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# Delivering Network Technologies for the Future

ANNUAL REPORT 2010

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NERA TELECOMMUNICATIONS LTD

# Delivering Network Technologies for the Future

A forward-looking organisation, we stay with the times and exceed industry needs. Through the delivery of cutting-edge technologies and quality services, we offer ingenious products and solutions for the global market and create endless possibilities.

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# Chairman's Statement



The Group had ended the year with positive cash and cash equivalents of S\$40.0 million compared to S\$29.4 million in FY2009, increased by 36.0% compared to the previous year.

S Chandra Das  
*Chairman*

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 2010.

In FY2010, the Group recorded S\$155.8 million in turnover compared to S\$171.7 million in FY2009, lower by 9.3%, attributed to the drop in turnover from the Telecommunications business segment. Profit before tax ("PBT") grew 11.1% from S\$13.2 million in FY2009 to S\$14.6 million as a result of the improvement in gross margin and better financial performance from the associate. Profit after tax ("PAT") increased from S\$10.7 million in FY2009 to S\$10.9 million, representing an increase of 2.3%. The Group had ended the year with positive cash and cash equivalents of S\$40.0 million compared to S\$29.4 million in FY2009, increased by 36.0% compared to the previous year, representing 11.05 cents per share.

Basic earnings per ordinary share for the year based on net profit attributable to shareholders were recorded at 3.02 cents compared to 2.95 cents in FY2009. 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 4 cents per ordinary share (FY2009: a final one-tier tax exempt dividend of 3 cents per ordinary share). This will amount to a total dividend payout of approximately S\$14.5 million. The proposed dividend, if approved at the Annual General Meeting on 19 April 2011, will be paid on 12 May 2011.

The mobile market in the telecommunication industry is expected to remain highly competitive. The demand for our radio transmission products and services will be primarily driven by the mobile operators' continuous expansion of their network coverage, capacity, bandwidth and network capabilities to meet the various market needs. The Group intends to further develop its radio transmission business in the Defence, Broadcast and Utilities market sectors. For the Satellite business, we will focus on the sales of Inmarsat, Thuraya and other satellite communications products, solutions and services to the land and marine markets. In addition, we will continue to develop business opportunities in the maritime VSAT market, satellite TV market and broadband satellite networks to the satellite operators, broadcasters and government organisations.

Demand in the Infocomm industry will continue to grow due to the robust growth in the internet traffic, the convergence of fixed and mobile services, network upgrades and new network deployments. We will focus on providing cost effective and high performance IP, optical and broadband network infrastructure products and solutions to the Service Providers, Broadcasters, ISPs and Operators to enable them to scale and secure their network and service infrastructure in the rapid deployment of new services.

The recent purchase of NERA trademark and the OEM agreement with Nera Networks AS Norway have expanded our territorial rights to the Middle East and North Africa in addition to our current Asia Pacific markets. This will present more opportunities for our radio transmission and Infocomm business. To remain competitive, we will constantly review our operational efficiency to enhance productivity and provide quality services to our customers. The skill and competence of our workforce will continuously be upgraded to better serve our customers in an increasingly challenging business environment.

On behalf of my fellow Directors, I would like to thank Rune Finne, who left the Board on 1 October 2010, for his invaluable contributions. The Board welcomes Pal Skistad, who was appointed as Director on 7 February 2011. With his wealth of knowledge and experience in the financial industry, he will certainly serve the Group well.

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 the Management and Staff for their dedication and commitment.



**S Chandra Das**  
Chairman

# President and CEO's Statement

## Business Review

FY2010 was indeed another challenging year for the NeraTel Group. Although the market was recovering from the global economic crisis, uncertainties in the market still persisted. In the face of the difficult business environment, we managed to deliver a set of positive results.

