ANNUAL REPORT 2009

We bring you the best in the world of infocomm and telecommunications and deliver strategic solutions for your business needs.

NERA

NERA TELECOMMUNICATIONS LTD

Service Management Helpdesk

Helping You Tap

the Power of Technology

CONTENTS

The Group had ended the year with positive cash and bank balances of S$29.4 million compared to S$20.8 million in FY2008, up 41.3% compared to the previous year, representing 8.12 cents per share.

S Chandra Das
Chairman

Chairman's Statement

On behalf of the Board, I am pleased to present the Annual Report and Financial Statements of Nera Telecommunications Ltd for the year ended 31 December 2009.

Despite the global economic downturn, the Group recorded an increase of 7.1% in turnover from S$160.3 million in FY2008 to S$171.7 million, attributed to the higher turnover from both the Transmission and Infocomm business. Profit before tax grew 6.3% from S$12.4 million in FY2008 to S$ S$13.2 million as a result of higher other operating income and lower operating expenses. Other operating income was significantly higher than FY2008 due to the foreign exchange gain of S$1.2 million (attributed to the weakening of the US dollar against Singapore dollar) and S$0.5 million received from the Singapore Government under the Jobs Credit Scheme. Profit after tax ("PAT") rose from S$10.2 million in FY2008 to S$10.7 million, representing an increase of 4.9%. The Group had ended the year with positive cash and bank balances of S$29.4 million compared to S$20.8 million in FY2008, up 41.3% compared to the previous year, representing 8.12 cents per share.

Basic earnings per ordinary share for the year based on net profit attributable to shareholders were recorded at 2.95 cents compared to 2.81 cents in FY2008. Net asset value per ordinary share based on issued share capital of 361,897,000 ordinary shares was 17.20 cents, same level as the previous year.

The Board is pleased to recommend a final one-tier tax exempt dividend of 3 cents per ordinary share (FY2008: a final one-tier tax exempt dividend of 3 cents per ordinary share). This will amount to a total dividend payout of approximately S$10.9 million. The proposed dividend, if approved at the Annual General Meeting on 29 April 2010, will be paid on 18 May 2010.

The telecommunication industry is expected to remain active and highly competitive. The demand for our radio transmission products and services will be primarily driven by the mobile operators introducing bundled services such as voice, data, video and broadband to meet the various needs of customers in countries with low mobile phone penetration. For the Satellite business, we will focus on the sales of Inmarsat and Thuraya satellite communications products, solutions and services to the land and marine markets, and broadband satellite networks to the satellite operators, broadcasters and government organizations.

The Infocomm industry continues to present many opportunities as the infocomm/IT services remain the fundamental services to both the consumers and businesses. The growth in internet traffic, web services and broadband deployment, coupled with the upgrading of IT network and the deployment of new network, will provide business opportunities for the Group.

We had ended the difficult year relatively well, leaner and in good stead for growth when the economy recovers. We will continue to rely on our strong position in the Telecom and Infocomm business segments to expand into new markets. To remain competitive, we will constantly review our operational efficiency to increase productivity and provide quality services to our customers. In addition, the skill and competence 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 Jan T. Jorgensen, who left the Board on 15 January 2010.

Finally, on behalf of the Board, I would like to thank the shareholders, valued customers and business partners for your confidence and continued support and management and staff for their loyalty, dedication and commitment.

S Chandra Das
Chairman

President and CEO's Statement

Business Review

The economic environment for FY2009 was a tough one. It was indeed a challenging year for the NeraTel Group. Despite the global economic crisis, we managed to perform relatively well compared to the previous year.

Turnover for the Group grew by 7.1% from S$160.3 million in FY2008 to S$171.7 million. This was attributed to the higher turnover from both the Telecom and Infocomm business segments. Profit before tax ("PBT") rose by 6.3% from S$12.4 million in FY2008 to S$13.2 million as a result of higher other operating income and lower operating expenses, partially offset by the lower gross margin. Other operating income was significantly higher than FY2008 due to the foreign exchange gain of S$1.2 million (attributed to the weakening of the US dollar against Singapore dollar) and S$0.5 million received from the Singapore Government under the Jobs Credit Scheme. PBT as a percentage of turnover ("PBT %") of 7.7% was similar for both financial years. Profit after tax ("PAT") increased from S$10.2 million in FY2008 to S$10.7 million, up 4.9% from the previous year. As at end of the year, the Group registered positive cash and bank balances of S$29.4 million compared to S$20.8 million in FY2008, an increase of 41.3%. The increase in cash and bank balances for the year was mainly attributed to the higher positive cashflow from operating activities.

The Telecom business segment recorded a jump of 11.0% in turnover from S$83.3 million in FY2008 to S$92.5 million. This was attributed to the higher sales of microwave radio equipment. Turnover for satellite business area decreased due to the lower sales of satellite terminals. Profit from operations was S$5.6 million compared to S$5.0 million in FY2008, representing an increase of 11.1%.

The Infocomm business segment registered an increase of 3.0% in turnover from S$77.0 million in FY2008 to S$79.3 million. The increase in turnover was attributed mainly to the higher sales of point-of-sale terminals to the Financial Services and Retail market sector. Profit from operations of S$6.8 million was on the same level as the previous year.

Business Outlook

Telecommunications (Telecom)

The Telecom business segment comprises two main business areas namely Transmission and Satellite Communications.

Competition in the telecommunication industry remains intense. The global economic downturn in 2008/2009 had resulted in many mobile operators and service providers re-aligning their growth strategies in line with their revenues and at the same time, exercising caution in their capital and operational expenses. Going forward, we believe that the mobile operators and service providers will compete aggressively in securing market share and investing in new growth areas. Customers will likely re-visit their growth strategies and seek partnership with suppliers to help them lower their operating and capital expenditure, coupled with the deployment of new products and services.

In the Transmission business area, we believe that the demand for our microwave radio transmission products and services is driven by the mobile operators introducing bundled services using smart phones, ie. with voice, data, video and broadband multimedia services to the mature markets and voice and data in the emerging markets with low mobile phone penetration. Mobile operators need to expand their network coverage, capacity, bandwidth and network capabilities to stay ahead of competition to meet various market needs and to stay ahead of competition.

The Telecom business segment recorded a jump of 11.0% in turnover from S$83.3 million in FY2008 to S$92.5 million.

Ang Seong Kang Samuel
President & CEO

The Group offers a complete range of Evolution series microwave radio under a common product platform which can give significant savings in both deployment and operation across the mobile networks. Evolution series transport both Ethernet and TDM traffic in the same radio, scalable and software-defined which will enable mobile operators to invest and operate their network at a lower cost and a smooth transition from a traditional network to all IP network. The Group intends to further develop its radio transmission business opportunities in the Defence, Broadcast and Utilities market sectors.

In the Satellite business area, the Group will focus on the sales of Inmarsat and Thuraya satellite communication products, solutions and services to the land and marine markets. The Group will continue to explore business opportunities in the maritime VSAT market and promote broadband satellite networks to the satellite operators, broadcasters and government organisations.

Infocommunications (Infocomm)

The Group recently re-organised its infocomm business into two core product portfolios, namely Network Infrastructure and Payment Solutions, to address the customers in three key market sectors; Service Providers, Enterprise and Government, Transport and Utilities.

In the Service Providers market sector, the demand for networking products and services is driven by the growth in internet traffic, web services and broadband deployment. Service Providers will continue to seek new growth areas and offer more innovative services and multi-media to their customers. With the convergence of fixed and mobile networks as well as integrated and multi-services like triple pay services, we believe that the Service Providers will need to develop a robust and dynamic IP, optical or broadcast network infrastructure that will enable them to match traffic growth with scalability, service growth with service platform agility and margin pressure with lower cost of ownership. The Group will continue to focus on providing cost effective, high performance IP, optical and broadcast network infrastructure products and solutions to enable Service Providers, Broadcasters, ISPs and Operators to scale and secure their network and service infrastructure as well as having the ability to rapidly deploy new services.

In the Enterprise market sector, we believe that there are various business opportunities for the network infrastructure and payment solutions products. Corporate IT spending remains mixed with some enterprises upgrading their IT networks while others are deploying new networks or outsourcing their IT networks to save cost and improve productivity. The Group will continue to focus on providing cost effective and enterprise-class network infrastructure products and services such as routers, switches, security equipment or threat management, optimization and aggregation appliances to help enterprises deploy a secured network with cost saving and improved productivity.

In the Enterprise's Banking, Finance and Retail market sector, some customers are focusing on lowering their capital and operating expenses including the outsourcing of their POS payment infrastructure to prepare for market recovery. The Group has been successful in securing a number of new customers and will continue to develop and strengthen its POS terminal sales, applications, rental/leasing and maintenance business to the banks, financial institutions and retailers.

In the Government, Transport & Utilities market sector, opportunities in the Government sector remains positive as IT spending in these various sectors such as education, healthcare, defence, transport and utilities are accelerated to help boost the economy. The Group has successfully deployed a few network infrastructure projects to the government and education sectors and will continue to develop this market and focus on providing IP and optical networks, integrated communication solutions, dedicated communication networks and payment solutions to the customers in these sectors.

Competition in the Infocomm industry remains keen and the market continues to be dominated by a few major local and large global industry players. The Group is well positioned as a regional Infocomm infrastructure provider and will continue to develop its key competence and strengthen its product portfolio to provide competitive products, solutions and services to the various customer segments.

Although the current market sentiment appears to have improved, many countries are out of recession and government assistances are expected to reduce, there may be risks that could de-stablise the economic recovery. The Group will continue to adopt a cautious approach in cost-related activities, periodically review its business options and balance its short term investment risks and opportunities against its long term business position.

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 of Directors 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 & CEO

from left to right:

Mr Lau Ping Sum, Mr Ang Seong Kang Samuel, Mr Jorgen Larsen, Mr S Chandra Das and Mr Sitoh Yih Pin

Board of Directors

Mr S Chandra Das, aged 70, was appointed as the non-executive Chairman of the Company 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, Ascott Residence Trust Management Limited, CapitaMall Trust Management Limited and Cougar Logistics Corporation Ltd. Currently, he is Singapore's non-resident Ambassador to Turkey. Mr Das was 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. He was also a director of The Ascott Group Limited and Sincere Watch Limited. Mr Das graduated from 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, aged 54, 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 a director of Nera Electronics Ltd and committee member of the Norwegian Business Association of Singapore. Mr Ang holds a degree in Business Administration from Oklahoma City University.

Mr Lau Ping Sum, aged 69, was appointed as an independent Director of the Company on 29 April 1999. Mr Lau is currently the Executive Director of PAP 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 Sitoh Yih Pin, aged 46, 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 Chinasing Investment Holdings Limited, Lian Beng Group Ltd, United Food Holdings Limited, Meiban Group Ltd, PNE Micron Holdings Ltd and Allied Technologies Limited. Mr Sitoh was also the director of several publicly listed companies in the preceding 5 years including Van Der Horst Energy Limited, Labroy Marine Pte Ltd and Middle East Development Singapore 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.

