm business segment, the Group is well positioned as a regional Infocommunications infrastructure provider and we are strengthening our product portfolios and focus on providing competitive products and services, as well as developing key competencies to serve the various customer segments.



- ① Mr S Chandra Das
- ② Mr Ang Seong Kang Samuel
- ③ Mr Jorgen Larsen

- ④ Mr Lau Ping Sum
- ⑤ Mr Arve Johansen
- ⑥ Mr Sitoh Yih Pin

Mr S Chandra Das (age: 68)

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 investments. He also sits on the Boards of Yeo Hiap Seng Limited, The Ascott Group Limited, CapitaMall Trust Management Limited and Sincere Watch Limited. Currently, he is Singapore's non-resident Ambassador to Turkey. Mr Das was also appointed Pro Chancellor of Nanyang Technological University of Singapore in December 2007. Mr Das was the Chairman of the Trade Development Board from 1983 to 1986. He served as a Member of Parliament from 1980 to 1996. Mr Das was awarded the President's Medal by the Singapore Australian Business Council in 2000 and the Distinguished Service (Star) Award by the National Trades Union Congress in 2005. Mr Das is a graduate of the University of Singapore, with a Bachelor of Arts in Economics (Honours). He also holds a Certificate in Education from the former Singapore Teachers' Training College.

Mr Ang Seong Kang Samuel (age: 52)

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

Mr Jorgen Larsen (age: 58)

Mr Jorgen Larsen was appointed as the non-executive Director of the Company on 6 February 2008. He is presently the Acting CEO of Eltek ASA, a company engaged in energy and transmission systems. With Eltek since 1995, he previously served as the Group CFO and Business Development Director. He is presently a Director of Eltek Valere AS and Nera Networks AS. Prior to joining Eltek ASA, Mr Larsen held various positions in finance with public listed companies. Mr Larsen holds a Master of Science Degree in Business from the Norwegian School of Economics and Business Administration.

Mr Lau Ping Sum (age: 67)

Mr Lau Ping Sim 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. He was head of the IT department in the Public Utilities Board and two local banks during various periods. He is 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. He was a director and Chairman of the Medifund Committee of the Ang Mo Kio Community Hospital for several years. Mr Lau was a Colombo Plan scholar and has a degree in Economics from the Australian National University and a Diploma in Business Administration from the National University of Singapore.

Mr Arve Johansen (age: 58)

Mr Arve Johansen was appointed as the non-executive Director of the Company on 6 February 2008. Mr Johansen is presently the Deputy CEO of Telenor Group and Head of Asia. He joined the Telenor Group in 1998 and previously served as Senior Executive Vice President and CEO of Telenor Mobile. Prior to joining the Telenor Group, Mr Johansen was employed by EB Telecom (Ericsson Norway) as executive vice president and by the Norwegian Institute of Technology as research engineer. Mr Johansen is the Chairman of DiGi.COM (Malaysia). In addition, he is presently a director in several listed public companies namely DTAC (Thailand), Wireless Matrix (Canada/USA), Vimpelcom (Russia) and Eltek ASA (Norway). He was the director of Cosmote (Greece). Mr Johansen holds a Master of Science degree in Electrical Engineering (Telecommunications) from the Norwegian Institute of Technology and participated in Program for Management Development at the Harvard Business School.

Mr Sitoh Yih Pin (age: 44)

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 director of Nexia TS Public Accounting Corporation. 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, Joynn Holdings Limited, Lian Beng Group Ltd, Meiban Group Ltd, PNE Micron Holdings Ltd and United Food Holdings Limited. Mr Sitoh was also the director of several publicly listed companies in the preceding five years including Bio-Treat Technology Limited, CWT Limited, Fibrechem Technologies Limited, Singxpress Ltd, GKE International Limited, Labroy Marine Limited, Middle East Development Singapore Ltd and WPG International (South Asia) Pte. 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.

Dr Tan Hong Pew (age: 46) is the Executive Vice President for 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 of Business Administration from the University of Western Australia.

Mr Tay Kheng Seng Alvin (age: 52) is the Executive Vice President for Transmission. He is responsible for the overall performance of the Transmission Networks business in Asia. Mr Tay has more than twenty-eight 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 (age: 42) 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 seventeen 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 (age: 44) 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 the NeraTel Group. She has more than twenty 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 (age: 41) 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 seventeen 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.

Telecommunications



- ① Servicing of Satellite Marine Terminal
- ② Satellite Land Terminal

- ③ Transmission Evolution Long Haul Radio
- ④ Transmission R&D project discussion

- ⑤ Broadband Satellite

Telecommunications

Transmission

We provide wireless transmission networks and solutions to the various market sectors such as Telcos, Celcos, Broadcasters, Enterprises, Government Organisations, Offshore and Utilities. Our radio transmission products include point-to-point and point-to-multi-point (PDH, SDH trunk and SDH access radios) and solutions are catered for the various customer segments which integrate different types of network applications such as backbone, access backhaul, access and last mile deployment.

Our new radio products, the Evolution Series, represent a breakthrough in microwave radio technology, one hardware platform provides several benefits such as scalability (in capacity and migration to IP), reduced investments and operational costs to our customers.

In addition, we undertake turnkey projects which comprise site surveys, design and planning, delivery, third party supplies, installations, testing, commissioning, training and after sales support and services.

Satellite Communications

We provide a comprehensive range of satellite communications products, systems and services to Satellite Service Providers, ISPs, Government/Aid/Rescue Organisations, Enterprises, Media, Marine/Offshore/Oil & Gas industries.

Our satellite communications products comprise the various land and marine terminals for Inmarsat as well as other land and marine terminals by the various Satellite Service Providers, Inmarsat land earth stations / gateways, Broadband satellite networks for B2B applications (including hubs and terminals), satellite airtime, on-board marine service and after sales services.

Infocomm



- ① Service Management Helpdesk
- ② Staff at work in Network Solutions Laboratory

- ③ Communicating with Customer
- ④ Point-of-sale Terminals

- ⑤ Staff interaction in Broadcasting Laboratory

Infocomm

The Infocomm business focuses on offering products and services from four main business areas namely Network Infrastructure, Broadcast Infrastructure, Payment Solutions and Wireless Solutions to five key market sectors comprising Service Providers, Enterprises, Financial Services & Retail, Media & Broadcasting, and the Government, Transport & Utilities.

Network Infrastructure

We provide high-performance network infrastructure to enable Service Providers to deploy differentiated cost effective services and new revenue streams, Enterprises to improve network accessibility, security and improves productivity and Government Organisations to deliver services efficiently and securely.

Our Network Infrastructure product portfolio comprises the routers (core/edge), switches (ethernet/carrier ethernet), security (firewalls, intrusion, detection and prevention), application performances (optimization/aggregation), controlling access, network operating system and management system.

Broadcast Infrastructure

We provide various digital TV broadcast infrastructure products, networks and services to Broadcasters and Service Providers.

Our range of products include content creation, acquisition, aggregation and play-out, fixed/mobile contribution link (IP video transport solutions), head-end compression and multiplexing (encoders/muxes), distribution links and transmission (transmitters, fibre/radios transmission system), receiving devices (set-top boxes) as well as coverage studies.

Infocomm

Payment Solutions

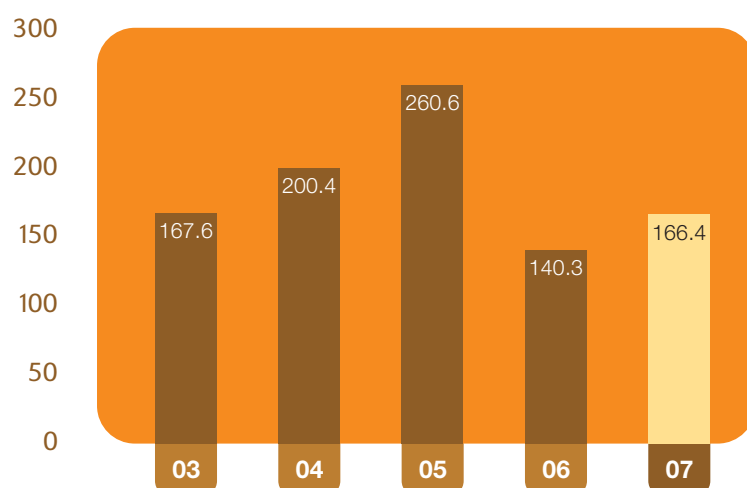
We provide end-to-end electronic payment solutions and value-added services to the Banking, Financial Services and Retail industry. It enables our customer to have fast and secured transmission of vital financial and business data.