Turnover of S\$155.8 million was registered for the Group compared to S\$171.7 million in FY2009, a drop of 9.3%. This was attributed to the lower turnover from the Telecommunications business segment. Despite the lower turnover, profit before tax ("PBT") rose by 11.1% from S\$13.2 million in FY2009 to S\$14.6 million owing to the improvement in gross margin and better performance from our associated company. PBT as a percentage of turnover ("PBT %") improved to 9.4% compared to 7.7% in FY2009. Profit after tax ("PAT") increased from S\$10.7 million in FY2009 to S\$10.9 million, up 2.3% from the previous year. As at end of the year, the Group registered positive cash and cash equivalents of S\$40.0 million compared to S\$29.4 million in FY2009, an increase of 36.0%. The increase in cash and cash equivalents for the year was mainly due to improvement in cash flow generated from operating activities.

The Telecom business segment recorded a turnover of S\$48.1 million compared to S\$92.5 million in FY2009, a decline of 48.0%. This was attributed to lower sales of microwave radio equipment in the Transmission business area. Profit from operations declined by 31.0% from S\$5.6 million in FY2009 to S\$3.9 million.

The Infocomm business segment registered an increase of 35.9% in turnover from S\$79.3 million in FY2009 to S\$107.8 million. This set a new record for the Infocomm business as it crossed the S\$100 million mark for the first time. This was achieved on the back of higher sales of network equipment to all three market sectors (Service Providers, Enterprise and Government, Transport and Utilities) and higher sales of point-of-sales terminals and services in the Financial Services and Retail market sector. Profit from operations increased by 46.5% from S\$6.8 million in FY2009 to S\$10.0 million.

## Business Outlook

### Telecommunications (Telecom)

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

There was a global decline in the quantity of microwave radio equipment sold in the first half of FY2010 and although the second half of FY2010 showed a steady turnaround on the quantity of radios, in dollar terms, however, remained stable due to continued price erosion and intense competition in the mobile market industry.

We believe that the demand for microwave radio products and services in the medium to long term will grow as a result of mobile operators' aggressive bundling of mobile broadband services to support consumers' usage of smartphones for multi-media services in the matured voice market and offering of basic voice and data services to markets where the mobile phone penetration is low. It is essential for mobile operators to continue to expand their network coverage, capacity, bandwidth and network capabilities to meet various market needs and maintain or increase their market share to stay ahead of competition.



Profit before tax ("PBT") rose by 11.1% from S\$13.2 million in FY2009 to S\$14.6 million owing to the improvement in gross margin.

Ang Seong Kang Samuel  
*President and CEO*



## President and CEO's Statement

The Group has recently announced the purchase of the NERA trademark and entered into a non-exclusive OEM agreement with Nera Networks AS Norway. This will, in addition to the current Asia Pacific markets, expand the Group's territorial rights to the Middle East and North Africa markets. We will continue to offer a complete range of Evolution series microwave radios under the NERA brand name. NERA Evolution series of products, based on a common product platform of long and short haul, low and high capacity radios, can provide capital and operational cost savings to mobile operators. In addition, the Group intends to further develop its radio transmission business to customers in the Defence, Broadcast and Utilities market sectors.

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

### Infocommunications (Infocomm)

The Infocomm business segment comprises two main business areas, namely Network Infrastructure and Payment Solutions, focusing on providing products, solutions and services to the Service Providers, Enterprise and Government, Transport and Utilities market sectors.

In the Service Providers market sector, the robust growth in the internet traffic and the convergence of fixed and mobile services from both consumer and corporate have driven Service Providers to invest in their network infrastructure and seek new growth areas, in particular richer content, multi-media and bundled (voice, data and video) broadband services.

The Group will 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 in the rapid deployment of new services.

In the Enterprise market sector, investment in IT infrastructure appears to have improved. There are various network upgrades, new network deployments and outsourcing opportunities by Enterprise customers to save cost and improve productivity. The market development has presented more business opportunities for us. We will focus on providing cost effective and enterprise-class network infrastructure products and services such as routers, switches, security devices and threat management, optimization, aggregation appliances to help enterprises improve productivity and deploy secured and cost effective networks.

In the Enterprise's Banking, Finance and Retail market sector, the trend continues for customers to outsource point-of-sale ("POS") infrastructure to lower their capital and operating expenses so that they can focus on their core business activities. We will continue to develop and strengthen our POS terminal sales, applications, rental, leasing and maintenance business to the financial institutions and retailers.