Mr Jorgen Larsen, aged 60, was appointed as the non-executive Director of the Company on 6 February 2008. He is presently the Executive Vice President of Business Development in Eltek ASA, a public listed company engaged in energy and transmission systems. With Eltek ASA since 1995, he previously served as the Group CFO and Acting CEO. He is presently the Chairman of Nera Networks AS, the Director of Eltek Valere AS and several subsidiaries of Eltek Valere 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.

Senior Management

Mr Tay Kheng Seng Alvin, aged 54, is the Executive Vice President for Telecommunications. He is responsible for the performance of Transmission and Satellite Communications business in Asia. Mr Tay has more than twenty-nine 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.

Dr Tan Hong Pew, aged 48, was the Executive Vice President for Satellite Communications. He was responsible for the performance of Satellite Communications business in Asia until 2009. 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. (Dr Tan Hong Pew resigned on 1 Oct 2009).

Mr Chan Heng Chew Michael, aged 44, 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 nineteen 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, aged 46, 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 NeraTel Group. She has more than twenty-one 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, aged 43, 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 nineteen 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.

Corporate Information

Board of Directors

S Chandra Das, Chairman *

Ang Seong Kang Samuel, President & CEO **

Lau Ping Sum *

Sitoh Yih Pin *

Jorgen Larsen ***

Jan T. Jorgensen *** *(resigned on 15 Jan 2010)*

* *Independent Director*
** *Executive Director*
*** *Non-Executive Director*

Audit Committee

Lau Ping Sum, *Chairman*

Sitoh Yih Pin

Jorgen Larsen

Nominating Committee

S Chandra Das, *Chairman*

Lau Ping Sum

Ang Seong Kang Samuel

Compensation Committee

S Chandra Das, *Chairman*

Sitoh Yih Pin

Jan T. Jorgensen *(resigned on 15 Jan 2010)*

Company Secretary

Tan Cher Liang

Business Address

109 Defu Lane 10
Singapore 539225
Tel : (65) 62813388
Fax : (65) 63839566 / 63839577

Registered Office

50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel : (65) 6536 5355
Fax : (65) 6536 1360

Registrars and Share Transfer Office

Boardroom Corporate & Advisory Services Pte. Ltd.
(formerly known as Lim Associates (Pte) Ltd)

50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel : (65) 6536 5355
Fax : (65) 65361360

Auditors

Ernst & Young LLP

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
HSBS Building
Singapore 049320

Scandinaviska Enskilda Banken (SEB)

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

Group Structure

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 (Hanoi)
- Nera Telecommunications Ltd,
  Beijing Representative Office

* *Dormant Company*
** *Associated Company*

Transmission
Evolution Edge Link IDU

Transmission Evolution
Long Haul Radio

Servicing of Satellite Marine Terminal

Business Segment:
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.

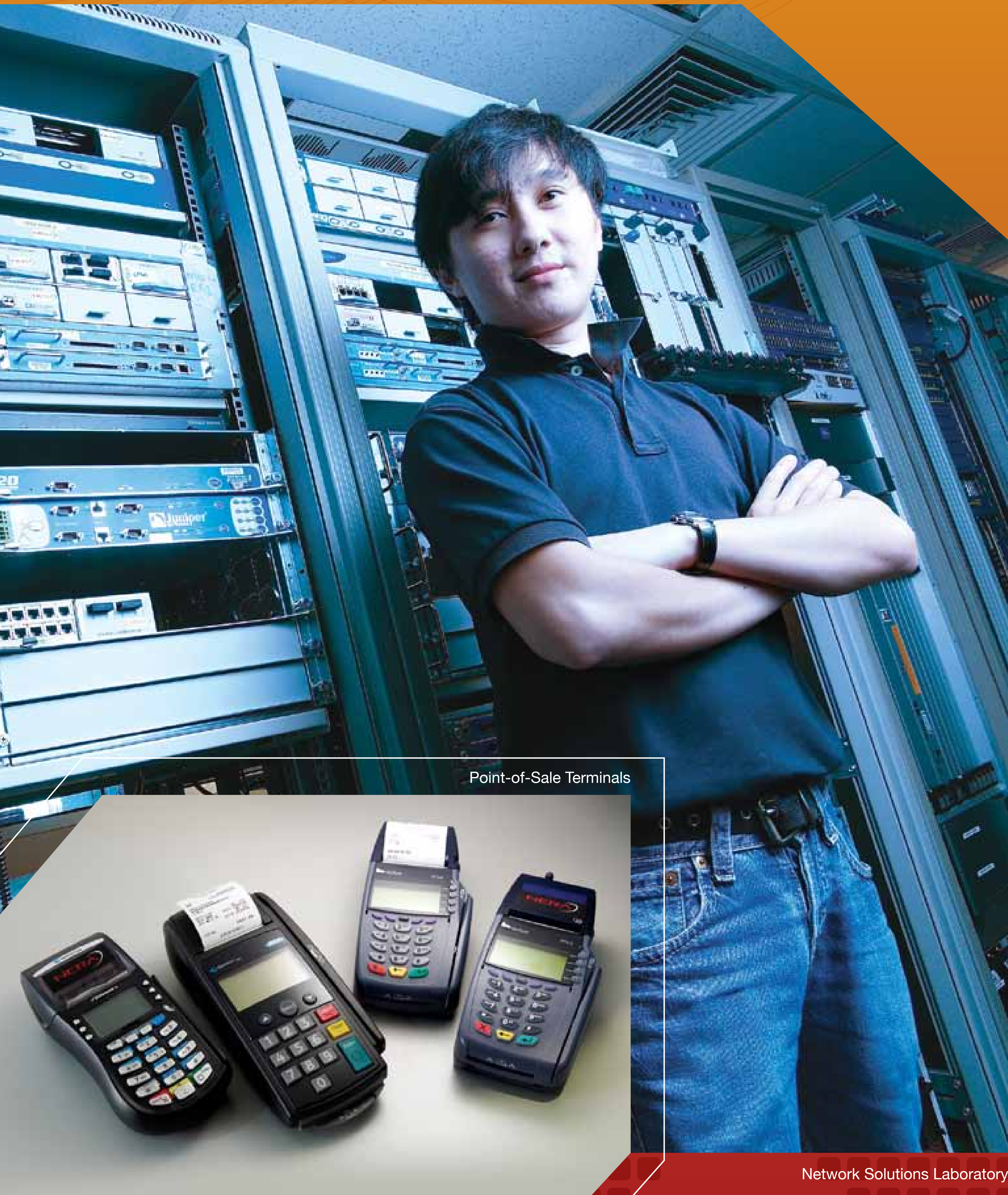
The Evolution series microwave radio is built around a software defined core which enables a wide range of radio applications based on one common product platform. It represents a breakthrough in microwave radio technology, one hardware platform providing flexibility towards traffic scalability & migration to IP in the future. This helps to reduce investments and operational costs to our customers. Latest addition to the Evolution series radio family, EDGE, introduced in 2009 is a last mile radio solution which will further enhance Evolution Radio towards meeting customers' requirements & expectation.

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.



Network Solutions Laboratory

Point-of-Sale Terminals

Business Segment:
Infocomm

The Infocomm business focuses on offering products and services from two main business areas namely Network Infrastructure and Payment Solutions to three key market sectors comprising Service Providers, Enterprise and the Government, Transport & Utilities.

Network Infrastructure

IP Network

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

Our IP Network Infrastructure product portfolio comprises 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 Network

We provide various digital TV broadcast network infrastructure products, networks and services to the Broadcasters and Service Providers. Our range of products includes 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) as well as coverage studies.

Optical Network

We provide technology driven and carrier grade optical network platform solutions to Service Providers, Mobile Carriers, Business Enterprise, Multi-Service Operators, Government, Transport and Utilities.

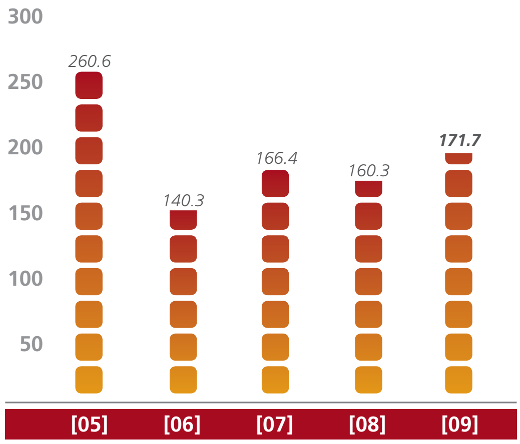
Our range of products includes high capacity digital cross connect system, micro MSPP for CLE/CPE and metro access applications, optical multi-service platforms which integrates SDH/SONET, WDM/ROADM and Carrier Class Ethernet, and carrier Ethernet service edge routers/switches. This comprehensive combination of products aims to provide a seamless and cost effective solution in the access, backhaul and metro core of network infrastructure towards an Ethernet driven packet optical transport system.

Payment Solutions

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

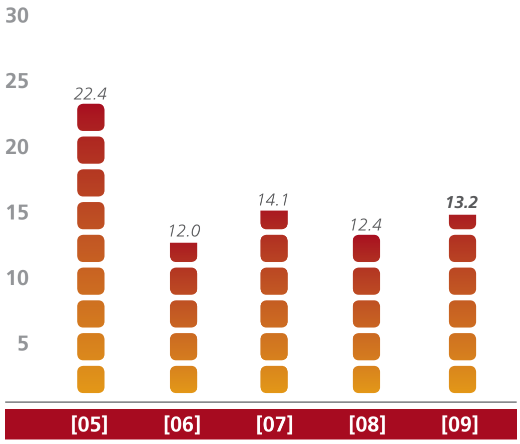
Our range of products comprises the various types of EMV, PCI PED approved point-of-sale payment terminals for countertop, mobile and unattended applications as well as wireless, contact-less and IP products to network devices, terminal / application software and value added services such as signature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

Financial Highlights



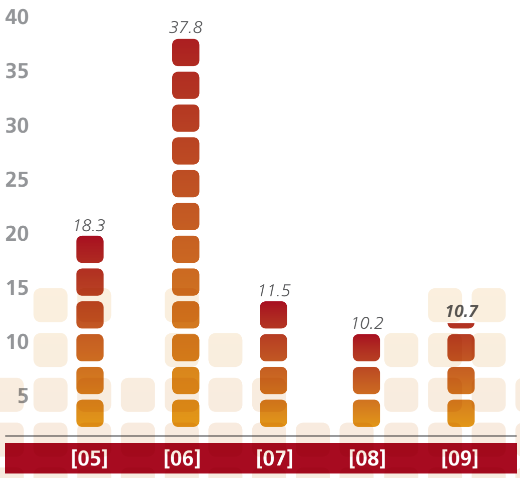
Turnover (S$m)

Turnover was S$171.7 million in FY2009 compared to S$160.3 million in FY2008, an increase of 7.1%.



Profit before tax (S$m)

Profit before tax was S$13.2 million in FY2009 compared to S$12.4 million in FY2008, an increase of 6.3%.