Our range of products comprises the various types of EMV, PCI PED approved point-of-sale payment terminals for countertop, mobile and unattended applications as well as wireless, contact-less and IP products to network devices, terminal/application software and value added services such as signature capture.

Wireless Solutions

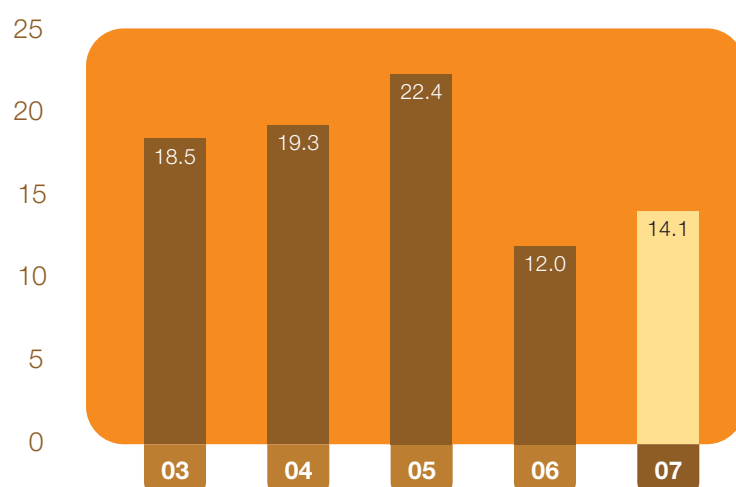
We provide point-to-multipoint Broadband Wireless Access (BWA) networks and solutions for Service Providers, Enterprises and Government Organisations to enable the delivery of mobile broadband services such as hot-spot coverage, corporate VPNs, public safety and security.

Our product portfolio includes the various types of base stations, indoor and outdoor access units over a full range of frequency bands for both fixed and mobile solutions as well as network management system.



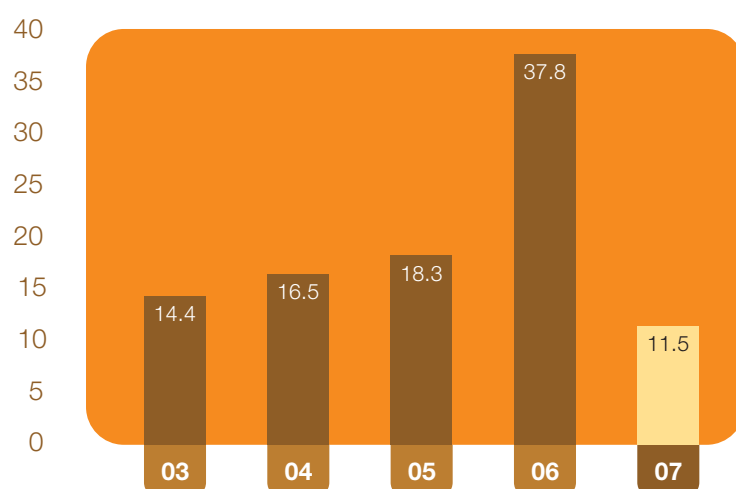
TURNOVER (S\$M)

Turnover increased by 18.5% from S\$140.3 million in FY2006 to S\$166.4 million in FY2007.



PROFIT BEFORE TAX (before exceptional item) (S\$M)

Profit before tax increased by 17.1% from S\$12.0 million in FY2006 to S\$14.1 million in FY2007.



PROFIT AFTER TAX (S\$M)*

Profit after tax declined by 69.7% from S\$37.8 million in FY2006 to S\$11.5 million in FY2007.

* Profit after tax declined by 69.7% attributed mainly to the absence of one-off gain from the disposal of a subsidiary company (the former Nera Electronics Ltd) recorded in FY2006. Had the one-off gain of S\$28.8 million from the disposal of a subsidiary company been excluded, profit after tax would have been S\$9.0 million in FY2006 compared to S\$11.5 million, representing an increase of 27.4%.

Board of Directors

S Chandra Das
*Chairman **

Ang Seong Kang Samuel
*President & CEO ***

Lau Ping Sum *

Sitoh Yih Pin *

Jorgen Larsen ***
(appointed on 6 February 2008)

Arve Johansen ***
(appointed on 6 February 2008)

* *Independent Director*

** *Executive Director*

*** *Non-Executive Director*

Audit Committee

Lau Ping Sum
Chairman

Sitoh Yih Pin

Jorgen Larsen
(appointed on 6 February 2008)

Nominating Committee

S Chandra Das
Chairman

Lau Ping Sum

Ang Seong Kang Samuel

Compensation Committee

S Chandra Das
Chairman

Sitoh Yih Pin

Arve Johansen
(appointed on 6 February 2008)

Company Secretary

Tan Cher Liang

Business Address

109 Defu Lane 10

Singapore 539225

Tel : (65) 6281 3388

Fax : (65) 6383 9566 / 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

Boardroom Corporate

& Advisory Services

(formerly known as 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 Hong Kong and Shanghai
Banking Corporation Limited*

21 Collyer Quay #04-01

HSBC Building

Singapore 049320

*Scandinaviska Enskilda Banken
(SEB)*

50 Raffles Place #36-01

Singapore Land Tower

Singapore 048623



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



- ① Long Service Award
- ② Family Day (Movie Event)
- CEO with "Nera Children"
- ③ Chinese New Year
"Lo-Hei"
- ④ Kick-Off Meeting

In an ever-changing business environment, we are committed to developing our human capital to handle the challenges of tomorrow.

Our various training programmes ranging from technical related courses to non-technical workshops such as customer service, project management, supply chain, etc have provided our employees with the skills and knowledge required for growth in their existing jobs and opportunities for career development. We believe this will further enhance their productivity and performance.

In addition, social activities like sport and recreation, dinner and dance, festive celebrations and get-togethers are organised to provide a platform for employees to interact across all levels. This will strengthen the working relationship between the employees and further enhance the working environment.

Nera Telecommunications Ltd ("the Company") is committed to maintaining a 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 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 will also be 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*

Lau Ping Sum*

Sitoh Yih Pin*

Jorgen Larsen (appointed on 6 February 2008)

Arve Johansen (appointed on 6 February 2008)

* Independent Directors

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 their core competencies, skills, qualifications and experience are extensive and complementary.

Whilst 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 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 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*

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 recommendations 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 for re-election at the next Annual General Meeting of the Company and one third of the Directors who are eligible for re-election must retire by rotation at each Annual General Meeting.

The NC has recommended the nomination of Directors retiring by rotation under the Company's Articles of Association, namely S Chandra Das, Jorgen Larsen and Arve Johansen, for re-election at the forthcoming Annual General Meeting. S Chandra Das is retiring under Article 87 of the Company's Articles of Association while Jorgen Larsen and Arve Johansen are retiring under Article 94 of the Company's Articles of Association.

S Chandra Das, an independent Director, was appointed to the Board on 15 January 1988. He is Chairman of the Board, a position he has held since 1988. Mr Das also chairs the Nominating Committee and Compensation Committee and was last re-elected a Director on 27 April 2006. Mr Das will, upon re-election as Director of the Company, remain as Chairman of the Board and chairman of Nominating Committee and Compensation Committee.

Jorgen Larsen, a non-executive Director, was appointed to the Board on 6 February 2008. He is also a member of the Audit Committee. Mr Larsen will, upon re-election as Director of the Company, remain as a member of the Audit Committee.

Arve Johansen, a non-executive Director, was appointed to the Board on 6 February 2008. He is also a member of the Compensation Committee. Mr Johansen will, upon re-election as Director of the Company, remain as a member of the Compensation Committee.

S Chandra Das had duly abstained from making a recommendation on his nomination.

Principle 5 : Board Performance

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

The NC has conducted Board performance evaluation to assess the effectiveness of the Board since FY2003.

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*

Jorgen Larsen (appointed on 6 February 2008)

** 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, terms of engagement 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/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 Management to the auditors and to meet the auditors without the presence of Management once a year.

The AC has adopted written terms of reference.

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

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

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

Principle 13 : Internal Audit (IA)

IA is an independent function that reports to the AC and administratively to the President & CEO. The scope of work covers all business and support functions in the Company, its subsidiaries and an associated company. The AC reviews the IA activities on a quarterly basis.

The AC is satisfied 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 of whom are non-executive Directors and the majority are independent Directors. The composition of the CC is as follows:

S Chandra Das, Chairman*

Sitoh Yih Pin*

Arve Johansen (appointed on 6 February 2008)

** 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 the following:

- (a) all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are covered.
- (b) 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.
- (c) a significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate (Group) and individual performance;
- (d) the remuneration packages of employees related to the 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.

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 Nera and Eltek Group, will not be paid Directors' fees.