In the Government, Transport & Utilities market sector, the Group has successfully deployed a number of network infrastructure projects to customers from the government and education sectors. The opportunities in providing network infrastructure and e-payment solutions to the Government, Transport and Utilities market sectors remain positive. We will continue to develop these markets and focus on providing IP and optical network infrastructure, integrated communication solutions, dedicated networks and payment solutions to customers in these sectors.

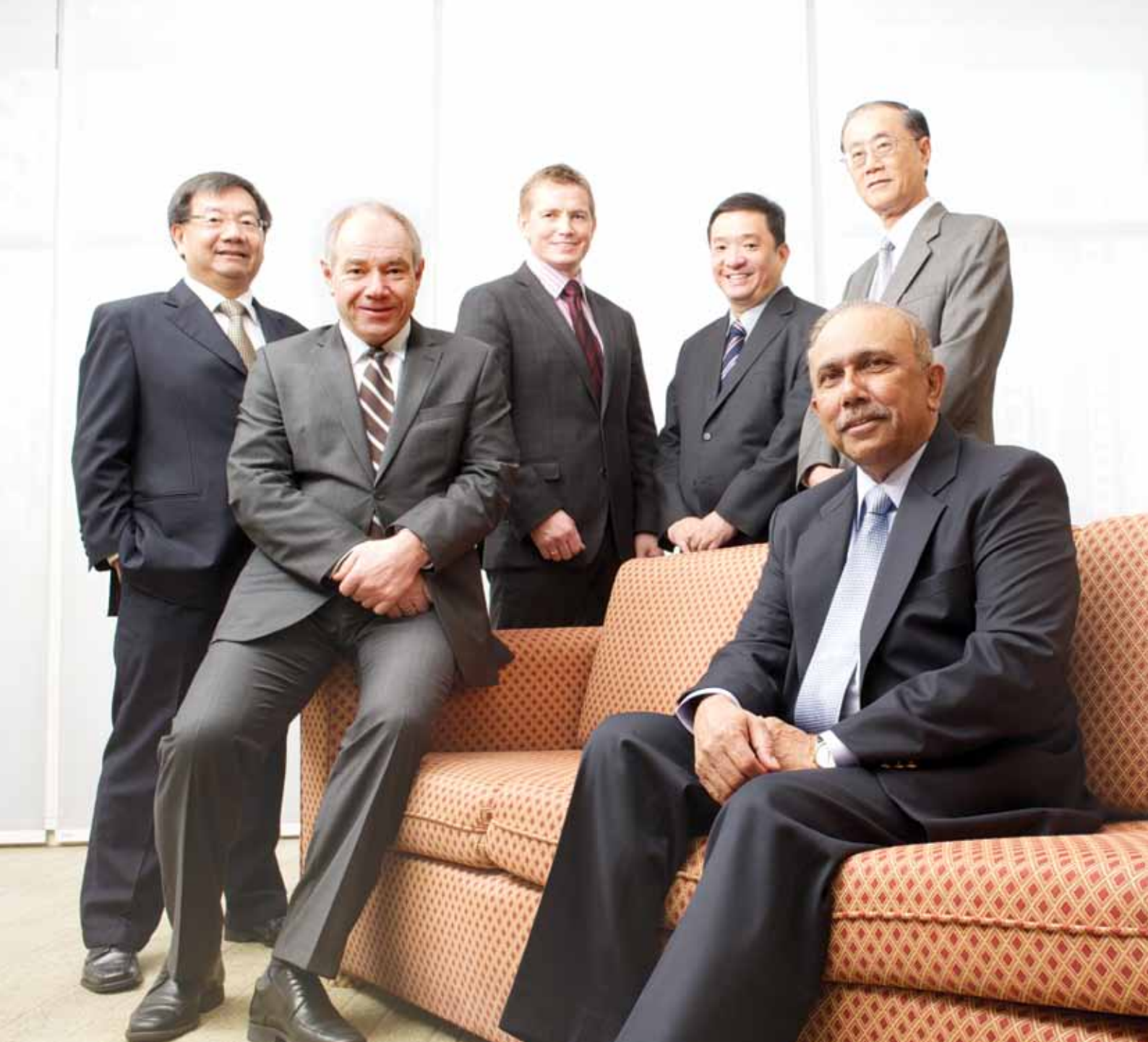
Competition in the Infocomm industry remains highly competitive with many local and global players offering a wide range of both hardware and software products and services.