Profit after tax (S$m)

Profit after tax was S$10.7 million in FY2009 compared to S$10.2 million in FY2008, an increase of 4.9%.

Human Capital

Long Service Award

To remain competitive and better serve our customers, we are committed to constantly develop our human capital to meet the increasingly challenging business environment.

Our training programmes cater for the different levels of employees to learn and grow with the challenges they face. The trainings are designed not just to upgrade the skill and knowledge of the employees so that they can perform better in their current roles, but also to create new opportunities for them in terms of new roles within the organization. This augurs well for their career development. In addition, this will further enhance the productivity and efficiency of the company.

Quarterly staff briefings are held to engage the employees on the performance and development of the company. In addition, social activities are organised to provide a platform for employees to interact across all levels. This not only will strengthen the working relationship between the employees but also enhance the working environment.

Staff Bonding

Christmas Celebration

Corporate Governance Report

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").

BOARD OF DIRECTORS

Principle 1 : Board's Conduct of its Affairs

The principal functions of the Board are:

(a) approving the Group's key business strategies and financial objectives;

(b) approving the annual budget, major investments and divestments, and funding proposals;

(c) overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance; and

(d) assuming responsibility for good corporate governance.

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

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

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

Principle 2 : Board Composition and Balance

Currently, the Board comprises five Directors. More than 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

* Independent Director

Corporate Governance Report

The independence of the Directors is reviewed annually to determine that no individual or small group of individuals dominate the Board's decision making.

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

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 board size of six Directors will be appropriate, having regard to the impact of the number upon effectiveness and taking into account the nature of the Company's operations. This will allow the Board free and uninhibited discussions and facilitate effective decision making. The Board is currently seeking a new director to replace Jan T. Jorgensen, who left the Board on 15 January 2010.

Principle 3 : Role of Chairman and Chief Executive Officer

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

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

Principle 6 : Access To Information

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

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

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

BOARD COMMITTEES

Nominating Committee (NC)

Principle 4 : Board Membership

The Nominating Committee comprises three members, a majority of whom, including the Chairman, are independent Directors. The Chairman is not associated with a substantial shareholder, thus complying with the new requirement of the Code. The composition of the NC is as follows:

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

* Independent Director

Corporate Governance Report

The principal functions of the NC are:

(a) to identify candidates, review nominations for both appointment and re-appointment of the Directors to the Board for its approval. For the appointment of new candidates to the Board, the proposed appointee's background, experience and other board memberships will be taken into account;

(b) to review the Board structure and size including the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board, and make 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 based on the evaluation and recommendation made by the NC. 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.

The NC is in the midst of identifying new candidates to replace Jan T. Jorgensen, who left the Board on 15 January 2010.

In accordance with the Company's Articles of Association, new Directors must submit themselves to re-election at the next Annual General Meeting of the Company and one third of the Directors must retire by rotation at each Annual General Meeting and are eligible for re-election.

The NC has recommended the nomination of Directors retiring by rotation under the Company's Articles of Association and pursuant to Section 153(6) of the Companies Act, Cap 50, namely Jorgen Larsen and S Chandra Das, for re-election at the forthcoming Annual General Meeting. Jorgen Larsen is retiring under Article 87 of the Company's Articles of Association while S Chandra Das is retiring under Section 153(6) of the Companies Act, Cap. 50.

Jorgen Larsen, a non-executive Director, was appointed to the Board on 6 February 2008. He is a member of the Audit Committee. Mr Larsen was last re-elected a Director on 25 April 2008. Mr Larsen will, upon re-election as Director of the Company, remain as a member of the Audit Committee.

S Chandra Das, an independent Director, was appointed to the Board on 15 January 1988. He is Chairman of the Board. Mr Das also chairs the Nominating Committee and Compensation Committee and was last re-elected a Director on 25 April 2008. Mr Das will, upon re-election as Director of the Company, remain as Chairman of the Board and chairman of both the Nominating and Compensation Committees.

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

Corporate Governance Report

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, a 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

* Independent Director

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

The key functions of the AC are:

(a) to consider the appointment and re-appointment of the external auditors, audit fee and matters relating to the resignation and dismissal of the auditors;

(b) to review with the auditors the audit plans, the evaluation of the system of internal accounting controls and the audit reports;

(c) to review the quarter, half-year and annual financial statements for recommendation to the Board for approval, focusing in particular, on:
  (i) significant financial reporting issues and judgments
  (ii) changes in accounting policies and practices
  (ii) major risk areas
  (iii) significant adjustments resulting from the audit
  (iv) the going concern statement
  (v) compliance with accounting standards
  (vi) 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;

Corporate Governance Report

(f) to review the scope and results of the internal audit procedures; and

(g) to review the assistance given by the Management to the auditors.

The AC has adopted written terms of reference.

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

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

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

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

Principle 13 : Internal Audit (IA)

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

The Audit Committee 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

Subsequent to the resignation of Jan T. Jorgensen on 15 January 2010, the Compensation Committee now comprises two members, all of whom are independent Directors. The Board is currently seeking a new director to replace Jan T. Jorgensen, who will also serve as a member of the CC. The composition of the CC is as follows:

S Chandra Das, Chairman*
Sitoh Yih Pin*

* Independent Director

Corporate Governance Report

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 empowers the CEO, who is an executive Director, to review and fix the framework of remuneration for the senior management.

(b) to approve and administer the Employees' Share Option Schemes or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.

The CC has adopted written terms of reference.

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

(a) that the remuneration packages should be comparable within the industry and in comparable companies and shall include a performance related element coupled with appropriate and meaningful measures of assessing individual directors' and senior management's performance. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate (Group) and individual performance;

(b) that the remuneration packages of employees related to 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 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 2009:

Remuneration Bands / Name	Fees (S$) %	Salary (S$) %	Bonus (S$) %	Total %
S$750,000 to S$1,000,000 Ang Seong Kang Samuel [(1)]	-	64	36	100
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 FY2009 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.

(5) There were no share options granted in FY2009.

Corporate Governance Report

Senior Management's Remuneration

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

Remuneration Band / Name and Position	Salary [(1)] %	Bonus [(1)] %	Total %
S$250,001 to S$500,000			
Tay Kheng Seng Executive Vice President, Telecommunications	70	30	100
Below S$250,000			
Tan Hong Pew [(2)] Executive Vice President, Satellite Communications	79	21	100
Chan Heng Chew Michael Senior Vice President, Contracts & Investment	76	24	100
Chiang Hock Chin Jessie Senior Vice President, Corporate Affairs/ Staff	73	27	100
Mark Weng Kwai Financial Controller	78	22	100

Notes:

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

(2) Tan Hong Pew resigned on 1 October 2009.

(3) There were no share options granted in FY2009.

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. 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.

Corporate Governance Report

Dealing in Securities

The Company has a policy on securities dealing by the Directors and executives (comprising key personnel) of the Company and its subsidiaries in the form of a Code of Best Practices on Securities Dealings (the "Code") to govern and regulate transactions relating to securities of the Company. The Code was based on the best practices on dealings in securities issued by the SGX-ST.

The Company issues circulars to its Directors and executives informing them that they must not trade in the listed securities of the Company one month before the announcement of the Company's full year results or two weeks before its quarterly results and ending on the date of the announcement of such results.

The directors are required to notify the Company of any dealings in the Company's securities (during the open window period) within two (2) business days of the transactions. The Board is satisfied with the Group's commitment in compliance with the Code, and on the adequacy of internal control within the Group.

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 FY2009 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$100,000)
	S$'000
Sales Nera Networks AS	624
Purchases Nera Networks AS	21,846
Other Operating Revenues Nera Networks AS	1,157

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 in 2009

	Board Meetings		Audit Committee Meetings		Compensation Committee Meetings		Nominating Committee Meetings	
Name of Directors	No. of Meetings Held	No. of Meetngs Attended	No. of Meetings Held	No. of Meetngs Attended	No. of Meetings Held	No. of Meetngs Attended	No. of Meetings Held	No. of Meetngs Attended
S Chandra Das	4	4	-	-	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	-	-
Jorgen Larsen	4	4	4	4	-	-	-	-
Jan T. Jorgensen (1)	4	3	-	-	1	1	-	-

(1) Jan T. Jorgensen was appointed on 9 February 2009 and resigned on 15 January 2010.

FINANCIAL STATEMENTS

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Nera Telecommunications Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2009.

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	

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:

	Held by director			Other shareholdings in which the director is deemed to have an interest		
Name of director	**As at 1.1.2009 or date of appointment**	**As at 31.12.2009**	**As at 21.1.2010**	**As at 1.1.2009 or date of appointment**	**As at 31.12.2009**	**As at 21.1.2010**
Ultimate holding company						
Eltek ASA						
Ordinary shares						
S Chandra Das	1,800	1,800	1,800	–	–	–
Ang Seong Kang Samuel	3,130	18,627	18,627	–	–	–
Jorgen Larsen*	–	–	–	395,216	395,216	395,216
Jan T. Jorgensen**	260,000	260,000	–	–	–	–
Option to subscribe for ordinary shares						
Jorgen Larsen	80,000	80,000	80,000			

Directors' Report

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

Name of director	Held by director: As at 1.1.2009 or date of appointment	Held by director: As at 31.12.2009	Held by director: As at 21.1.2010	Other shareholdings in which the director is deemed to have an interest: As at 1.1.2009 or date of appointment	Other shareholdings: As at 31.12.2009	Other shareholdings: As at 21.1.2010
The Company						
Ordinary shares						
S Chandra Das***	–	–	–	1,000,000	1,000,000	1,000,000
Ang Seong Kang Samuel****	1,000,000	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	–	–	–

* 395,216 shares are held by Eikrun AS, which Jorgen Larsen is deemed to be interested.

** Resigned on 15 January 2010

*** 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 1.1.2009	Held by director: As at 31.12.2009	Held by director: As at 21.1.2010
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 of the financial year, or date of appointment if later, or at the end of the financial year and on 21 January 2010.

Directors' Report

Directors' contractual benefits

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

Share options

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

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

(i) S Chandra Das

(ii) Sitoh Yih Pin

(iii) Jan T. Jorgensen (Resigned on 15 January 2010)

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
Ang Seong Kang Samuel	0.625	–	200,000	–	200,000	1.3.2004 to 28.2.2012

Directors' Report

Share options (cont'd)

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

	Exercise price $	Aggregate options outstanding as at beginning of financial year	Options granted during the financial year	Options excercised 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	588,000	–	–	14,000	574,000	1.3.2004 to 28.2.2012
Employees of the subsidiaries	0.625	226,000	–	–	–	226,000	1.3.2004 to 28.2.2012

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

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

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

There were no options granted during the financial year.

Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following :

- Reviews the audit plans of the internal and external auditors of the Company and review the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;
- Reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the board of directors;
- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

Directors' Report

Audit Committee (cont'd)

- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the board of directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
- Reports actions and minutes of the AC to the board of directors with such recommendations as the AC considers appropriate; and
- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited (SGX-ST)'s Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Auditors

Ernst & Young LLP 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
30 March 2010

Statement by Directors

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

(i) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with 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 2009 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
30 March 2010

Independent Auditors' Report

for the financial year ended 31 December 2009

To the members of Nera Telecommunications Ltd

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 94, which comprise the balance sheets of the Group and the Company as at 31 December 2009, the statements of changes in equity of the Group and the Company and the statement of comprehensive income of the Group and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is 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 devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; 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 management, 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 2009 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 the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and Certified Public Accountants
Singapore
30 March 2010

Balance Sheets

as at 31 December 2009

		Group		Company	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Non-current assets					
Fixed assets	4	7,785	8,845	4,319	5,365
Investment in subsidiaries	5	–	–	4,316	4,316
Investment in an associate	6	1,179	1,077	199	199
Deferred tax assets	25	892	583	5	–
		9,856	10,505	8,839	9,880
Current assets					
Stocks	7	3,779	4,793	2,052	4,050
Contract work-in-progress	8	20,677	30,989	15,790	27,097
Trade receivables	9	25,280	30,812	18,304	20,215
Other receivables, deposits and prepayments	10	3,376	3,372	1,558	1,030
Amounts due from subsidiaries					
- trade	11	–	–	7,325	9,829
- non-trade	11	–	–	280	215
Amount due from an associate					
- trade	11	21,676	12,901	18,942	10,310
- non-trade	11	420	950	420	950
Amounts due from related companies					
- trade	11	32	279	20	15
Cash and cash equivalents	28	29,401	20,849	26,438	18,484
		104,641	104,945	91,129	92,195
Current liabilities					
Trade payables	12	30,508	33,569	25,524	28,441
Other payables and accruals	13	13,239	13,141	8,714	8,618
Amounts due to subsidiaries (trade)	11	–	–	399	316
Amounts due to related companies (trade)	11	1,958	1,474	1,834	1,427
Provision for taxation		2,032	1,780	2,258	2,035
Provision for warranty	14	4,415	2,965	2,283	1,820
Obligations under finance leases	15	25	23	–	–
		52,177	52,952	41,012	42,657
Net current assets		52,464	51,993	50,117	49,538
Non-current liabilities					
Obligations under finance leases	15	(62)	(84)	–	–
Deferred tax liabilities	25	–	(168)	–	(168)
Net assets		62,258	62,246	58,956	59,250
Equity attributable to equity holders of the Company					
Share capital	16	29,909	29,909	29,909	29,909
Revenue reserve		34,744	34,933	29,047	29,341
Translation reserve	17	(2,395)	(2,596)	–	–
		62,258	62,246	58,956	59,250

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Note	2009 $'000	2008 $'000
Turnover	18	171,741	160,317
Cost of sales		(138,430)	(125,028)
Gross profit		33,311	35,289
Other operating income	19	3,003	1,443
Distribution and selling expenses		(15,743)	(15,411)
Administrative expenses	20	(7,204)	(7,306)
Other operating expenses	20	(958)	(2,174)
Profit from operating activities		12,409	11,841
Financial income	23	862	806
Financial expenses	24	(202)	(252)
		13,069	12,395
Share of results of an associate		114	9
Profit before tax		13,183	12,404
Tax	25	(2,515)	(2,236)
Profit for the year attributable to shareholders		10,668	10,168
Other comprehensive income/(expense):			
Foreign currency translation of financial statements of foreign operations		201	(636)
Total comprehensive income for the year		10,869	9,532
Earnings per share (cents per share)			
Basic	26	2.95	2.81
Diluted	26	2.95	2.81

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 2009

	Attributable to shareholders of the Company			
	Share capital	**Revenue reserve**	**Translation reserve**	**Total equity**
	(Note 16)		(Note 17)	
	$'000	$'000	$'000	$'000
Group				
At 1 January 2009	29,909	34,933	(2,596)	62,246
Profit for the year	–	10,668	–	10,668
Other comprehensive income for the year	–	–	201	201
Total comprehensive income for the year	–	10,668	201	10,869
Dividends paid (Note 27)	–	(10,857)	–	(10,857)
At 31 December 2009	29,909	34,744	(2,395)	62,258
At 1 January 2008	29,909	39,241	(1,960)	67,190
Profit for the year	–	10,168	–	10,168
Other comprehensive expense for the year	–	–	(636)	(636)
Total comprehensive income for the year	–	10,168	(636)	9,532
Dividends paid (Note 27)	–	(14,476)	–	(14,476)
At 31 December 2008	29,909	34,933	(2,596)	62,246
Company				
At 1 January 2009	29,909	29,341	–	59,250
Profit for the year	–	10,563	–	10,563
Total comprehensive income for the year	–	10,563	–	10,563
Dividends paid (Note 27)	–	(10,857)	–	(10,857)
At 31 December 2009	29,909	29,047	–	58,956
At 1 January 2008	29,909	34,090	–	63,999
Profit for the year	–	9,727	–	9,727
Total comprehensive income for the year	–	9,727	–	9,727
Dividends paid (Note 27)	–	(14,476)	–	(14,476)
At 31 December 2008	29,909	29,341	–	59,250

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2009

	Note	2009 $'000	2008 $'000
Cash flows from operating activities			
Profit before tax		13,183	12,404
Adjustments for:			
Depreciation of fixed assets	4	2,739	2,532
Fixed assets written off		16	49
Gain on disposal of fixed assets		(31)	(67)
Allowance for stock obsolescence	7	654	674
Write-back of provision for doubtful trade debts	9	(308)	(444)
Provision for warranty	14	2,021	614
Interest expense		7	5
Interest income		(862)	(806)
Share of results of an associate		(114)	(9)
Operating profit before working capital changes		17,305	14,952
Decrease/(increase) in:			
Stocks		356	1,721
Contract work-in-progress		10,312	(10,302)
Trade receivables		5,842	18,375
Other receivables, deposits and prepayments		(4)	(1,603)
Changes in related companies and associate balances		(7,514)	(9,007)
(Decrease)/increase in :			
Trade payables		(3,061)	11,071
Other payables and accruals		98	(4,307)
Provision for warranty		(725)	(1,327)
Cash generated from operations		22,609	19,573
Income tax paid		(2,661)	(2,454)
Interest paid		(7)	(5)
Net cash flows from operating activities		19,941	17,114
Cash flows from investing activities			
Proceeds from disposal of fixed assets		298	84
Purchase of fixed assets	4	(1,845)	(3,570)
Interest received		862	806
Net cash flows used in investing activities		(685)	(2,680)
Cash flows from financing activities			
Dividends paid to shareholders of the Company	27	(10,857)	(14,476)
Repayment of hire purchase obligations		(20)	(16)
Net cash flows used in financing activities		(10,877)	(14,492)
Net increase/(decrease) in cash and cash equivalents		8,379	(58)
Effect of exchange rate changes		173	(244)
Cash and cash equivalents at beginning of year		20,849	21,151
Cash and cash equivalents at end of year	28	29,401	20,849

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

Notes to the Financial Statements

31 December 2009

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 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. 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 the 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 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2009, the Group adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

- FRS 1 Presentation of Financial Statements (Revised)
- Amendments to FRS 18 Revenue
- Amendments to FRS 23 Borrowing Costs
- Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 102 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 107 Financial Instruments: Disclosures
- FRS 108 Operating Segments
- Improvements to FRSs issued in 2008

Notes to the Financial Statements

31 December 2009

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

2.2 Changes in accounting policies (cont'd)

- INT FRS 113 Customer Loyalty Programmes
- INT FRS 116 Hedges of a Net Investment in a Foreign Operation
- Amendments to INT FRS 109 Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
- INT FRS 118 Transfers of Assets from Customers

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

FRS 1 Presentation of Financial Statements – Revised Presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as one single statement.

Amendments to FRS 107 Financial Instruments: Disclosures

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 35 and Note 34 to the financial statements respectively.

FRS 108 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting. Additional disclosures about each of the segments are shown in Note 33, including revised comparative information.

Improvements to FRSs issued in 2008

In 2008, the Accounting Standards Council issued an omnibus of amendments to FRS. There are separate transitional provisions for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- FRS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with FRS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Group analysed whether management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.

- FRS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". This did not result in any change in the financial position.

Notes to the Financial Statements

31 December 2009

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

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to INT FRS 109 and FRS 39 – Embedded Derivatives	30 June 2009
Amendments to FRS 27 Consolidated and Separate Financial Statements	1 July 2009
Amendments to FRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Item	1 July 2009
FRS 101 First-Time Adoption of Financial Reporting Standards	1 July 2009
Revised FRS 103 Business Combinations	1 July 2009
INT FRS 117 Distributions of Non-cash Assets to Owners	1 July 2009
INT FRS 118 Transfer of Assets from Customers	1 July 2009
Amendments to FRS 101 Additional Exemptions for First-time Adopters	1 January 2010
Amendments to FRS 102 Group Cash-settled Share-based Payment Transactions	1 January 2010
Amendments to FRS 32 Classification of Rights Issues	1 February 2010
INT FRS 119 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Revised FRS 24 Related Party Disclosures	1 January 2011
Amendments to INT FRS 114 Prepayments of a Minimum Funding Requirement (Amendments to INT FRS 114)	1 January 2011
Improvements to FRSs issued in 2009:	
– Amendments to FRS 38 Intangible Assets	1 July 2009
– Amendments to FRS 102 Share-based Payment	1 July 2009
– Amendments to INT FRS 109 Reassessment of Embedded Derivatives	1 July 2009
– Amendments to INT FRS 116 Hedges of a Net Investment in a Foreign Operation	1 July 2009
– Amendments to FRS 1 Presentation of Financial Statements	1 January 2010
– Amendments to FRS 7 Statement of Cash Flows	1 January 2010
– Amendments to FRS 17 Leases	1 January 2010
– Amendments to FRS 36 Impairment of Assets	1 January 2010
– Amendments to FRS 39 Financial Instruments: Recognition and Measurement	1 January 2010
– Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
– Amendments to FRS 108 Operating Segments	1 January 2010

Except for the revised FRS 103 and the amendments to FRS 27, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 103 and the amendments to FRS 27 are described below.

Notes to the Financial Statements

31 December 2009

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

2.3 Standards issued but not yet effective (cont'd)

Revised FRS 103 Business Combinations and Amendments to FRS 27 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2009. The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to FRS 7 Statement of Cash Flows, FRS 12 Income Taxes, FRS 21 The Effects of Changes in Foreign Exchange Rates, FRS 28 Investments in Associates and FRS 31 Interests in Joint Ventures. The changes from revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

2.4 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 profit or loss 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.

2.5 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.

Notes to the Financial Statements

31 December 2009

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

2.5 Foreign currency (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under translation reserve in equity. The translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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 or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 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.

2.7 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 results 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.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

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 in line with those of the Group.

2.8 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.

Notes to the Financial Statements

31 December 2009

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

2.9 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 or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of fixed assets.