The following table shows the makeup (in percentage terms) of the remuneration and fees of the Directors for the year ended 31 December 2007:

Remuneration Bands / Name	Fees (S\$) %	Salary (S\$) %	Bonus (S\$) %	Total (S\$) %
S\$500,000 and above Ang Seong Kang Samuel ⁽¹⁾	-	35	65	100
S\$250,000 to S\$499,999 NIL	-	-	-	-
Below S\$250,000 (Fees paid to independent Directors) ⁽²⁾				
S Chandra Das (S\$70,000)	100	-	-	100
Lau Ping Sum (S\$50,000)	100	-	-	100
Sitoh Yih Pin (S\$45,000)	100	-	-	100

Notes:

- (1) The salary and bonus are inclusive of CPF.
- (2) These fees are subject to approval by the shareholders as a lump sum for FY2007 at the Annual General Meeting.
- (3) No other directors, other than disclosed above, received directors' fees or remuneration during the period.
- (4) The above table excludes share options which are described in the Directors' 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 ⁽¹⁾ %	Bonus ⁽¹⁾ %	Total %
S\$250,000 to S\$499,999			
Tan Hong Pew, Executive Executive Vice President, Satellite Communications	79	21	100
Tay Kheng Seng Executive Vice President, Transmission	75	25	100
Below S\$250,000			
Chan Heng Chew Michael Senior Vice President, Contracts & Investment	80	20	100
Chiang Hock Chin Jessie Senior Vice President, Corporate Affairs/ Staff	78	22	100
Mark Weng Kwai Financial Controller	80	20	100

Notes:

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

(2) There were no share options granted in FY2007.

There were no employees who are immediate family members of the Directors (including the CEO) and Controlling Shareholders.

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 of information. 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.

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 FY2007 undertaken pursuant to a shareholder's general mandate obtained at the last Annual General Meeting.

Name of Interested Person	Aggregate value of all interested person transactions conducted during the financial year under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Sales	S\$'000
Nera Networks AS	4,787
Nera Networks Inc.	1,959
Purchases	
Nera Networks AS	49,123
Other Operating Revenues	
Nera Networks AS	987

Note:

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

Directors' Attendance at Board and Board Committee Meetings for 2007

Name of Directors	Board Meetings		Audit Committee Meetings		Compensation Committee Meetings		Nominating Committee Meetings	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
S Chandra Das	4	3	-	-	1	1	1	1
Ang Seong Kang Samuel	4	4	-	-	-	-	1	1
Lau Ping Sum	4	4	4	4	-	-	1	1
Sitoh Yih Pin	4	4	4	4	1	1	-	-
Lars Jervan	4	4	4	4	-	-	-	-
Morten Fernand Angelil	4	4	-	-	1	0	-	-

Financial Statements

Directors' Report 30	Statement by Directors 35	Independent Auditors' Report 36			
Balance Sheets 37	Consolidated Profit and Loss Account 39	Statements of Changes in Equity 40	Consolidated Cash Flow Statement 43		
Notes to the Financial Statements 45					

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 (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2007.

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	
Jorgen Larsen	(Appointed on 6 February 2008)
Arve Johansen	(Appointed on 6 February 2008)
Morten Fernand Angelil	(Resigned on 5 February 2008)
Lars Jervan	(Resigned on 5 February 2008)

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 objects 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 1.1.2007	As at 31.12.2007	As at 21.1.2008	As at 1.1.2007	As at 31.12.2007	As at 21.1.2008
Ultimate holding company						
Eltek ASA						
Ordinary shares						
S Chandra Das	1,800	1,800	1,800	—	—	—
Ang Seong Kang Samuel	3,130	3,130	3,130	—	—	—
Morten Fernand Angelil *	—	—	—	182,708	182,708	182,708
Lars Jervan **	—	—	—	200,375	200,375	200,375
Option to subscribe for ordinary shares						
Morten Fernand Angelil	195,000	145,000	145,000	—	—	—
Lars Jervan	115,000	85,000	85,000	—	—	—

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 1.1.2007	As at 31.12.2007	As at 21.1.2008	As at 1.1.2007	As at 31.12.2007	As at 21.1.2008
The Company						
Ordinary shares						
S Chandra Das***	–	–	–	1,000,000	1,000,000	1,000,000
Ang Seong Kang Samuel****	2,630,000	1,000,000	1,000,000	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 Angellil has interest in, and 4,300 shares are held by Bimo Invest AS, which is owned by Morten Fernand Angellil.

** 178,408 shares are held by Mola AS, which Lars Jervan has interest in, and 21,967 shares are held by his children.

*** 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 1.1.2007	As at 31.12.2007	As at 21.1.2008
Related Corporations			
Nera Infocom (M) Sdn Bhd			
Ordinary shares of RM 1 each			
Ang Seong Kang Samuel	1	1	1
Nera (Philippines) Inc.			
Ordinary shares of Peso 100 each			
Ang Seong Kang Samuel	1	1	1
P.T. Nera Indonesia			
Ordinary shares of US\$2,000 each			
Ang Seong Kang Samuel	1	1	1
Nera Telecommunications (Taiwan) Co., Ltd			
Ordinary shares of NT\$10 each			
Ang Seong Kang Samuel	1	1	1
Nera Telecommunications (India) Pvt Ltd			
Ordinary shares of 10 Rupees each			
Ang Seong Kang Samuel	5,000	5,000	5,000

Except as disclosed 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 2008.

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) Sitoh Yih Pin
- (iii) Arve Johansen (Appointed on 6 February 2008)
- (iv) Morten Fernand Angelil (Resigned on 5 February 2008)

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

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	619,000	–	–	22,000	597,000	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	259,000	–	–	24,000	235,000	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	119,000	–	–	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, 14,000 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.

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

18 March 2008

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 2007 and the results of the business, 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) 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

18 March 2008

We have audited the accompanying financial statements of Nera Telecommunications Ltd (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 37 to 86, which comprise the balance sheets of the Group and the Company as at 31 December 2007, the statements of changes in equity of the Group and the Company, 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 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 2007 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

18 March 2008

		Group		Company	
	Note	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-current assets					
Fixed assets	4	8,168	6,379	4,308	4,309
Investment in subsidiaries	5	–	–	4,316	4,316
Investment in an associate	6	1,111	1,094	199	199
Deferred tax assets	25	1,327	875	180	175
		10,606	8,348	9,003	8,999
Current assets					
Stocks	7	7,188	5,642	6,185	4,320
Contract work-in-progress	8	20,687	18,627	15,725	16,794
Trade receivables	9	48,733	29,957	38,563	24,812
Other receivables, deposits and prepayments	10	1,769	1,863	128	569
Amounts due from subsidiaries					
- trade	11	–	–	8,033	4,497
- non-trade	11	–	–	359	–
Amount due from an associate					
- trade	11	8,145	7,231	7,076	6,303
- non-trade	11	1,000	1,263	1,000	1,263
Amounts due from related companies					
- trade	11	95	156	83	56
Fixed deposits	28	–	12,896	–	12,896
Cash and bank balances	28	21,151	12,935	18,934	10,088
		108,768	90,570	96,086	81,598
Current liabilities					
Trade payables	12	22,498	16,393	16,945	14,716
Other payables and accruals	13	17,448	9,706	13,875	7,662
Amounts due to subsidiaries (trade)	11	–	–	400	384
Amount due to an associate (trade)	11	–	18	–	–
Amounts due to related companies (trade)	11	5,591	374	5,548	327
Provision for taxation		2,826	2,495	2,616	2,704
Provision for warranty	14	3,821	3,044	1,706	1,403
		52,184	32,030	41,090	27,196
Net current assets		56,584	58,540	54,996	54,402
Net assets		67,190	66,888	63,999	63,401

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

		Group		Company	
	Note	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Equity attributable to equity holders of the Company					
Share capital	15	29,909	29,906	29,909	29,906
Revenue reserve		39,241	38,645	34,090	33,494
Employee share option reserve	16	–	1	–	1
Translation reserve	16	(1,960)	(1,664)	–	–
		67,190	66,888	63,999	63,401