Although the current market sentiment is improving and that government is removing various incentives granted to companies during the economic downturn, there are still risks and challenges ahead that could slow the economic growth, which in turn will have a bearing on the business.

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*



**Mr S Chandra Das** (71 years old) was appointed as the non-executive Chairman of the Company on 15 January 1988 and was last re-elected on 29 April 2010. 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 Spice i2i Limited. 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. 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.



# Board of Directors

*from left to right:*

Mr Ang Seong Kang Samuel

Mr Jorgen Larsen

Mr Pal Skistad

Mr Sitoh Yih Pin

Mr Lau Ping Sum

Mr S Chandra Das

**Mr Ang Seong Kang Samuel** (55 years old) 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.

## Board of Directors

**Mr Lau Ping Sim** (70 years old) was appointed as an independent Director of the Company on 29 April 1999 and was last re-elected on 24 April 2009. Mr Lau is currently the Executive Director of PAP Community Foundation (PCF) and PAP. 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** (47 years old) was appointed as an Independent Director of the Company on 29 April 1999 and was last re-elected on 24 April 2009. 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 and a Board Member of Accounting and Corporate Regulatory Authority. He is also presently a director of several public listed companies comprising Chinasing Investment Holdings Limited, Lian Beng Group Ltd, United Food Holdings Limited, Meiban Group Ltd and Allied Technologies Limited. Mr Sitoh was also a director of several public listed companies in the preceding 5 years including PNE Micron Holdings Ltd, Van Der Horst Energy Limited, Labroy Marine Pte Ltd and Auswin Holdings Limited. Mr Sitoh holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and is a Fellow Member of the Institute of Chartered Accountants in Australia.

**Mr Jorgen Larsen** (61 years old) was appointed as a non-executive Director of the Company on 6 February 2008 and was last re-elected on 29 April 2010. He is presently the CEO of Eltek ASA, a public listed company mainly focusing on energy systems. With Eltek ASA since 1995, he previously served as the Acting CEO, Group CFO and Executive Vice President of Business Development. He is currently Director of Eltek Valere Holding AS and several subsidiaries of Eltek Valere Holding AS. Prior to joining Eltek ASA, Mr Larsen held various positions in finance with public listed companies. Mr Larsen holds a Master of Science Degree in Business from the Norwegian School of Economics and Business Administration.

**Mr Pal Skistad** (43 years old) was appointed as a non-executive Director of the Company on 7 February 2011. He is currently the Group CFO of Eltek ASA, a public listed company in Norway. He joined Eltek ASA as Finance Director in 2001 and has prior to that eight years of experience from auditing and advisory services in PricewaterhouseCoopers. He is currently Director of Eltek Valere Holding AS and several subsidiaries of Eltek Valere Holding AS. Mr Skistad holds a Master of Business Economics (MBE) degree from the Norwegian School of Management and a Master of Business Administration (MBA) degree from the Norwegian School of Economics and Business Administration.



# Senior Management

**Mr Tay Kheng Seng Alvin** (55 years old) is the Executive Vice President for Telecommunications. He is responsible for the Group's Transmission and Satellite Communications business in Asia. Mr Tay has more than thirty years of working experience in sales and marketing, financial services and has held several senior management positions prior to joining the Company. Mr Tay holds a Master of Business Administration degree from the Brunel University.