Depreciation of a fixed asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold land and building	-	18 years
Leasehold improvements	-	10 years
Plant and other equipment	-	5 to 7 years
Furniture and fittings	-	5 to 10 years
Motor vehicles	-	5 years
Equipment held for leasing	-	2 to 5 years

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

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, 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 profit or loss in the year the asset is derecognised.

2.10 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 profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Notes to the Financial Statements

31 December 2009

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

2.10 Impairment of non-financial assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses 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, and had no impairment loss been recognised previously. Reversal of an impairment loss is recognised in profit or loss.

2.11 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 in other comprehensive income is recognised in profit or loss.

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 held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling 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 profit or loss. 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 profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Notes to the Financial Statements

31 December 2009

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

2.12 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 profit or loss.

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.

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 profit or loss.

2.13 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.

2.14 Stocks

Stocks are valued at the lower of cost and net realisable value. Costs are primarily determined using the weighted average method and include all costs in bringing the stocks to their present location and condition.

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.

Notes to the Financial Statements

31 December 2009

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

2.15 Contract work-in-progress

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

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

The percentage of completion is measured by reference to the cost incurred to date as a percentage of total estimated cost for each contract which approximates the progress billings that 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.

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that 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.

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.

Notes to the Financial Statements

31 December 2009

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

2.17 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, derivatives are measured at fair value. Other financial liabilities (except for financial guarantee) are measured at amortised cost using the effective interest method.

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

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

2.18 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 the 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').

Notes to the Financial Statements

31 December 2009

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

2.18 Employee benefits (cont'd)

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

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.

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.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalized or expensed as appropriate.

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.

Notes to the Financial Statements

31 December 2009

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

2.19 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(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 profit or loss. 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 profit or loss 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.

2.20 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.

(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 the cost incurred to date as a percentage of total estimated cost for each contract which approximates the progress billings that match the billing milestones as indicated in the contract, as a percentage of the total contract sum. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(c) Dividend income

Dividend income is recognised when dividends are declared payable.

(d) Interest income

Interest income is recognised using the effective interest method.

Notes to the Financial Statements

31 December 2009

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

2.21 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 profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

2.22 Income taxes

(a) Current tax

Current tax assets and liabilities 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.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(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 temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income 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.

Notes to the Financial Statements

31 December 2009

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

2.22 Income taxes (cont'd)

(b) Deferred tax (cont'd)

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.

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 income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income 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.

Notes to the Financial Statements

31 December 2009

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

2.23 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 profit or loss 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.

2.24 Segments

For management purposes, the Group is organised on a world-wide basis into two major operating businesses (divisions) which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results. Segment revenue, expenses and results include transfers between business 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.

2.25 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.

2.26 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.

Notes to the Financial Statements

31 December 2009

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 net deferred tax assets at 31 December 2009 are $2,032,000 (2008 : $1,780,000) and $892,000 (2008 : $415,000) 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.

Useful lives 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 2009 was $5,850,000 (2008: $6,568,000). 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.

Notes to the Financial Statements

31 December 2009

4. Fixed assets

Group	Leasehold land and building	Leasehold improvements	Plant and other equipment	Furniture and fittings	Motor vehicles	Equipment held for leasing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
At 1 January 2008	5,150	838	3,468	1,016	1,166	11,181	22,819
Additions	–	215	1,714	79	493	1,192	3,693
Disposals/written off	–	(54)	(272)	(237)	(353)	(357)	(1,273)
Currency realignment	–	(1)	(333)	(53)	(43)	(462)	(892)
At 31 December 2008 and 1 January 2009	5,150	998	4,577	805	1,263	11,554	24,347
Additions	–	9	290	49	141	1,356	1,845
Disposals/written off	–	(2)	(130)	(44)	(266)	(698)	(1,140)
Currency realignment	–	(2)	54	24	18	130	224
At 31 December 2009	5,150	1,003	4,791	834	1,156	12,342	25,276
Accumulated depreciation							
At 1 January 2008	3,647	712	2,628	709	1,020	5,935	14,651
Charge for the year	287	53	477	83	114	1,518	2,532
Disposals/written off	–	(55)	(264)	(236)	(323)	(329)	(1,207)
Currency realignment	–	(1)	(269)	(37)	(34)	(133)	(474)
At 31 December 2008 and 1 January 2009	3,934	709	2,572	519	777	6,991	15,502
Charge for the year	286	59	616	72	130	1,576	2,739
Disposals/written off	–	(1)	(122)	(38)	(266)	(430)	(857)
Currency realignment	–	(1)	33	19	9	47	107
At 31 December 2009	4,220	766	3,099	572	650	8,184	17,491
Net book value							
At 31 December 2008	1,216	289	2,005	286	486	4,563	8,845
At 31 December 2009	930	237	1,692	262	506	4,158	7,785

Notes to the Financial Statements

31 December 2009

4. Fixed assets (cont'd)

Company	Leasehold land and building	Leasehold improvements	Plant and other equipment	Furniture and fittings	Motor vehicles	Equipment held for leasing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
At 1 January 2008	5,150	749	739	578	877	7,523	15,616
Additions	–	45	1,461	15	288	711	2,520
Disposals/written off	–	(55)	(243)	(229)	(278)	(223)	(1,028)
At 31 December 2008 and 1 January 2009	5,150	739	1,957	364	887	8,011	17,108
Additions	–	7	89	42	135	357	630
Disposals/written off	–	(1)	(55)	(44)	(264)	(563)	(927)
At 31 December 2009	5,150	745	1,991	362	758	7,805	16,811
Accumulated depreciation							
At 1 January 2008	3,647	695	627	423	822	5,094	11,308
Charge for the year	287	15	215	35	50	815	1,417
Disposals/written off	–	(55)	(240)	(229)	(248)	(210)	(982)
At 31 December 2008 and 1 January 2009	3,934	655	602	229	624	5,699	11,743
Charge for the year	286	17	336	35	67	781	1,522
Disposals/written off	–	–	(52)	(38)	(264)	(419)	(773)
At 31 December 2009	4,220	672	886	226	427	6,061	12,492
Net book value							
At 31 December 2008	1,216	84	1,355	135	263	2,312	5,365
At 31 December 2009	930	73	1,105	136	331	1,744	4,319

Notes to the Financial Statements

31 December 2009

4. Fixed assets (cont'd)

As at 31 December 2009, 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

In 2008, the Group acquired motor vehicles with an aggregate cost of $159,000 by means of finance leases. The cash outflow on the acquisition of fixed assets amounted to $3,570,000.

The carrying amount of motor vehicles held under finance leases at the balance sheet date is $104,000 (2008 : $134,000).

5. Investment in subsidiaries

	Company	
	2009 $'000	2008 $'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	
			2009 %	2008 %	2009 $'000	2008 $'000
Nera Infocom Pte Ltd ß	Dormant	Singapore	100	100	^	^
Nera (Thailand) Ltd*	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Thailand	100	100	975	975

Notes to the Financial Statements

31 December 2009

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	
			2009 %	2008 %	2009 $'000	2008 $'000
Nera (Philippines) Inc.*	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Philippines	100	100	1,128	1,128
Nera Infocom (M) Sdn Bhd*	Sales, installation and maintenance of information technology equipment	Malaysia	100	100	225	225
Nera Telecom-munications (Taiwan) Co., Ltd*	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Taiwan	100	100	545	545
P.T. Nera Indonesia#ø	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Indonesia	100	100	347	347

Notes to the Financial Statements

31 December 2009

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	
			2009 %	2008 %	2009 $'000	2008 $'000
Nera Telecom-munications (Australia) Pty Ltd##ø	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Australia	100	100	589	589
Nera Telecom-munications (India) Pvt Ltd+ø	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	India	100	100	570	570
				4,379	4,379	

ß Audited by Ernst & Young LLP, Singapore.

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

Audited by Johan Malonda Astika & Rekan, Indonesia.

Audited by Stirling SCI, Australia.

+ Audited by PriceWaterhouse & Co, Chennai

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

^ Amounts less than $1,000.

As required by Rule 716 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Audit Committee and the Board of Directors of the Company have satisfied themselves that the appointment of different auditors for its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

Notes to the Financial Statements
31 December 2009

6. Investment in an associate

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	199	199	199	199
Share of post-acquisition :-				
Revenue reserve	1,772	1,667	–	–
Translation reserve	(792)	(789)	–	–
Carrying amount of investment	1,179	1,077	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	
			2009	2008
			%	%
Nera (Malaysia) Sdn Bhd*	Sale, installation and maintenance of communications equipment	Malaysia	30	30

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

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

	2009	2008
	$'000	$'000
Assets and liabilities		
Current assets	31,316	21,616
Non-current assets	120	148
Total assets	31,436	21,764
Current liabilities	27,544	18,205
Results :-		
Revenue	22,735	12,913
Profit for the year	381	30

Notes to the Financial Statements

31 December 2009

7. Stocks

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance sheet				
Finished goods, at cost	180	91	–	–
Finished goods, at net realisable value	3,599	4,702	2,052	4,050
	3,779	4,793	2,052	4,050
Statement of comprehensive income				
Stocks recognised as an expense				
in cost of sales	13,575	17,197	16,836	12,031
Inclusive of the following charge : - Stocks written-down	659	674	600	551

8. Contract work-in-progress

Contract work in progress comprise:-				
Cost incurred to date	82,086	69,093	67,608	62,024
Profits recognised to date	10,791	9,582	9,327	8,154
	92,877	78,675	76,935	70,178
Progress billings	(72,200)	(47,686)	(61,145)	(43,081)
	20,677	30,989	15,790	27,097
Gross amount due from customers				
for contract work	20,677	30,989	15,790	27,097

9. Trade receivables

Trade receivables	25,793	31,635	18,601	20,926
Less : Allowance for impairment of trade debts	(513)	(823)	(297)	(711)
Total trade receivables	25,280	30,812	18,304	20,215
Add :				
Other debtors, deposits and prepayment (excluding prepayments) (Note 10)	3,240	3,198	1,480	931
Cash and cash equivalents (Note 28)	29,401	20,849	26,438	18,484
Amounts due from subsidiaries	–	–	7,605	10,044
Amount due from an associate	22,096	13,851	19,362	11,260
Amounts due from related companies	32	279	20	15
Total loans and receivables	80,049	68,989	73,209	60,949

Notes to the Financial Statements

31 December 2009

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 gain on forward currency contracts amounting to $35,000 (2008: $524,000) which has been recognised in profit or loss.

At the balance sheet date, trade receivables for the Group and the Company arising from export sales amounting to $1,572,000 (2008 : $748,000) 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 denominated in a currency other than the entity's functional currency are included in trade receivables for the Group and the Company :-

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Retention sums relating to contract	1,073	375	954	40
Trade receivables denominated in a currency other than the entity's				
functional currency :				
- denominated in US Dollars	13,062	12,678	12,256	12,033
- denominated in Euro Dollars	128	2,926	128	2,926
- denominated in other currencies	116	–	116	–

Allowance for impairment of trade receivables

For the year ended 31 December 2009, the Group and the Company wrote-back $308,000 and $414,000 (2008 : wrote-back $444,000 and $459,000) of debts respectively which are recognised as income in profit or loss, subsequent to debt recovery assessment performed on trade receivables as at 31 December 2009.