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

	Note	2007 \$'000	2006 \$'000
Continuing operations			
Turnover	17	166,369	140,343
Cost of sales		(132,294)	(109,965)
Gross profit		34,075	30,378
Other operating income	18	2,072	723
Distribution and selling expenses		(14,980)	(13,987)
Administrative expenses	19	(6,785)	(5,748)
Other operating expenses	19	(1,065)	(1,030)
Profit from operating activities		13,317	10,336
Financial income	22	998	2,052
Financial expenses	23	(227)	(173)
Exceptional item	24	–	28,777
		14,088	40,992
Share of results of an associate	6	18	(166)
Profit before tax		14,106	40,826
Tax	25	(2,653)	(3,059)
Net profit for the year from continuing operations		11,453	37,767
Discontinued operation			
Profit for the year from a discontinued operation	24	–	5,420
Profit for the year		11,453	43,187
Attributable to :			
Equity holders of the Company		11,453	41,467
Minority interests		–	1,720
Profit attributable to shareholders		11,453	43,187
Earnings per share			
Basic – continuing operations	26	3.16	10.44
Basic – discontinued operation	26	–	1.02
Diluted – continuing operations	26	3.16	10.44
Diluted – discontinued operation	26	–	1.02

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

Statements of Changes in Equity

for the year ended 31 December 2007

Group	Share capital (Note 15) \$'000	Share premium \$'000
2007		
At 1 January 2007	29,906	–
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 exercised	3	–
Dividends (Note 27)	–	–
At 31 December 2007	29,906	–
2006		
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 27)	–	–
At 31 December 2006	29,906	–

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	\$'000	(Note 16) \$'000	(Note 16) \$'000	\$'000	\$'000
38,645	–	1	(1,664)	–	66,888
–	–	–	(296)	–	(296)
–	–	–	(296)	–	(296)
11,453	–	–	–	–	11,453
11,453	–	–	(296)	–	11,157
–	–	(1)	–	–	2
(10,857)	–	–	–	–	(10,857)
39,241	–	1	(1,960)	–	67,190
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

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

Statements of Changes in Equity

for the year ended 31 December 2007

Company	Share capital (Note 15) \$'000	Share premium \$'000	Revenue reserve \$'000	Employee share option reserve (Note 16) \$'000	Total equity \$'000
2007					
At 1 January 2007	29,906	–	33,494	1	63,401
Net profit for the year	–	–	11,453	–	11,453
Employee share options exercised	3	–	–	(1)	2
Dividends (Note 27)	–	–	(10,857)	–	(10,857)
At 31 December 2007	29,909	–	34,090	–	63,999
2006					
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 27)	–	–	(65,139)	–	(65,139)
At 31 December 2006	29,906	–	33,494	1	63,401

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

	Note	2007 \$'000	2006 \$'000
Cash flows from operating activities			
Profit from continuing operations before tax		14,106	40,826
Profit from discontinued operation before tax		–	6,906
		14,106	47,732
Adjustments for :			
Depreciation of fixed assets	4	2,048	2,591
Loss/(gain) on disposal of fixed assets		5	(16)
Gain from disposal of a subsidiary company, net	24	–	(28,777)
Allowance for stock obsolescence	7	528	1,417
Allowance for doubtful trade debts	9	8	588
Provision for warranty	14	2,952	1,957
Interest income		(998)	(2,392)
Share of results of an associate		(18)	166
Share-based payment expense		(1)	(1)
Operating profit before working capital changes		18,630	23,265
Decrease/(increase) in :			
Stocks		(2,074)	(9,696)
Contract work-in-progress		(2,060)	(4,276)
Trade receivables		(18,784)	(15,371)
Other receivables, deposits and prepayments		94	(2,484)
Changes in related companies and associate balances		4,609	(703)
(Decrease)/increase in :			
Trade payables		6,105	12,360
Other payables and accruals		7,742	1,723
Provision for warranty		(2,175)	(1,295)
Cash generated from operations		12,087	3,523
Income tax paid		(2,906)	(4,385)
Net cash flows from/(used in) operating activities		9,181	(862)
Cash flows from investing activities			
Proceeds from disposal of fixed assets		–	19
Purchase of fixed assets		(3,831)	(3,929)
Interest received		998	2,392
Disposal of a subsidiary, net of cash disposed	24	–	39,508
Net cash flows (used in)/from investing activities		(2,833)	37,990

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 2007

	Note	2007 \$'000	2006 \$'000
Cash flows from financing activities			
Dividends paid to shareholders of the Company	27	(10,857)	(65,139)
Dividends paid to minority shareholders of subsidiary		–	(838)
Proceeds from issue of ordinary shares on exercise of employees' share options		3	–
Net cash flows used in financing activities		(10,854)	(65,977)
Net decrease in cash and cash equivalents		(4,506)	(28,849)
Effect of exchange rate changes		(174)	(409)
Cash and cash equivalents at beginning of year		25,831	55,089
Cash and cash equivalents at end of year	28	21,151	25,831

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

1. Corporate information

The Company is a limited liability company incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). The ultimate holding company is Eltek ASA, 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 5 to the financial statements.

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

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 Future changes in accounting policies

The Group and the Company have not adopted the following FRS and Interpretations of Financial Reporting Standards ("INT FRS") that have been issued but not yet effective:

		Effective date (Annual periods beginning on or after)
FRS 23	: Amendment to FRS 23, Borrowing Costs	17 January 2009
FRS 108	: Operating Segments	1 January 2009
INT FRS 111	: Group and Treasury Share Transactions	1 March 2007
INT FRS 112	: Service Concession Arrangements	1 January 2008

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 108 as indicated below.

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

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

2.3 Basis 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 used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the profit and loss account on the date of acquisition.

Subsidiaries are 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.

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.

2.4 Foreign currency

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 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.

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their profit and loss account are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit and loss account.

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

2.5 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.

2.6 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. 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.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of 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 asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of profit or loss of the associate 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, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The financial statements of the associate are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

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 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.

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

2.8 Fixed assets (cont'd)

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, period and method 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.

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 is required, the Group makes an estimate of the asset's recoverable amount.

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 expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses are recognised in the profit and loss account.

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. 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 increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Reversal of an impairment loss is recognised in the profit and loss account.

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

2.10 Financial assets

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.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell 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*

Financial assets at fair value through profit or loss are financial assets classified as held for trading. Financial assets classified as held for trading are derivatives (including separated embedded derivatives) or are acquired principally for the purpose of selling or repurchasing it in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the profit and loss account. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(b) *Loans and receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, and through the amortisation process.

2.11 Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets 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 discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit and loss account.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

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

2.11 Impairment of financial assets (cont'd)

Assets carried at amortised cost (cont'd)

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (i.e. more than 60 days overdue).

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit and loss account.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand 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.

2.13 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.

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.

2.14 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.

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.

2.15 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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 economic resources will be required to settle the obligation, the provision is reversed. 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

2.15 Provisions (cont')

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.

2.16 Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the profit and loss account when the liabilities are derecognised or impaired, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the profit and loss account. Net gains or losses on derivatives include exchange differences.

2.17 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 defined contribution 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.

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

2.17 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.

2.18 Leases

(a) *Finance lease*

Finance leases, which 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. Any initial direct costs are also added to the amount capitalised. 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 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 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.

2.19 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.

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

2.19 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*

Dividend income is recognised when dividends are declared payable.

(d) *Interest income*

Interest income is recognised using the effective interest method.

2.20 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. Where 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.

2.21 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 by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred 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 where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future, 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 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 tax asset to be utilised. Unrecognised deferred 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 utilised.

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

2.21 Income taxes (cont'd)

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

Deferred 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.

Deferred taxes are recognised in the profit and loss account except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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.

2.22 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.

2.23 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.

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

2.24 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.25 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

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 deferred tax assets at 31 December 2007 were \$2,826,000 (2006 : \$2,495,000) and \$1,327,000 (2006 : \$875,000) respectively.

3.2 Key sources of estimation uncertainty

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

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 2007 was \$6,086,000 (2006: \$3,892,000). 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.