**Mr Chan Heng Chew Michael** (45 years old) 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 twenty years of experience in marketing, logistics, investment, merger and acquisitions, and business and corporate development in various industries such as shipping, healthcare, leisure, printing and publishing, telecommunications and information technology. 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** (47 years old) 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-two 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** (44 years old) 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 twenty 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 \*\*\*

Pal Skistad \*\*\* *(appointed on 7 February 2011)*

\* *Independent Director*

\*\* *Executive Director*

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

## Audit Committee

Lau Ping Sum, *Chairman*

Sitoh Yih Pin

Pal Skistad *(appointed on 7 February 2011)*

## Nominating Committee

S Chandra Das, *Chairman*

Lau Ping Sum

Jorgen Larsen *(appointed on 10 February 2011)*

## Remuneration Committee

S Chandra Das, *Chairman*

Sitoh Yih Pin

Jorgen Larsen *(appointed on 7 February 2011)*

## 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  
(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: Philip Ling Soon Hwa  
*(appointed with effect from FY2010)*

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

\* Dormant Company    \*\* Associated Company





01



02

Testing of Microwave Radio 01

Communication via Marine Satellite Terminal 02

Microwave Radio (Indoor Unit) 03

Marine Satellite Terminal 04

# 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.





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Network Infrastructure Equipment	06
IP Network Lab	07
Point-of-Sale Terminals	08



# 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.

## Business Segment: Infocomm

### 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.

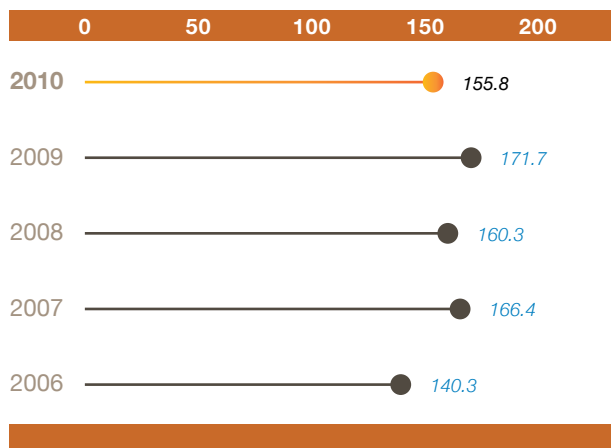
Our range of products includes high capacity digital cross connect system, micro MSPP for CLE/CPE and metro access applications, optical multi-service platforms which integrates SDH/SONET, WDM/ROADM and Carrier Class Ethernet, and carrier Ethernet service edge routers/switches. This comprehensive combination 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.

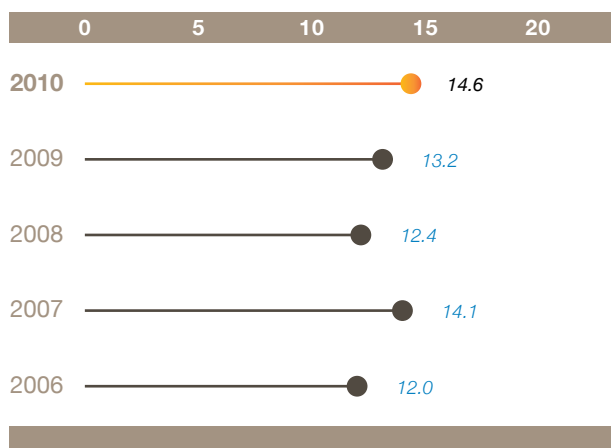
Our range of products comprises the various types of EMV, PCI PED approved point-of-sale payment terminals for countertop, mobile and unattended applications as well as wireless, contact-less and IP products to network devices, terminal / application software and value added services such as signature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

# Financial Highlights



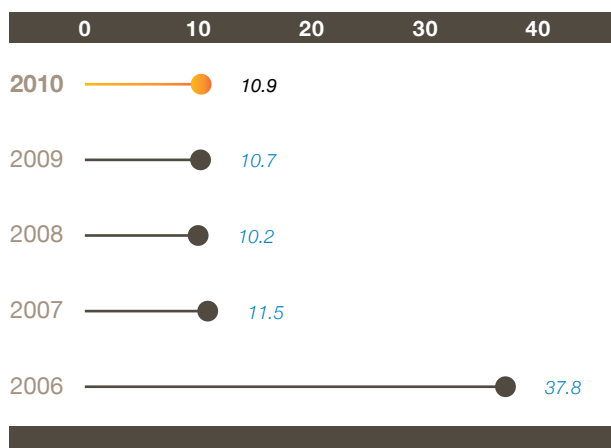
## Turnover (S\$m)

Turnover was S\$155.8 million in FY2010 compared to S\$171.7 million in FY2009, a decrease of 9.3%.