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

Not past due and not impaired	10,080	14,183	4,721	9,535
Past due but not impaired	14,936	16,449	13,583	10,680
Impaired	777	1,003	297	711
	25,793	31,635	18,601	20,926
Less: Allowance for impairment	(513)	(823)	(297)	(711)
	25,280	30,812	18,304	20,215

Notes to the Financial Statements

31 December 2009

9. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to $14,936,000 (2008 : $16,449,000) and $13,583,000 (2008 : $10,680,000) 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	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Trade receivables past due :				
Less than 3 months	11,418	11,574	10,398	7,299
More than 3 months but less than 6 months	1,467	3,752	1,181	2,699
More than 6 months but less than 12 months	2,039	997	2,004	682
More than 12 months	12	126	–	–
	14,936	16,449	13,583	10,680

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	118	148	10	38
Customer with financial difficulties	72	42	46	42
Pending for acceptance certification	279	340	203	158
Incomplete documentation	302	473	38	473
Others	6	–	–	–
	777	1,003	297	711
Less: Allowance for impairment	(513)	(823)	(297)	(711)
	264	180	–	–

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

At 1 January	823	1,475	711	1,170
Charge for the year	1,179	996	1,073	927
Written back	(1,487)	(1,440)	(1,487)	(1,386)
Written off	–	(197)	–	–
Currency realignment	(2)	(11)	–	–
	513	823	297	711

Notes to the Financial Statements

31 December 2009

10. Other receivables, deposits and prepayments

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Advances to suppliers	1,097	1,204	1,089	881
Deposits	718	541	40	22
Dividend receivable	–	–	300	–
Prepayments	136	174	78	99
Staff advances	131	171	10	12
Tax recoverable	1,123	929	34	–
Other debtors	171	353	7	16
	3,376	3,372	1,558	1,030

Staff advances are unsecured and non-interest bearing.

11. Amount due from an associate (trade and non-trade)/Amounts due from/(to) subsidiaries (trade and non-trade)/Amounts due from/(to) related companies (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 $22,096,000 (2008 : $13,851,000) and $19,362,000 (2008 : $11,260,000) respectively, bears interest at 4.25% to 8.50% (2008 : 1.95% to 12.80%) 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 loss on forward currency contracts amounting to $88,000 (2008: $414,000) which had been recognised in profit or loss.

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

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Denominated in US Dollars	5,743	9,678	5,513	8,676
Denominated in Euro Dollars	440	1,348	366	1,210
Denominated in Thai Baht	2	474	2	474
Denominated in other currencies	19	6	–	6

Notes to the Financial Statements

31 December 2009

13. Other payables and accruals

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Accrued payroll expenses	5,859	5,290	4,754	4,431
Accrued contract and material cost	493	319	–	–
Customer advances	4,732	5,726	2,766	3,200
Other accrued operating expenses	1,423	1,152	1,106	987
Other creditors	732	654	88	–
Total other payables and accruals	13,239	13,141	8,714	8,618
Add :				
Trade payables	30,508	33,569	25,524	28,441
Amounts due to subsidiaries	–	–	399	316
Amounts due to related companies	1,958	1,474	1,834	1,427
Obligations under finance leases	87	107	–	–
Total financial liabilities carried at amortised cost	45,792	48,291	36,471	38,802

14. Provision for warranty

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

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

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
At 1 January	2,965	3,821	1,820	1,706
Provision for the year	4,049	3,733	2,279	1,854
Write-back of provision	(2,028)	(3,119)	(1,458)	(1,397)
Utilised during the year	(725)	(1,327)	(358)	(343)
Currency realignment	154	(143)	–	–
At 31 December	4,415	2,965	2,283	1,820

Notes to the Financial Statements

31 December 2009

15. Obligations under finance leases

The Group has finance leases for certain motor vehicles. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows :-

	Group			
	2009 $'000		2008 $'000	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Not later than one year	30	25	29	23
Later than one year but not later than five years	66	62	92	84
Total minimum lease payments	96	87	121	107
Less: Amounts representing finance charges	(9)	–	(14)	–
Present value of minimum lease payments	87	87	107	107

These obligations are secured by a charge over the leased assets (Note 4). The average discount rate implicit in the leases is 5.82% per annum.

The finance leases do not contain any escalated clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debts or entering into other leasing agreements.

16. Share capital

	Group and Company			
	Number of shares			
	2009 '000	2008 '000	2009 $'000	2008 $'000
Issued and fully paid :-				
At 1 January and 31 December	361,897	361,897	29,909	29,909

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 (2008 : Nil) treasury shares in issue during the financial year.

Notes to the Financial Statements

31 December 2009

17. 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	
	2009 $'000	**2008 $'000**
At 1 January	(2,596)	(1,960)
Net effect of exchange differences	201	(636)
At 31 December	(2,395)	(2,596)
Net effect of exchange differences arises from :-		
Translation of financial statements of foreign operations	201	(636)

18. Turnover

	Group	
	2009 $'000	**2008 $'000**
Sales of goods	137,189	125,175
Services rendered	34,552	35,142
	171,741	160,317

19. Other operating income

	Group	
	2009 $'000	2008 $'000
Service fee	1,157	1,094
Commission income	94	306
Gain on disposal of fixed assets	15	18
Grant income from Jobs Credit Scheme	462	–
Foreign exchange gain, net – forward currency contracts	812	–
Foreign gain, net – others	427	–
Others	36	25
	3,003	1,443

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Job Credit Scheme (Scheme). Under this Scheme, the Company received a 12% cash grant on the first $2,500 of each month's wages for each employee on their Central Provident Fund payroll. Subsequently, the Company will receive 6% and 3% for the remaining 2 quarters respectively. The Scheme is for one and a half years, and the Group received its grant income of $462,000 (2008 : Nil) in four receipts in March, June, September and December 2009.

Notes to the Financial Statements

31 December 2009

20. Administrative and other operating expenses

Administrative and other operating expenses include :

	Group	
	2009 **$'000**	**2008** **$'000**
Non-audit fees paid to :-		
Auditors of the Company	27	26
Foreign exchange loss, net – forward currency contracts	–	1,270
Foreign exchange gain, net – others	–	(139)

21. Personnel expenses and employee benefits

Wages, salaries and bonuses	13,555	13,283
Pension contributions	1,653	1,639
Termination benefits	133	3
Other personnel benefits	1,370	1,457
	16,711	16,382

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

22. Directors' remuneration

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

	2009	**2008**
$500,000 and above	1	1
$250,000 to $499,999	–	–
Below $250,000	3	4
	4	5

23. Financial income

	Group	
	2009 **$'000**	**2008** **$'000**
Interest income from :-		
Bank deposits	65	426
An associate	795	380
Others	2	–
	862	806

Notes to the Financial Statements

31 December 2009

24. Financial expenses

	Group	
	2009 $'000	**2008 $'000**
Bank charges	(195)	(247)
Interest expense	(7)	(5)
	(202)	(252)

25. Tax

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

Current tax :-		
Current year	2,211	1,882
Foreign tax	666	200
Under/(over) provision in respect of prior years	36	(675)
Deferred tax :-		
Current year	(420)	701
Under provision in respect of prior year	22	128
Income tax expense recognised in profit or loss	2,515	2,236

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

Accounting profit before tax	13,183	12,404
Tax at 17% (2008 : 18%)	2,241	2,233
Tax effect of expenses that are not deductible in determining taxable profit	314	275
Realisation of deferred tax assets previously not recognised	(273)	(106)
Temporary liberalisation of tax exemption for foreign income	(68)	–
Tax exemption	(26)	(27)
Under/(over) provision in respect of prior years	58	(547)
Difference in tax rates applicable to subsidiaries and associates	235	175
Tax effect of reduction in tax rates	77	54
Deferred tax assets not recognised by subsidiaries	75	151
Share of results of an associate	(19)	(2)
Tax effect of income not subject to tax	(82)	(9)
Others	(17)	39
Income tax expense recognised in profit or loss	2,515	2,236

Notes to the Financial Statements

31 December 2009

25. Tax (cont'd)

Deferred tax assets and liabilities

Deferred tax as at 31 December related to the following:

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Deferred tax liability :-				
Excess of tax over book depreciation of fixed assets	(613)	(724)	(535)	(678)
Interest income not remitted	(135)	(175)	(135)	(175)
	(748)	(899)	(670)	(853)
Deferred tax assets :-				
General provisions	1,640	1,314	675	685
Net deferred tax assets	892	415	5	(168)

The changes in corporate tax rate for the various countries are as follows :

Singapore	: reduced from 18% to 17% for the year of assessment 2009 and onwards
Malaysia	: reduced from 27% to 26% and 25% for the year of assessment 2008 and the year of assessment 2009 onwards respectively
Indonesia	: reduced from 30% to 28% and 25% for the fiscal year 2009 and fiscal year 2010 onwards respectively
Philippines	: reduced from 35% to 30% for the fiscal year 2009 onwards
Taiwan	: reduced from 25% to 20% for the fiscal year 2010 onwards

Unrecognised tax losses

The Group has tax losses of approximately $1,029,000 (2008 : $1,699,000) 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).

Notes to the Financial Statements

31 December 2009

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	
	2009 $'000	2008 $'000
Net profit attributable to ordinary equity holders of the Company for basic and diluted earnings per share	10,668	10,168
Weighted average number of ordinary shares in issue applicable to basic earnings per share	361,897,000	361,897,000
Effect of dilutive share options	–	–
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	361,897,000	361,897,000

1,000,000 (2008 : 1,014,000) 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	
	2009 $'000	2008 $'000
A final dividend paid in respect of the previous financial year of 3 cents (2008 : 4 cents) per share one-tier tax exempt	10,857	14,476

The directors proposed a final dividend of 3 cents (2008 : 3 cents) per share one-tier tax exempt dividend (2008 : one-tier tax exempt) amounting to $10,857,000 (2008 : $10,857,000) in respect of the year ended 31 December 2009. 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	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Fixed deposits	17,700	2,018	17,700	2,018
Cash and bank balances	11,701	18,831	8,738	16,466
	29,401	20,849	26,438	18,484

Notes to the Financial Statements

31 December 2009

28. Cash and cash equivalents (cont'd)

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.2% to 2.35% (2008 : 0.05% to 5%) per annum. Included in cash and bank balances is an amount of $30,000 (2008 : $30,000) pledged in accordance to a contractual arrangement.

Fixed deposits of the Group and the Company were made for varying periods between 1 week to 4 months (2008 : 1 week to 3 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 0.095% to 3% (2008 : 0.22% to 1.47%) 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.