4. 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 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 and 1 January 2007	5,150	798	3,060	1,013	1,132	8,093	19,246
Additions	–	43	421	40	30	3,297	3,831
Disposals/written off	–	–	(82)	(4)	–	(295)	(381)
Reclassification	–	–	(37)	–	–	37	–
Currency realignment	–	(3)	106	(33)	4	49	123
At 31 December 2007	5,150	838	3,468	1,016	1,166	11,181	22,819
Accumulated depreciation							
At 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 and 1 January 2007	3,361	691	2,320	642	912	4,941	12,867
Charge for the year	286	22	286	87	101	1,266	2,048
Disposals/written off	–	–	(80)	(2)	–	(294)	(376)
Reclassification	–	–	(9)	–	–	9	–
Currency realignment	–	(1)	111	(18)	7	13	112
At 31 December 2007	3,647	712	2,628	709	1,020	5,935	14,651
Net book value							
At 31 December 2006	1,789	107	740	371	220	3,152	6,379
At 31 December 2007	1,503	126	840	307	146	5,246	8,168

4. Fixed assets (cont'd)

Company	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 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 and 1 January 2007	5,150	749	730	566	877	6,423	14,495
Additions	–	–	9	12	–	1,111	1,132
Disposals/written off	–	–	–	–	–	(11)	(11)
At 31 December 2007	5,150	749	739	578	877	7,523	15,616
Accumulated depreciation							
At 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 and 1 January 2007	3,361	681	563	388	753	4,440	10,186
Charge for the year	286	14	64	35	69	663	1,131
Disposals/written off	–	–	–	–	–	(9)	(9)
At 31 December 2007	3,647	695	627	423	822	5,094	11,308
Net book value							
At 31 December 2006	1,789	68	167	178	124	1,983	4,309
At 31 December 2007	1,503	54	112	155	55	2,429	4,308

As at 31 December 2007, 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

5. Investment in subsidiaries

	Company	
	2007 \$'000	2006 \$'000
Unquoted shares, at cost	4,379	4,379
Impairment loss	(63)	(63)
Carrying amount after impairment loss	4,316	4,316

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	
			2007 %	2006 %	2007 \$'000	2006 \$'000
Nera Infocom Pte Ltd B	Dormant	Singapore	100	100	^	^
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
Nera Infocom (M) Sdn Bhd*	Sales, installation and maintenance of information technology equipment	Malaysia	100	100	225	225

5. Investment in subsidiaries (cont'd)

Name of Company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of investment	
			2007 %	2006 %	2007 \$'000	2006 \$'000
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#	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##	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+	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	4,379

B 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

o 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

6. Investment in an associate

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Unquoted equity shares, at cost	199	199	199	199
Share of post-acquisition :-				
Revenue reserve	1,658	1,640	–	–
Translation reserve	(746)	(745)	–	–
Carrying amount of investment	1,111	1,094	199	199

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

Name of Company	Principal activity	Country of incorporation and place of business	Effective equity interest held by the Group	
			2007 %	2006 %
Nera (Malaysia) Sdn Bhd*	Sale, installation and maintenance of telecommunications equipment	Malaysia	30	30

* Audited by member firm of Ernst & Young Global in Malaysia.

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

	2007 \$'000	2006 \$'000
Assets and liabilities		
Current assets	15,072	14,446
Non-current assets	161	220
Total assets	15,233	14,666
Current liabilities	11,541	11,030
Results :-		
Revenue	15,808	24,124
Profit/(loss) for the year	61	(552)

7. Stocks

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Balance sheet				
Finished goods, at cost	316	483	–	–
Finished goods, at net realisable value	6,872	5,159	6,185	4,320
	7,188	5,642	6,185	4,320
Profit and loss account				
Stocks recognised as an expense				
in cost of sales	18,531	79,088	16,773	18,014
Inclusive of the following charge :				
- Stocks written-down	528	1,417	455	183

8. Contract work-in-progress

Contract work in progress comprise:-

Cost incurred to date	63,284	71,718	57,027	69,111
Profits recognised to date	8,559	6,731	7,816	6,352
	71,843	78,449	64,843	75,463
Progress billings	(51,156)	(59,822)	(49,118)	(58,669)
	20,687	18,627	15,725	16,794
Gross amount due from customers for contract work	20,687	18,627	15,725	16,794

9. Trade receivables

Trade receivables	50,208	31,452	39,733	25,994
Less : Allowance for impairment of trade debts	(1,475)	(1,495)	(1,170)	(1,182)
Total trade receivables	48,733	29,957	38,563	24,812
Add :				
Other debtors, deposits and prepayment (excluding prepayments) (Note 10)	1,641	1,650	71	493
Cash and cash equivalents (Note 28)	21,151	25,831	18,934	22,984
Amounts due from subsidiaries	–	–	8,392	4,497
Amounts due from associates	9,145	8,494	8,076	7,566
Amounts due from related companies	95	156	83	56
Total loans and receivables	80,765	66,088	74,119	60,408

9. Trade receivables (cont'd)**Trade receivables**

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

Included in trade receivables is a fair value adjustment of forward currency contract amounting to \$64,000 (2006: \$345,000) which has been recognised in the profit and loss account.

At the balance sheet date, trade receivables for the Group and the Company arising from export sales amounting to \$8,191,000 (2006 : \$6,167,000) are arranged to be settled via letters of credits issued by reputable banks in countries where the customers are based.

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

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Retention sums relating to contract	76	250	76	81
Trade receivables denominated in a currency other than the entity's functional currency :				
- denominated in US dollars	33,025	17,944	32,587	16,897
- denominated in Malaysian Ringgit	2,860	2,946	—	—
- denominated in Norwegian Kroner	373	1,632	373	1,632
- denominated in Thai Baht	1,779	567	—	—
- denominated in Euro dollars	235	2	235	2
- denominated in Indonesian Rupiah	3,631	53	—	—
- denominated in Philippine Peso	1,143	526	—	—
- denominated in other currencies	714	338	89	20

Allowance for impairment of trade debts

For the year ended 31 December 2007, the Group and the Company wrote-down \$8,000 and wrote-back \$12,000 (2006 : wrote-down \$588,000 and wrote-back \$6,000) 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 2007.

The analysis of trade receivables as at 31 December is as follows :-

Not past due and not impaired	32,741	14,240	27,661	12,103
Past due but not impaired	15,698	15,501	10,902	12,709
Impaired	1,769	1,711	1,170	1,182
	50,208	31,452	39,733	25,994
Less: Allowance for impairment	(1,475)	(1,495)	(1,170)	(1,182)
	48,733	29,957	38,563	24,812

9. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to \$15,698,000 (2006 : \$15,501,000) and \$10,902,000 (2006 : \$12,709,000) respectively that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows :

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade receivables past due :				
Less than 3 months	11,751	9,958	8,474	8,386
More than 3 months but less than 6 months	2,546	4,208	1,395	3,633
More than 6 months but less than 12 months	1,322	1,327	1,033	690
More than 12 months	79	8	–	–
	15,698	15,501	10,902	12,709

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows :

Impaired receivables – individually assessed :

Receivables in dispute	466	663	272	518
Customer with financial difficulties	73	186	3	–
Pending for acceptance certification	888	282	686	84
Incomplete documentation	209	580	209	580
Customers under legal cases	133	–	–	–
	1,769	1,711	1,170	1,182
Less: Allowance for impairment	(1,475)	(1,495)	(1,170)	(1,182)
	294	216	–	–

Movements in the allowance for impairment of trade debts are as follows :

At 1 January	1,495	1,706	1,182	1,399
Charge for the year	1,392	2,979	1,349	2,067
Written off	(30)	(212)	–	(211)
Written back	(1,384)	(2,391)	(1,361)	(2,073)
Disposal of a subsidiary	–	(584)	–	–
Currency realignment	2	(3)	–	–
	1,475	1,495	1,170	1,182

10. Other debtors, deposits and prepayments

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Prepayments	128	213	57	76
Deposits	646	218	28	32
Advances to suppliers	85	422	21	412
Staff advances	248	97	9	23
Other debtors	481	813	13	26
Tax recoverable	181	100	–	–
	1,769	1,863	128	569

Staff advances are unsecured and non-interest bearing.

11. Amount due from/(to) an associate (trade and non-trade)/Amounts due from/(to) subsidiaries (trade and non-trade)/Amounts 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 balance due from an associate for the Group and the Company of \$9,145,000 (2006 : \$8,494,000) and \$8,076,000 (2006 : \$7,566,000) respectively, bears interest at 4.25% to 10.32% (2006 : 4.25% to 10.35%) per annum.

12. Trade payables

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

Included in trade payables was a fair value gain of forward currency contract amounting to \$44,000 (2006: a fair value loss of forward currency contract amounting to \$5,000) 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:-

Denominated in US dollars	5,854	13,415	4,517	12,519
Denominated in Norwegian Kroner	3	836	3	836
Denominated in Euro dollars	1,071	23	1,071	4
Denominated in Malaysian Ringgit	692	14	–	–
Denominated in Indonesian Rupiah	1,143	133	–	–
Denominated in Thai Baht	1,082	81	–	–
Denominated in Philippines Peso	1,134	507	–	–
Denominated in other currencies	203	120	38	94

13. Other payables and accruals

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Accrued payroll expenses	5,000	4,833	4,105	4,076
Accrued contract and material cost	–	529	–	–
Other accrued operating expenses	1,249	1,253	1,030	1,099
Customer advances	9,614	2,071	8,417	1,974
Other creditors	1,585	1,020	323	513
Total other payables and accruals	17,448	9,706	13,875	7,662
Add :				
Trade payables	22,498	16,393	16,945	14,716
Amount due to subsidiaries	–	–	400	384
Amount due to an associate	–	18	–	–
Amounts due to related companies	5,591	374	5,548	327
Total financial liabilities carried at amortised cost	45,537	26,491	36,768	23,089

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 :-

At 1 January	3,044	4,249	1,403	1,682
Provision for the year	4,412	4,836	1,987	1,659
Write-back of provision	(1,460)	(2,879)	(460)	(1,073)
Utilised during the year	(1,820)	(1,295)	(1,224)	(865)
Disposal of subsidiary	–	(1,875)	–	–
Currency realignment	(355)	8	–	–
At 31 December	3,821	3,044	1,706	1,403

15. Share capital

	Group and Company			
	Number of shares		2007 \$'000	2006 \$'000
	2007 '000	2006 '000		
Issued and fully paid :-				
At 1 January	361,883	361,883	29,906	18,094
Issued for cash under employee share option scheme (Note 29)	14	–	3	–
Transfer of share premium reserve to share capital	–	–	–	11,812
At 31 December	361,897	361,883	29,909	29,906

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 29) under which options to subscribe for the Company's ordinary shares have been granted to employees.