## Profit before tax (S\$m)

Profit before tax was S\$14.6 million in FY2010 compared to S\$13.2 million in FY2009, an increase of 11.1%.



## Profit after tax (S\$m)

Profit after tax was S\$10.9 million in FY2010 compared to S\$10.7 million in FY2009, an increase of 2.3%.



09



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# Human Capital

We believe that human capital is our greatest asset. One of our keystone values is to constantly develop our human capital to handle the challenges in a dynamic business environment.

Our various trainings equip the employees with the skill and knowledge required for growth in their jobs and to better serve the customers. This will further enhance their productivity and performance in their current roles, and also provide them the opportunities for career development within the organisation.

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

Long Service Award

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Group Discussion

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Christmas Carolling

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# 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 six Directors. Half of the Board members 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

Pal Skistad (appointed on 7 February 2011)

\* Independent Directors



# 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.

## **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 role of the Company Secretary includes responsibility for ensuring that Board procedures are adhered to and applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary also ensures good information flows within the Board and its Board Committees and between the Management and independent Directors.

## **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 requirement of the Code. The composition of the NC is as follows:

S Chandra Das, Chairman \*

Lau Ping Sum \*

Jorgen Larsen (appointed on 10 February 2011)

\* 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.

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 the Companies Act, Cap 50, namely Sitoh Yih Pin, Pal Skistad, Lau Ping Sum and S Chandra Das, for re-election at the forthcoming Annual General Meeting. Sitoh Yih Pin and Pal Skistad are retiring under Article 87 and Article 94 of the Company's Articles of Association respectively while Lau Ping Sum and S Chandra Das are retiring under S153(6) of the Companies Act, Cap 50.

Sitoh Yih Pin, an independent Director, was appointed to the Board on 29 April 1999. He is a member of the Audit Committee and Remuneration Committee. Mr Sitoh was last re-elected a Director on 24 April 2009. Mr Sitoh will, upon re-election as Director of the Company, remain as a member of the Audit Committee and Remuneration Committee.

Pal Skistad, a non-executive Director, was appointed to the Board on 7 February 2011. He is a member of the Audit Committee. Mr Skistad will, upon re-election as Director of the Company, remain as a member of the Audit Committee.

Lau Ping Sum, an independent Director, was appointed to the Board on 29 April 1999. He chairs the Audit Committee and is also a member of the Nominating Committee. Mr Lau was last re-elected a Director on 24 April 2009. Mr Lau will, upon re-election as Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating 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 Remuneration Committee and was last re-elected a Director on 29 April 2010. Mr Das will, upon re-election as Director of the Company, remain as Chairman of the Board and chairman of both the Nominating and Remuneration Committees.

S Chandra Das and Lau Ping Sum had duly abstained from making recommendations on their nominations.

# 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\*

Pal Skistad (appointed on 7 February 2011)

\* 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 adequacy 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 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;

# Corporate Governance Report

- (e) to review interested person transactions;
- (f) to review the scope and results of the internal audit procedures; and
- (g) to review the assistance given by the Management to the auditors.

The AC has adopted written terms of reference.

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

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

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 audit covers 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.

## **Remuneration Committee (RC)**

### **Principle 7 : Procedures for Developing Remuneration Policies**

### **Principle 8 : Level and Mix of Remuneration**

### **Principle 9: Disclosure on Remuneration**

The Remuneration Committee comprises three members, two of whom are independent Directors and one non-executive Director. The composition of the RC is as follows:

S Chandra Das, Chairman\*

Sitoh Yih Pin\*

Jorgen Larsen (appointed on 7 February 2011)

\* Independent Director

# Corporate Governance Report

The principal responsibilities of the RC 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 RC 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 RC has adopted written terms of reference.