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

2009 Category	Exercise price $	Number of options outstanding at 1.1.2009[1]	During the year Granted	During the year Exercised	During the year Forfeited	Number of options outstanding at 31.12.2009	Exercisable period
Employees of the Company	0.625	588,000	–	–	14,000	574,000	1.3.2004 to 28.2.2012
Employees of the subsidiaries	0.625	226,000	–	–	–	226,000	1.3.2004 to 28.2.2012
		814,000	–	–	14,000	800,000	
Executive director	0.625	200,000	–	–	–	200,000	1.3.2004 to 28.2.2012
		200,000	–	–	–	200,000	
Total		1,014,000	–	–	14,000	1,000,000	
Exercisable at end of year						1,000,000	

Notes to the Financial Statements

31 December 2009

29. Employee share option scheme (cont'd)

2008 Category	Exercise price $	Number of options outstanding at 1.1.2008(1)	During the year Granted	Exercised	Forfeited	Number of options outstanding at 31.12.2008	Exercisable period
Employees of the Company	0.625	597,000	–	–	9,000	588,000	1.3.2004 to 28.2.2012
Employees of the subsidiaries	0.625	235,000	–	–	9,000	226,000	1.3.2004 to 28.2.2012
		832,000	–	–	18,000	814,000	
Executive director	0.625	200,000	–	–	–	200,000	1.3.2004 to 28.2.2012
		200,000	–	–	–	200,000	
Total		1,032,000	–	–	18,000	1,014,000	
Exercisable at end of year						1,014,000	

(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, no option (2008 : Nil) was exercised.

30. Commitments

(a) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements are as follows :-

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Capital commitments in respect of property, plant and equipment	79	556	79	556

Notes to the Financial Statements
31 December 2009

30. Commitments (cont'd)

(b) Non-cancellable operating lease commitments

As at 31 December 2009, the Group has commitments under operating leases for equipment, office and factory premises. The leases have an average remaining tenure of between 1 and 3 years. 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 statement of comprehensive income during the year amounted to $1,051,000 (2008 : $1,016,000).

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

	Group	
	2009 **$'000**	**2008** **$'000**
Not later than one year	781	878
Later than one year but not later than five years	349	754
	1,130	1,632

31. Contingent liabilities

	Group		Company	
	2009 **$'000**	**2008** **$'000**	**2009** **$'000**	**2008** **$'000**
Bankers' guarantees issued on behalf of :				
Associate	431	435	125	435
Subsidiaries	–	–	3,581	3,417
	431	435	3,706	3,852

Notes to the Financial Statements

31 December 2009

32. Related party disclosures

(a) Related party transactions

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 :-

	Group	
	2009 **$'000**	**2008** **$'000**
Income :-		
Sales to related companies	642	1,040
Sales to an associate	11,784	8,767
Commission income from related companies	–	6
Service fee from a related company	1,157	1,094
Expenses :-		
Purchase of goods from related companies	22,120	34,032

(b) Compensation of key management personnel

Directors of the Company :-		
Directors' fees	165	201
Directors' remuneration	832	903
Defined contribution benefits	8	8
Directors of the subsidiaries :-		
Directors' fees	2	2
Directors' remuneration	433	419
Defined contribution benefits	14	13
Senior management :-		
Senior management's remuneration	969	1,158
Defined contribution benefits	51	52

Notes to the Financial Statements

31 December 2009

33. Segment information

For management purposes, the Group is organised on a worldwide basis into operating businesses (divisions) as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The Group is organised into two main operating businesses, 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.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Allocation basis and transfer pricing

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

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

Notes to the Financial Statements

31 December 2009

33. Segment information (cont'd)

2009	Telecommunications $'000	Infocomm $'000	Adjustments and eliminations $'000	Notes	Total $'000
Turnover	92,468	79,273	–		171,741
Inter-segment turnover	4,678	11,652	(16,330)	A	–
Total turnover	97,146	90,925	(16,330)		171,741
Cost of sales	(84,345)	(70,415)	16,330	A	(138,430)
Gross profit	12,801	20,510	–		33,311
Other operating income	1,690	1,313	–		3,003
Distribution and selling expenses	(4,718)	(11,025)	–		(15,743)
Administrative expenses	(3,212)	(3,992)	–		(7,204)
Other operating expenses	(958)	–	–		(958)
Profit from operating activities	5,603	6,806	–		12,409
Financial income					862
Financial expenses					(202)
					13,069
Share of results of an associate					114
Tax					(2,515)
Net profit for the year					10,668
Other information					
Segment assets	39,594	40,055	34,848	B	114,497
Segment liabilities	20,350	17,788	14,101	C	52,239
Capital expenditure	181	1,664			1,845
Depreciation	349	2,390			2,739
Other non-cash expenses	2,286	65			2,351

Notes to the Financial Statements

31 December 2009

33. Segment information (cont'd)

2008	Telecommunications $'000	Infocomm $'000	Adjustments and eliminations $'000	Notes	Total $'000
Turnover	83,275	77,042	–		160,317
Inter-segment turnover	6,349	2,835	(9,184)	A	–
Total turnover	89,624	79,877	(9,184)		160,317
Cost of sales	(75,632)	(58,580)	9,184	A	(125,028)
Gross profit	13,992	21,297	–		35,289
Other operating income	1,218	225	–		1,443
Distribution and selling expenses	(4,453)	(10,958)	–		(15,411)
Administrative expenses	(3,671)	(3,635)	–		(7,306)
Other operating expenses	(2,044)	(130)	–		(2,174)
Profit from operating activities	5,042	6,799	–		11,841
Financial income					806
Financial expenses					(252)
					12,395
Share of results of an associate					9
Tax					(2,236)
Net profit for the year					10,168
Other information					
Segment assets	53,813	35,756	25,881	B	115,450
Segment liabilities	17,323	20,685	15,196	C	53,204
Capital expenditure	511	3,182			3,693
Depreciation	369	2,163			2,532
Other non-cash expenses	144	700			844

Notes	Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements
A	Inter-segment turnover and cost of sales are eliminated on consolidation.
B	The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	2009 $'000	2008 $'000
Investment in an associate	1,179	1,077
Deferred tax assets	892	583
Other receivables, deposits and prepayments	3,376	3,372
Cash and cash equivalents	29,401	20,849
	34,848	25,881

Notes to the Financial Statements

31 December 2009

33. Segment information (cont'd)

Notes **Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements**

C The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2009 $'000	2008 $'000
Other payables and accruals	11,982	13,141
Obligations under finance leases	87	107
Provision for taxation	2,032	1,780
Deferred tax liabilities	–	168
	14,101	15,196

Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows :-

	Revenues		Non-current assets	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Singapore	37,273	55,297	4,319	5,365
Indonesia	36,612	30,420	514	621
Thailand	33,916	28,118	1,746	1,751
Philippines	23,265	18,464	746	456
Malaysia	17,967	16,324	271	307
Vietnam	13,660	1,951	–	–
Other Asian	7,761	7,961	189	345
Others	1,287	1,782	–	–
	171,741	160,317	7,785	8,845

Non-current assets information presented above consist of fixed assets.

Information about a major customer

Revenue from one major customer amounted to $33,089,000 (2008 : $27,851,000), arising from sales by the Telecommunications segment.

Notes to the Financial Statements

31 December 2009

34. Financial risk management objectives and policies

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

Foreign currency risk

The Group 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 US Dollars, Euro Dollars and Norwegian Krone. Approximately 57% (2008: 49%) of the Group's sales and 83% (2008 : 87%) 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 $6,408,000 (2008 : $5,821,000) and $6,036,000 (2008 : $5,612,000) 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.

Notes to the Financial Statements

31 December 2009

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

Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, Norwegian Krone 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			
	2009 $'000		2008 $'000		2009 $'000		2008 $'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% (2008 : 8%)	(73)	–	(1,410)	–	(38)	–	(878)	–
- Weakened 3% (2008 : 8%)	73	–	1,410	–	38	–	878	–
Norwegian Krone -								
- Strengthened 3% (2008 : 10%)	17	–	214	–	20	–	273	–
- Weakened 3% (2008 : 10%)	(17)	–	(214)	–	(20)	–	(273)	–
Euro dollar -								
- Strengthened 5% (2008 : 5%)	16	–	(50)	–	19	–	(43)	–
- Weakened 5% (2008 : 5%)	(16)	–	50	–	(19)	–	43	–

Notes to the Financial Statements

31 December 2009

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

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 and cash equivalents 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.

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**
2009			
Singapore dollar	(100)	(202)	–
US dollar	(100)	(9)	–
Singapore dollar	100	321	–
US dollar	100	30	–
2008			
Singapore dollar	(100)	(88)	–
US dollar	(100)	(14)	–
Norwegian Krone	(100)	(11)	–
Euro dollar	(100)	(22)	–
Singapore dollar	100	171	–
US dollar	100	34	–
Norwegian Krone	100	12	–
Euro dollar	100	22	–

Notes to the Financial Statements

31 December 2009

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

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 assets and 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.

	2009				2008			
	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								
Financial assets:								
Trade receivables (excluding fair value of forward currency contracts)	25,245	–	–	25,245	30,288	–	–	30,288
Other receivables, deposits and prepayments (excluding prepayments)	3,240	–	–	3,240	3,198	–	–	3,198
Amount due from an associate	22,096	–	–	22,096	13,851	–	–	13,851
Amounts due from related companies	32	–	–	32	279	–	–	279
Cash and cash equivalents	29,401	–	–	29,401	20,849	–	–	20,849
Derivative financial instruments - Forward currency contracts – gross receipts	15,909	–	–	15,909	44,141	–	–	44,141
Total undiscounted financial assets	95,923	–	–	95,923	112,606	–	–	112,606

Notes to the Financial Statements

31 December 2009

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

Liquidity risk (cont'd)

	2009				2008			
	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 (cont'd)								
Financial liabilities:								
Trade payables (excluding fair value of forward currency contracts)	30,420	–	–	30,420	33,155	–	–	33,155
Other payables and accruals	13,239	–	–	13,239	13,141	–	–	13,141
Amounts due to related companies	1,958	–	–	1,958	1,474	–	–	1,474
Obligations under finance leases	30	66	–	96	29	92	–	121
Derivative financial instruments								
- Forward currency contracts – gross payments	4,204	–	–	4,204	15,387	–	–	15,387
Total undiscounted financial liabilities	49,851	66	–	49,917	63,186	92	–	63,278
Total net undiscounted financial assets/ (liabilities)	46,072	(66)	–	46,006	49,420	(92)	–	49,328

Notes to the Financial Statements

31 December 2009

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

Liquidity risk (cont'd)

	2009				2008			
	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
Company								
Financial assets:								
Trade receivables (excluding fair value of forward currency contracts)	18,269	–	–	18,269	19,691	–	–	19,691
Other receivables, deposits and prepayments (excluding prepayments)	1,480	–	–	1,480	931	–	–	931
Amounts due from subsidiaries	7,605	–	–	7,605	10,044	–	–	10,044
Amount due from an associate	19,362	–	–	19,362	11,260	–	–	11,260
Amounts due from related companies	20	–	–	20	15	–	–	15
Cash and cash equivalents	26,438	–	–	26,438	18,484	–	–	18,484
Derivative financial instruments								
- Forward currency contracts – gross receipts	15,909	–	–	15,909	44,141	–	–	44,141
Total undiscounted financial assets	89,083	–	–	89,083	104,566	–	–	104,566

Notes to the Financial Statements

31 December 2009

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

Liquidity risk (cont'd)

	2009				2008			
	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
Company (cont'd)								
Financial liabilities:								
Trade payables (excluding fair value of forward currency contracts)	25,436	–	–	25,436	28,027	–	–	28,027
Other payables and accruals	8,714	–	–	8,714	8,618	–	–	8,618
Amounts due to subsidiaries	399	–	–	399	316	–	–	316
Amounts due to related companies	1,834	–	–	1,834	1,427	–	–	1,427
Derivative financial instruments								
- Forward currency contracts – gross payments	4,020	–	–	4,020	15,387	–	–	15,387
Total undiscounted financial liabilities	40,403	–	–	40,403	53,775	–	–	53,775
Total net undiscounted financial assets	48,680	–	–	48,680	50,791	–	–	50,791

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities.