There was nil (2006: nil) treasury share in issue during the financial year.

16. Other reserves**(a) Employee share option reserve**

Employee share option reserve represents the equity-settled share options granted to employees (Note 29). 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	
	2007 \$'000	2006 \$'000
At 1 January	1	2
Exercise of share options	(1)	–
Share options cancelled	–	(1)
At 31 December	–	1

16. Other reserves (cont'd)**(b) 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	
	2007 \$'000	2006 \$'000
At 1 January	(1,664)	(1,206)
Net effect of exchange differences	(296)	(458)
At 31 December	(1,960)	(1,664)
Net effect of exchange differences arises from :-		
Translation of financial statements of foreign operations	(296)	(458)

17. Turnover

	Group	
	2007 \$'000	2006 \$'000
Sales of goods	131,715	114,460
Services rendered	34,654	25,883
	166,369	140,343

18. Other operating income

Service fee	902	487
Commission income	166	164
Gain on disposal of fixed assets	–	16
Support fee from a principal	1,000	–
Others	4	56
	2,072	723

19. Administrative and other operating expenses

Administrative and other operating expenses include :

Non-audit fees paid to :-

Auditors of the Company	24	24
Foreign exchange gain, net – forward currency contracts	(10)	(376)
Foreign exchange loss, net - others	223	455
Loss on disposal of fixed assets	5	–

20. Personnel expenses and employee benefits

	Group	
	2007 \$'000	2006 \$'000
Wages, salaries and bonuses	12,718	11,554
Pension contributions	1,443	1,509
Termination benefits	(121)	213
Other personnel benefits	1,175	980
	15,215	14,256

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

21. Directors' remuneration

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

	2007	2006
\$500,000 and above	1	1
\$250,000 to \$499,999	—	—
Below \$250,000	3	4
	4	5

22. Financial income

	Group	
	2007 \$'000	2006 \$'000
Interest income from :-		
Bank deposits	406	1,119
An associate	592	929
Others	—	4
	998	2,052

23. Financial expenses

Bank charges	(227)	(173)
--------------	-------	-------

24. 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	
	2007 \$'000	2006 \$'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)
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 was 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 were as follows :-

Turnover	–	70,696
Cost of sales	–	(58,083)
Gross profit	–	12,613
Other operating income	–	521
Distribution and selling expenses	–	(4,143)
Administrative expenses	–	(2,229)
Other operating expenses	–	(141)
Profit from operations	–	6,621
Financial expenses	–	(55)
Financial income	–	340
Profit before taxation	–	6,906
Taxation	–	(1,486)
Profit for the period from discontinued operation	–	5,420

25. Tax

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

	Group	
	2007 \$'000	2006 \$'000
Current tax :-		
Current year	2,409	2,322
Foreign tax	970	698
Over provision in respect of prior years	(142)	(264)
Deferred tax :-		
Current year	(584)	14
Over recognition of deferred tax assets in prior year	–	254
Reversal of deferred tax asset recognised previously	–	35
Income tax attributable to continuing operations	2,653	3,059
Income tax attributable to discontinued operation (Note 24)	–	1,486
Income tax expense recognised in the profit and loss account	2,653	4,545

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	
	2007 \$'000	2006 \$'000
Profit from continuing operations before taxation	14,106	40,826
Profit from discontinued operation before taxation (Note 24)	–	6,906
Accounting profit before income tax	14,106	47,732
Tax at 18% (2006 : 20%)	2,539	9,546
Tax effect of expenses that are not deductible in determining taxable profit	198	292
Realisation of deferred tax assets previously not recognised	(90)	–
Double tax deduction	(17)	(5)
Tax exemption	(27)	(25)
Reversal of deferred tax asset recognised previously	–	35
(Over)/underprovision in respect of prior years	(142)	107
Difference in tax rates applicable to subsidiaries and associates	107	7
Tax effect of reduction in tax rates	7	–
Deferred tax assets not recognised by subsidiaries	77	313
Share of results of an associate	(3)	33
Utilisation of previously recognised tax losses	–	(12)
Tax effect of income not subject to tax	(4)	(5,756)
Others	8	10
Income tax expense recognised in the profit and loss account	2,653	4,545

25. Tax (cont'd)

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 18% for the year of assessment 2008 onwards from 20% for year of assessment 2007. The corporate income tax rate applicable to Malaysian companies of the Group was reduced from 28% to 27% and 26% for the year of assessment 2007 and the year of assessment 2008 onwards respectively.

Deferred tax assets and liabilities

Deferred tax as at 31 December related to the following:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deferred tax liability :-				
Excess of tax over book depreciation of fixed assets	(506)	(495)	(485)	(469)
Deferred tax assets :-				
General provisions	1,833	1,370	665	644
Net deferred tax assets	1,327	875	180	175

Unrecognised tax losses

The Group has tax losses of approximately \$1,908,000 (2006 : \$2,075,000) 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.

26. 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).

26. Earnings per share (cont'd)

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	
	2007 \$'000	2006 \$'000
Continuing operations		
Net profit attributable to ordinary equity holders of the Company for basic and diluted earnings per share	11,453	37,767
Weighted average number of ordinary shares in issue applicable to basic earnings per share	361,892,551	361,883,000
Effect of dilutive share options	–	9,022
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	361,892,551	361,892,022
Discontinued operation		
Net profit attributable to ordinary equity holders of the Company for basic and diluted earnings per share	–	3,700
Weighted average number of ordinary shares in issue applicable to basic earnings per share	–	361,883,000
Effect of dilutive share options	–	9,022
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	–	361,892,022

1,032,000 (2006 : 1,547,000) of share options granted to employees under the Employees' Share Option Scheme have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous financial periods presented.

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.

27. Dividends

	Group and Company	
	2007 \$'000	2006 \$'000
A final dividend paid in respect of the previous financial year of nil cents (2006 : 1.225 cents) per share less tax at nil% (2006 : 20%) and 3 cents (2006 : 2.02 cents) per share one-tier tax exempt	10,857	10,856
A special dividend paid in respect of the current financial year of nil cents (2006 : 15 cents) per share one-tier tax exempt (2006 : one-tier tax exempt)	–	54,283
	10,857	65,139

27. Dividends (cont'd)

The directors proposed a final dividend of 4 cents (2006 : 3 cents) per share one-tier tax exempt dividend (2006 : one-tier tax exempt) amounting to \$14,476,000 (2006 : \$10,856,000) in respect of the year ended 31 December 2007. 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.

28. Cash and cash equivalents

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Fixed deposits	–	12,896	–	12,896
Cash and bank balances	21,151	12,935	18,934	10,088
	21,151	25,831	18,934	22,984

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.19% to 6.05% (2006 : 0.2% to 5.5%) per annum. Included in cash and bank balances is an amount of \$35,000 (2006 : \$Nil) pledged in accordance to a contractual arrangement.

In 2006, fixed deposits of the Group and the Company were made for varying periods between 1 to 2 months depending on the immediate cash requirements of the Group and the Company, and earned interests at the respective fixed deposit rates. The effective interest rates of fixed deposits were 2.10% to 3.30% per annum.

29. 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.