As part of its review, the RC 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 Remuneration 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 breakdown (in percentage terms) of the remuneration and fees of the Directors for the year ended 31 December 2010:

Remuneration Bands / Name	Fees (S\$) %	Salary (S\$) %	Bonus (S\$) %	Total %
<b>S\$750,001 to S\$1,000,000</b> Ang Seong Kang Samuel <sup>(1)</sup>	-	61	39	100
<b>Below S\$250,000</b> (Fees paid to independent Directors) <sup>(2)</sup>				
S Chandra Das (S\$80,000)	100	-	-	100
Lau Ping Sum (S\$55,000)	100	-	-	100
Sitoh Yih Pin (S\$50,000)	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 FY2010 at the Annual General Meeting. In addition, the Directors' fees for FY2010 shall include the balance director's fee of S\$4,286 which Mr Arve Johansen, an ex-director, is entitled to receive for the period from 1 January 2009 to 8 February 2009.
- (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 FY2010.

# Corporate Governance Report

## Key Executives' Remuneration

Top five highest paid key executives of the Company who were above S\$250,000 and below S\$500,000 bands (in percentage terms) during the year are as follows:

Remuneration Band / Name and Position	Salary <sup>(1)</sup> %	Bonus <sup>(1)</sup> %	Total %
<b>S\$250,001 to S\$500,000</b> Tay Kheng Seng Executive Vice President, Telecommunications	71	29	100
<b>Below S\$250,000</b> Chan Heng Chew Michael Senior Vice President, Contracts & Investment	77	23	100
Chiang Hock Chin Jessie Senior Vice President, Corporate Affairs/ Staff	74	26	100
Mark Weng Kwai Financial Controller	79	21	100
Png Keng Geok Albert Vice President, Infocomm Singapore	73	27	100

Notes:

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

(2) There were no share options granted in FY2010.

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 Meetings. 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 issued a policy on securities dealing by officers of the Company and its subsidiaries (comprising directors and key personnel) 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 and has been circulated to all relevant parties.

The Company issues circulars to its officers 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 or two weeks before quarterly results and ending on the date of the announcement of such results or when they are in possession of any unpublished price sensitive information.

The Directors are required to notify the Company of any dealings in the Company’s securities 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 controls 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 FY2010 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)
<b>Sales</b> Nera Networks AS	<b>S\$’000</b> 248
<b>Purchases</b> Nera Networks AS	14,961
<b>Other Operating Revenues</b> Nera Networks AS	1,433

Note:

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

## Directors’ Attendance at Meetings of the Board and Board Committee is set out as below:

Name of Directors	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nominating Committee Meetings	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
S Chandra Das	4	4	-	-	1	1	1	1
Ang Seong Kang Samuel	4	4	-	-	-	-	1	1
Lau Ping Sum	4	4	4	4	-	-	1	1
Sitoh Yih Pin	4	4	4	4	1	1	-	-
Jorgen Larsen	4	3	4	3	-	-	-	-
Rune Finne *	4	2	-	-	1	-	-	-

\* Rune Finne served the Board from 19 April 2010 to 1 October 2010.



# Financial Statements

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# 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 2010.

## 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	
Pal Skistad	(Appointed on 7 February 2011)

## Arrangements to enable directors to acquire shares and debentures

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

## Directors' interests in shares and debentures

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

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<b>Ultimate holding company</b>				
<b>Eltek ASA</b>				
<b>Ordinary shares</b>				
S Chandra Das	1,800	1,800	—	—
Ang Seong Kang Samuel	18,627	18,627	—	—
Jorgen Larsen*	—	—	395,216	395,216
<b>Option to subscribe for ordinary shares</b>				
Jorgen Larsen	60,000	60,000	—	—

# Directors' Report

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

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<b>The Company</b>				
<b>Ordinary shares</b>				
S Chandra Das**	–	–	1,000,000	1,000,000
Ang Seong Kang Samuel***	1,000,000	1,040,000	65,000	25,000
Lau Ping Sum	550,000	550,000	–	–
Sitoh Yih Pin	500,000	500,000	–	–

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

\*\* 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.