	2009				2008			
	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								
Financial guarantees	–	125	–	125	–	435	–	435
Company								
Financial guarantees	2,190	1,516	–	3,706	1,560	2,292	–	3,852

Notes to the Financial Statements

31 December 2009

34. 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 receivables, amounts due from an associate and related companies, and cash and cash equivalents 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 receivables at the balance sheet date are as follows:

Customers' profile

By Country

	Group		Company	
% of total	**2009**	**2008**	**2009**	**2008**
≥ 25	Philippines and Singapore	Philippines	Philippines and Singapore	Philippines and Singapore
>10 and <25	–	Indonesia, Singapore and Thailand	–	Indonesia
≤ 10	Malaysia, Sri Lanka, Thailand and others	Malaysia, India, China and others	Sri Lanka, Korea, Vietnam and others	India, Thailand, China and others

Notes to the Financial Statements

31 December 2009

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

Credit risk (cont'd)

Customers' profile (cont'd)

By Industry Sectors

	Group				Company			
	2009		2008		2009		2008	
	$'000	% of total	$'000	% of total	$'000	% of total	$'000	% of total
Telecommunication	16,163	64	13,969	45	13,598	74	12,175	60
Financial institutions	3,337	13	5,030	16	1,449	8	912	5
Government agencies	1,244	5	4,806	16	828	5	1,197	6
Media and broadcasting	1,663	7	3,815	12	1,214	7	3,693	18
Multi industry conglomerates	948	4	1,894	6	948	5	1,894	9
Others	1,925	7	1,298	5	267	1	344	2
	25,280	100	30,812	100	18,304	100	20,215	100

At the balance date,

– 41% (2008 : 73%) of the Group's trade receivables in Philippines (2008 : Philippines) are due from a reputable telecommunication service provider; and

– 39% (2008 : 43%) of the Group trade receivables are 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.

Notes to the Financial Statements

31 December 2009

35. Financial instruments

(a) Fair values

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

Derivatives

The Group and Company has carried all derivative financial instruments at their fair value as required by FRS 39. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy :

	Group 2009			
	Quoted prices in active markets for identical instruments (Level 1) $'000	**Significant other observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Financial assets				
Derivatives – Forward currency contracts	–	35	–	35
Financial liabilities				
Derivatives – Forward currency contracts	–	88	–	88

Fair value hierarchy

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

- Level 1– Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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.

Lease obligations

The fair values of lease obligations are estimated by discounting expected future cash flows at market incremental lending rate for similar types of leasing arrangements at the balance sheet date. The carrying value on the balance sheet does not differ significantly from its fair value at year end.

Notes to the Financial Statements

31 December 2009

35. Financial instruments (cont'd)

(b) Interest rate risk

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

2009	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
Group							
Floating rate							
Cash and bank balances	11,701	–	–	–	–	–	11,701
Amount due from an associate	22,096	–	–	–	–	–	22,096
Fixed rate							
Fixed deposits	17,700	–	–	–	–	–	17,700
Obligations under finance leases	25	25	25	12	–	–	87
Company							
Floating rate							
Cash and bank balances	8,738	–	–	–	–	–	8,738
Amount due from an associate	19,362	–	–	–	–	–	19,362
Fixed rate							
Fixed deposits	17,700	–	–	–	–	–	17,700
2008							
Group							
Floating rate							
Cash and bank balances	18,831	–	–	–	–	–	18,831
Amount due from an associate	13,851	–	–	–	–	–	13,851
Fixed rate							
Fixed deposits	2,018	–	–	–	–	–	2,018
Obligations under finance leases	23	23	23	23	15	–	107
Company							
Floating rate							
Cash and bank balances	16,466	–	–	–	–	–	16,466
Amount due from an associate	11,260	–	–	–	–	–	11,260
Fixed rate							
Fixed deposits	2,018	–	–	–	–	–	2,018

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.

Notes to the Financial Statements

31 December 2009

35. Financial instruments (cont'd)

(c) Derivative financial instruments

	Group					
	2009 S$'000			2008 S$'000		
	Contract/ notional amount	Assets	Liabilities	Contract/ notional amount	Assets	Liabilities
Forward currency contracts – gross receipts	15,909	35	–	44,141	524	–
Forward currency contracts – gross payments	4,204	–	88	15,387	–	414

Forward currency contracts are used to hedge the Group's sales and purchases denominated in US dollar, Euro dollar, Norwegian Krone, against SGD for which firm commitments existed at the balance sheet date, extending to July 2010 (2008: August 2009).

The Group does not apply hedge accounting.

36. 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 2009 and 31 December 2008.

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, obligations under finance leases, other liabilities, less cash and cash equivalents. Capital refers to equity attributable to the equity holders of the Company.

	Group	
	2009 $'000	2008 $'000
Trade payables (Note 12)	30,508	33,569
Other payables and accruals (Note 13)	13,239	13,141
Amounts due to related companies (Note 11)	1,958	1,474
Obligations under finance leases (Note 15)	87	107
Less: Cash and cash equivalents (Note 28)	(29,401)	(20,849)
Net debt	16,391	27,442
Capital :		
Equity attributable to equity holders of the Company	62,258	62,246
Capital and net debt	78,649	89,688
Gearing ratio	20.8%	30.6%

Notes to the Financial Statements
31 December 2009

37. Comparative figures

The following balance sheet comparative figures have been reclassified to conform with current year's presentation:

	Group		Company	
	As stated $'000	As previously reported $'000	As stated $'000	As previously reported $'000
Balance sheet				
Fixed deposits	–	2,018	–	2,018
Cash and bank balances	–	18,831	–	16,466
Cash and cash equivalents	20,849	–	16,484	–

38. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 30 March 2010.

Statistics of Shareholdings

as at 18 March 2010

Issued and fully paid-up capital	: S$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	3,524	61.90	19,698,000	5.44
10,001- 1,000,000	2,146	37.70	108,168,600	29.89
1,000,001- and above	15	0.26	234,029,000	64.67
Total :	5,693	100.00	361,897,000	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Eltek ASA	181,136,000	50.05
2.	Raffles Nominees (Pte) Ltd	11,234,000	3.10
3.	DBSN Services Pte Ltd	10,437,000	2.88
4.	DBS Nominees Pte Ltd	7,094,000	1.96
5.	United Overseas Bank Nominees Pte Ltd	4,745,000	1.31
6.	HSBC (Singapore) Nominees Pte Ltd	2,875,000	0.79
7.	Poh Kheng Mui (Fu Qingmei)	2,868,000	0.79
8.	OCBC Nominees Singapore Pte Ltd	2,460,000	0.68
9.	UOB Kay Hian Pte Ltd	2,200,000	0.61
10.	Citibank Nominees Singapore Pte Ltd	2,157,000	0.60
11.	Ang Xinwei @ Hong Xinwei	1,630,000	0.45
12.	Koh Peck Hoon	1,600,000	0.44
13.	Tan Boon Khak Holdings Pte Ltd	1,460,000	0.40
14.	OCBC Securities Private Ltd	1,131,000	0.31
15.	Kim Leng Tee Investments Pte Ltd	1,002,000	0.28
16.	Ang Seong Kang Samuel	1,000,000	0.28
17.	Estate of Phay Seng Whatt Deceased	1,000,000	0.28
18.	Pillai Rosie	1,000,000	0.28
19.	Hong Leong Finance Nominees Pte Ltd	975,000	0.27
20.	Phillip Securities Pte Ltd	967,400	0.27
Total :		238,971,400	66.03

Substantial Shareholders as at 18 March 2010

	Direct Interest	%	Deemed Interest	%
Eltek 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. 197802690R) (Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of NERA TELECOMMUNICATIONS LTD ("the Company") will be held at 109 Defu Lane 10, Singapore 539225 on 29 April 2010 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 2009 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final one-tier tax exempt dividend of 3 cents per share for the year ended 31 December 2009 [2008: a final one-tier tax exempt dividend of 3 cents per share]. **(Resolution 2)**

3. To re-elect Mr Jorgen Larsen, the Director retiring pursuant to Article 87 of the Company's Articles of Association. [See Explanatory Note (i)] **(Resolution 3)**

4. To re-appoint Mr S Chandra Das, a director of the Company retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. [See Explanatory Note (ii)] **(Resolution 4)**

5. To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

As Special Business

7. To approve the payment of Directors' fees of S$165,000 for the year ended 31 December 2009 (2008: S$201,100). **(Resolution 6)**

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

8. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

Notice of Annual General Meeting

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

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company 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 (iii)] **(Resolution 7)**

9. **Authority to issue shares under the Nera Telecom Employees' Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Nera Telecom Employees' Share Option Scheme ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of 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 a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company 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 (iv)] **(Resolution 8)**

By Order of the Board

Tan Cher Liang
Company Secretary
Singapore, 14 April 2010

Notice of Annual General Meeting

Nera Telecommunications Ltd

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

Explanatory Notes:

(i) 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.

(ii) The effect of the Ordinary Resolution 4 proposed in item 4 above, is to re-appoint a Director of the Company who is over 70 years of age. Mr S Chandra Das will, upon re-appointment as a Director of the Company, remain as Chairman of the Board of Directors and Chairman of the Nominating and Compensation Committees and will be considered independent.

(iii) The Ordinary Resolution 7 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iv) The Ordinary Resolution 8 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting], whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

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

(Company Registration No. 197802690R)
(Incorporated In The Republic of Singapore with limited liability)

Proxy Form

(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 29 April 2010 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 2009		
2	Payment of proposed final one-tier tax exempt dividend		
3	Re-election of Mr Jorgen Larsen as a Director		
4	Re-appointment of Mr S Chandra Das as a Director		
5	Re-appointment of Messrs Ernst & Young LLP as Auditors		
6	Approval of Directors' fees amounting to S$165,000		
7	Authority to issue shares		
8	Authority to issue shares under the Nera Telecom Employees' Share Option Scheme		

Dated this day of 2010

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

Nera Telecommunications Ltd

(Company Registration No. 197802690R)
(Incorporated In The Republic of Singapore with limited liability)

Proxy Form

Notes :

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

General:

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

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Co. Reg. No: 197802690R