29. Employee share option scheme (cont'd)

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

2007	Exercise price \$	Number of options out-standing at 1.1.2007 ⁽¹⁾	During the year			Number of options out-standing at 31.12.2007	Exercisable period
Category			Granted	Exercised	Forfeited		
Employees of the Company	0.625 0.22	619,000 14,000	–	– 14,000	22,000 –	597,000 –	1.3.2004 to 28.2.2012 20.3.2005 to 19.3.2013
Employees of the subsidiaries	0.625 0.22	259,000 9,000	–	–	24,000 9,000	235,000 –	1.3.2004 to 28.2.2012 20.3.2005 to 19.3.2013
Employees of an associate	0.625	119,000	–	–	119,000	–	1.3.2004 to 28.2.2007
		1,020,000	–	14,000	174,000	832,000	
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	–	–	350,000	200,000	
Total		1,570,000	–	14,000	524,000	1,032,000	
Exercisable at end of year						1,032,000	

2006	Exercise price \$	Number of options out-standing at 1.1.2006 ⁽¹⁾	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	

29. Employee share option scheme (cont'd)

⁽¹⁾ 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.

During the year, 14,000 (2006 : Nil) options were exercised on 27 April 2007 with an exercise price of \$0.22.

30. Non-cancellable operating lease commitments

As at 31 December 2007, 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 \$921,000 (2006 : \$1,330,000).

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

	Group	
	2007 \$'000	2006 \$'000
Not later than one year	558	766
Later than one year but not later than five years	1,510	1,739
Later than five years	–	257
	2,068	2,762

31. Related party disclosures

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

Income :-

Sales to related companies	6,849	31,314
Sales to an associate	7,394	10,330
Commission income from related companies	85	113
Service fee from a related company	891	487

Expenses :-

Purchase of goods from related companies	49,362	31,246
--	--------	--------

Directors of the Company :-

Directors' fees	165	245
Directors' remuneration	1,377	983
Defined contribution benefits	7	7
Equity compensation benefits *	–	–

31. Related party disclosures (cont'd)

	Group	
	2007 \$'000	2006 \$'000
Directors of the subsidiaries :-		
Directors' fees	2	2
Directors' remuneration	475	427
Defined contribution benefits	15	11
Equity compensation benefits *	–	–
Senior management :-		
Senior management's remuneration	1,184	1,165
Defined contribution benefits	59	54
Equity compensation benefits *	–	–

* 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.

32. 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.

Business segments

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

- | | |
|------------------------|---|
| Telecommunications | – Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of satellite communications and transmission products and systems. |
| Infocomm | – Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of info-communications network infrastructure, broadcast infrastructure, payment systems and wireless solutions. |
| Contract manufacturing | – Provide contract manufacturing services of printed circuit boards assemblies, microwave radios and complete products. |

32. Segment information (cont'd)

2007	Telecommunications \$'000	Infocomm \$'000	Elimination \$'000	Total \$'000
Turnover	100,239	66,130	–	166,369
Inter-segment turnover	2,150	7,646	(9,796)	–
Total turnover	102,389	73,776	(9,796)	166,369
Cost of sales	(86,031)	(56,059)	9,796	(132,294)
Gross profit	16,358	17,717	–	34,075
Other operating income	1,992	80	–	2,072
Distribution and selling expenses	(5,367)	(9,613)	–	(14,980)
Administrative expenses	(3,407)	(3,378)	–	(6,785)
Other operating expenses	(1,464)	399	–	(1,065)
Profit from operating activities	8,112	5,205	–	13,317
Financial income				998
Financial expenses				(227)
				14,088
Share of results of an associate				18
Tax				(2,653)
Net profit for the year				11,453
Other information				
Segment assets	70,437	23,579		94,016
Investment in associated company				1,111
Unallocated assets				24,247
Total assets				119,374
Segment liabilities	20,877	11,033		31,910
Tax liabilities				2,826
Unallocated liabilities				17,448
Total liabilities				52,184
Capital expenditure	209	3,622		3,831
Depreciation	428	1,620		2,048
Other non-cash expenses	2,575	913		3,488

32. Segment information (cont'd)

2006	Continuing operations			Total \$'000	Discontinued operation Contract manufacturing \$'000	Total operations Total \$'000
	Telecom- munications \$'000	Infocomm \$'000	Elimination \$'000			
Turnover	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
Financial 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 results of an associate				(166)	–	(166)
Tax				(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
Other non-cash expenses	1,001	763		1,764	2,198	3,962

32. Segment information (cont'd)**Geographical segments**

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

	Singapore		Indonesia		Philippines		Other Asian		Others		Eliminations		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Turnover	46,771	58,822	46,132	17,741	19,735	19,704	43,482	45,582	10,249	69,190	–	–	166,369	211,039
Inter-company sales	587	1,173	1,448	2,803	2,187	730	5,573	2,225	–	–	(9,795)	(6,931)	–	–
	47,358	59,995	47,580	20,544	21,922	20,434	49,055	47,807	10,249	69,190	(9,795)	(6,931)	166,369	211,039
Turnover attributable to discontinued operation	–	(16,682)	–	–	–	–	–	(68)	–	(53,946)	–	–	–	(70,696)
Turnover from continuing operations	47,358	43,313	47,580	20,544	21,922	20,434	49,055	47,739	10,249	15,244	(9,795)	(6,931)	166,369	140,343
Assets	92,182	81,585	7,521	4,441	3,595	2,626	16,076	10,266	–	–	–	–	119,374	98,918
Capital expenditure	1,132	2,334	554	423	402	136	1,743	1,036	–	–	–	–	3,831	3,929

33. 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 has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly U.S Dollars (USD), Euro Dollars and Norwegian Kroner. Approximately 59% (2006: 59%) of the Group's sales and 91% (2006: 93%) of the Group's purchases are denominated in foreign currencies.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances amount to \$11,609,000 (2006: \$906,000) and \$11,406,000 (2006: \$438,000) for the Group and the Company respectively.

The Group uses forward currency contracts to mitigate the currency exposures on transactions in excess of \$100,000 for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward currency contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. These investments are not hedged as the respective currency positions are considered to be long-term in nature.

33. Financial risk management objectives and policies (cont'd)**Sensitivity analysis for foreign currency risk**

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, Norwegian Kronor and Euro dollar exchange rates (against SGD), with all other variables held constant, of the Group's profit net of tax and equity.

	Group				Company			
	2007 \$'000		2006 \$'000		2007 \$'000		2006 \$'000	
	Profit net of tax	Equity	Profit net of tax	Equity	Profit net of tax	Equity	Profit net of tax	Equity
US dollar -								
- Strengthened 3% (2006 : 3%)	281	281	(12)	(12)	422	422	16	16
- Weakened 3% (2006 : 3%)	(281)	(281)	12	12	(422)	(422)	(16)	(16)
Norwegian Kroner								
- Strengthened 3% (2006 : 3%)	27	27	27	27	41	41	38	38
- Weakened 3% (2006 : 3%)	(27)	(27)	(27)	(27)	(41)	(41)	(38)	(38)
Euro dollar -								
- Strengthened 3% (2006 : 3%)	61	61	3	3	61	61	3	3
- Weakened 3% (2006 : 3%)	(61)	(61)	(3)	(3)	(61)	(61)	(3)	(3)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from cash assets and amount due from an associate.

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 and the Company interest rate exposure is also disclosed in the notes to the financial statements.

33. Financial risk management objectives and policies (cont'd)**Interest rate risk (cont'd)***Sensitivity analysis for interest rate risk*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on interest income from cash assets placed with banks and amount due from an associate, with all other variables held constant, of the Group's and the Company's profit net of tax and equity.

	Group and Company		
	Increase/ (decrease) basis points \$'000	Effect on profit net of tax \$'000	Effect on equity \$'000
2007			
Singapore dollar	(100)	(50)	(50)
US dollar	(100)	(104)	(104)
Norwegian Kroner	(100)	(7)	(7)
Euro dollar	(100)	(27)	(27)
Singapore dollar	100	85	85
US dollar	100	104	104
Norwegian Kroner	100	7	7
Euro dollar	100	27	27
2006			
Singapore dollar	(100)	(206)	(206)
US dollar	(100)	(31)	(31)
Norwegian Kroner	(100)	(8)	(8)
Euro dollar	(100)	(1)	(1)
Singapore dollar	100	206	206
US dollar	100	31	31
Norwegian Kroner	100	8	8
Euro dollar	100	1	1

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The principal method the Group uses to manage liquidity risk arising from financial liabilities is maintaining an adequate level of cash and cash equivalents and committed stand-by credit facilities with banks. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below analyses the Group's financial liabilities and certain derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual carrying undiscounted cash flows. Balances due within 12 months approximate their carrying amounts as the impact of discounting is insignificant.

33. Financial risk management objectives and policies (cont'd)**Liquidity risk (cont'd)**

	2007				2006			
	1 year or less \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000	1 year or less \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
Group								
Trade payables (excluding fair value of forward currency contract)	22,542	–	–	22,542	16,388	–	–	16,388
Other payables and accruals	17,448	–	–	17,448	9,706	–	–	9,706
Amount due to an associate	–	–	–	–	18	–	–	18
Amount due to related companies	5,591	–	–	5,591	374	–	–	374
Derivative financial instruments								
- Forward currency contracts – gross payments	4,543	–	–	4,543	1,155	–	–	1,155
- Forward currency contracts – gross receipts	(32,230)	–	–	(32,230)	(20,759)	–	–	(20,759)
	17,894	–	–	17,894	6,882	–	–	6,882
Company								
Trade payables (excluding fair value of forward currency contract)	16,989	–	–	16,989	14,711	–	–	14,711
Other payables and accruals	13,875	–	–	13,875	7,662	–	–	7,662
Amount due to subsidiaries	400	–	–	400	384	–	–	384
Amount due to related companies	5,548	–	–	5,548	327	–	–	327
Derivative financial instruments								
- Forward currency contracts – gross payments	4,543	–	–	4,543	1,155	–	–	1,155
- Forward currency contracts – gross receipts	(32,230)	–	–	(32,230)	(20,759)	–	–	(20,759)
	9,125	–	–	9,125	3,480	–	–	3,480

33. Financial risk management objectives and policies (cont'd)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's and the Company's trade at the balance sheet date is as follows:

Customers' profile

By country

% of total	Group		Company	
	2007	2006	2007	2006
≥ 25	Indonesia	Singapore	Indonesia	Singapore and Philippines
>10 and <25	Philippines and Singapore	Philippines, Vietnam and others	Philippines and Singapore	Vietnam and others
≤ 10	Sri Lanka, Malaysia, Thailand, Vietnam and others	Indonesia, Malaysia and Thailand	Sri Lanka, Thailand, Vietnam and others	Indonesia and Malaysia

	Group				Company			
	2007		2006		2007		2006	
	\$'000	% of total	\$'000	% of total	\$'000	% of total	\$'000	% of total
By Industry Sectors								
Telecommunication	40,063	82	22,175	74	35,434	92	20,266	82
Financial institutions	3,905	8	3,329	11	1,172	3	1,295	5
Government agencies	2,735	6	1,251	4	450	1	333	1
Others	2,030	4	3,203	11	1,507	4	2,918	12
	48,733	100	29,958	100	38,563	100	24,812	100

33. Financial risk management objectives and policies (cont'd)**Credit risk (cont'd)**

At the balance date,

- 98% (2006 : 95%) of the Group's trade receivables in Indonesia were due from a reputable telecommunication service provider; and
- 59% (2006 : 42%) of the Group trade receivables were due from 3 major customers in Telecommunication industry.

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 9.

34. 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 cash equivalents, current trade and other receivables, current trade and other payables, related companies balances and associate balances, 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.

34. 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 :-

2007 Group	Within 1 year \$'000	1 – 2 years \$'000	2 – 3 years \$'000	3 – 4 years \$'000	4 – 5 years \$'000	More than 5 years \$'000	Total \$'000
<i>Floating rate</i>							
Cash assets	21,151	–	–	–	–	–	21,151
Amount due from an associate	9,145	–	–	–	–	–	9,145
Company							
<i>Floating rate</i>							
Cash assets	18,934	–	–	–	–	–	18,934
Amounts due from an associate	8,076	–	–	–	–	–	8,076
2006 Group	Within 1 year \$'000	1 – 2 years \$'000	2 – 3 years \$'000	3 – 4 years \$'000	4 – 5 years \$'000	More than 5 years \$'000	Total \$'000
<i>Floating rate</i>							
Cash assets	25,831	–	–	–	–	–	25,831
Amount due from an associate	8,494	–	–	–	–	–	8,494
Company							
<i>Floating rate</i>							
Cash assets	22,984	–	–	–	–	–	22,984
Amounts due from an associate	7,566	–	–	–	–	–	7,566

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months. 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.

34. Financial instruments (cont'd)**(c) Derivative financial instruments**

	2007		2006	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Fair value adjustment of forward currency contracts	108	–	345	(5)

35. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio to be less than 50%. The Group includes within net debt, loans and borrowings, trade and other payables, other liabilities, less cash and cash equivalents. Capital refers to equity attributable to the equity holders of the Company.

	Group	
	2007 \$'000	2006 \$'000
Trade payables (Note 12)	22,498	16,393
Other payables and accruals (Note 13)	17,448	9,706
Amount due to an associate (Note 11)	–	18
Amount due to related companies (Note 11)	5,591	374
Less: Cash and cash equivalent (Note 28)	(21,151)	(25,831)
Net debt	24,386	660
Capital :		
Equity attributable to equity holders of the Company	67,190	66,888
Capital and net debt	91,576	67,548
Gearing ratio	26.6%	1.0%

36. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 18 March 2008.

Issued and fully paid-up capital	:	\$29,909,152
Number of ordinary shares in issue	:	361,897,000
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	0.14	1,400	0.00
1,000 – 10,000	3,686	64.85	20,424,000	5.64
10,001 – 1,000,000	1,973	34.71	91,980,200	25.42
1,000,001 and above	17	0.30	249,491,400	68.94
TOTAL :	5,684	100.00	361,897,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Nera ASA*	181,136,000	50.05
2.	HSBC (Singapore) Nominees Pte Ltd	12,153,000	3.36
3.	DBSN Services Pte Ltd	11,210,000	3.10
4.	NTUC Thrift & Loan Co-operative Limited	7,370,000	2.04
5.	DBS Nominees Pte Ltd	7,270,000	2.01
6.	United Overseas Bank Nominees Pte Ltd	7,197,000	1.99
7.	Capital Intelligence Limited	3,389,000	0.94
8.	Citibank Nominees Singapore Pte Ltd	3,249,000	0.90
9.	OCBC Nominees Singapore Pte Ltd	2,750,000	0.76
10.	UOB Kay Hian Pte Ltd	2,424,000	0.67
11.	Poh Kheng Mui (Fu Qingmei)	2,320,000	0.64
12.	DBS Vickers Securities (S) Pte Ltd	2,072,000	0.57
13.	Phillip Securities Pte Ltd	1,759,400	0.49
14.	Ang Xinwei @ Hong Xinwei	1,630,000	0.45
15.	Koh Peck Hoon	1,380,000	0.38
16.	Yim Chee Chong or Ng Kee Yong Catherine	1,180,000	0.33
17.	Kim Leng Tee Investments Pte Ltd	1,002,000	0.28
18.	Ang Seong Kang Samuel	1,000,000	0.28
19.	Phay Seng Whatt	1,000,000	0.28
20.	Pillai Rosie	1,000,000	0.28
TOTAL :		252,491,400	69.80

* Nera ASA was merged with Eltek ASA.

SUBSTANTIAL SHAREHOLDERS AS AT 12 MARCH 2008

(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

49.09% 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. I97802690R) (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 25 April 2008 at 11.30 a.m. 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 2007 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final one-tier tax exempt dividend of 4 cents per share for the year ended 31 December 2007 (2006: a final one-tier tax exempt dividend of 3 cents per share). **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:

Mr S Chandra Das	(Retiring under Article 87)	(Resolution 3)
Mr Jorgen Larsen	(Retiring under Article 94)	(Resolution 4)
Mr Arve Johansen	(Retiring under Article 94)	(Resolution 5)

Mr S Chandra Das will, upon re-election as Director of the Company, remain as Chairman of the Board and Chairman of the Nominating and Compensation Committees and will be considered independent.

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

Mr Arve Johansen 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\$165,000 for the year ended 31 December 2007 (2006: S\$195,626/-). **(Resolution 7)**

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 (excluding treasury 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 (excluding treasury 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 (excluding treasury 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
Company Secretary

Singapore, 9 April 2008

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.

Nera Telecommunications Ltd Proxy Form

(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 the person, or either or both of the persons, referred to above, 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 at 109 Defu Lane 10, Singapore 539225 on 25 April 2008 at 11.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. 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 2007		
2	Payment of proposed final one-tier tax exempt dividend		
3	Re-election of Mr S Chandra Das as a Director		
4	Re-election of Jorgen Larsen as a Director		
5	Re-election of Arve Johansen as a Director		
6	Re-appointment of Messrs Ernst & Young as Auditors		
7	Approval of Directors' fees amounting to S\$165,000		
8	Authority to allot and issue new shares		
9	Authority to issue shares under the Nera Telecom Employees' Share Option Scheme		

Dated this _____ day of _____ 2008

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



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. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the meeting.
5. 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.
6. 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.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

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

Nera Telecommunications Ltd

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

Website: www.neratel.com.sg Co. Reg. No.: 197802690R