Name of director	Direct interest	
	At the beginning of financial year	At the end of financial year
<b>Subsidiaries</b>		
<b>Nera Infocom (M) Sdn Bhd</b>		
<b>Ordinary shares of RM 1 each</b>		
Ang Seong Kang Samuel	1	1
<b>Nera (Philippines) Inc.</b>		
<b>Ordinary shares of Peso 100 each</b>		
Ang Seong Kang Samuel	1	1
<b>P.T. Nera Indonesia</b>		
<b>Ordinary shares of US\$2,000 each</b>		
Ang Seong Kang Samuel	1	1
<b>Nera Telecommunications (Taiwan) Co., Ltd</b>		
<b>Ordinary shares of NT\$10 each</b>		
Ang Seong Kang Samuel	1	1
<b>Nera Telecommunications (India) Pvt Ltd</b>		
<b>Ordinary shares of 10 Rupees each</b>		
Ang Seong Kang Samuel	5,000	5,000

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and on 21 January 2011.

Except as disclosed in this report, no 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 at the end of the financial year or on 21 January 2011.

# 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 the Remuneration Committee (the "Committee") comprising independent and non-executive directors as follows:

- (i) S Chandra Das
- (ii) Sitoh Yih Pin
- (iii) Jorgen Larsen (Appointed on 7 February 2011)
- (iv) Rune Finne (Appointed on 19 April 2010 and resigned on 1 October 2010)

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

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

Name of director	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 and its subsidiaries under the Scheme to subscribe for ordinary shares at the respective exercisable price were as follows :

	Exercise price \$	Aggregate options outstanding as at beginning of financial year	Options granted during the financial year	Options exercised/ cancelled during the financial year	Aggregate options outstanding as at end of financial year	Exercisable period
Employees of the Company	0.625	574,000	–	–	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 reviews 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 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  
25 March 2011



# 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 2010 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

25 March 2011

# Independent Auditors' Report

for the financial year ended 31 December 2010

to the members of Nera Telecommunications Ltd

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Nera Telecommunications Ltd (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 37 to 93, which comprise the balance sheets of the Group and the Company as at 31 December 2010, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

## Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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, 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 2010 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.

## Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary 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

25 March 2011

# Balance Sheets

as at 31 December 2010

		Group		Company	
	Note	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	4	6,793	7,785	3,357	4,319
Investment in subsidiaries	5	–	–	4,316	4,316
Investment in an associate	6	1,730	1,179	199	199
Deferred tax assets	24	1,285	892	264	5
		9,808	9,856	8,136	8,839
<b>Current assets</b>					
Stocks	7	3,100	3,779	1,745	2,052
Contract work-in-progress	8	21,750	20,677	14,511	15,790
Trade receivables	9	39,199	25,280	25,817	18,304
Other receivables, deposits and prepayments	10	5,100	3,376	3,403	1,558
Amounts due from subsidiaries					
- trade	11	–	–	14,959	7,325
- non-trade	11	–	–	754	280
Amount due from an associate					
- trade	11	4,467	21,676	3,243	18,942
- non-trade	11	–	420	–	420
Amounts due from related companies					
- trade	11	14	32	3	20
Cash and cash equivalents	27	39,991	29,401	35,369	26,438
		113,621	104,641	99,804	91,129
<b>Current liabilities</b>					
Trade payables	12	37,302	30,508	31,960	25,524
Other payables and accruals	13	15,946	13,239	11,601	8,714
Amounts due to subsidiaries (trade)	11	–	–	413	399
Amounts due to related companies (trade)	11	688	1,958	377	1,834
Provision for taxation		2,182	2,032	2,517	2,258
Provision for warranty	14	4,985	4,415	2,882	2,283
Obligations under finance leases	15	27	25	–	–
		61,130	52,177	49,750	41,012
<b>Net current assets</b>		52,491	52,464	50,054	50,117
<b>Non-current liabilities</b>					
Obligations under finance leases	15	(36)	(62)	–	–
<b>Net assets</b>		62,263	62,258	58,190	58,956
<b>Equity attributable to equity holders of the Company</b>					
Share capital	16	29,909	29,909	29,909	29,909
Revenue reserve		34,799	34,744	28,281	29,047
Translation reserve	17	(2,445)	(2,395)	–	–
		62,263	62,258	58,190	58,956

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

# Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2010

	Note	2010 \$'000	2009 \$'000
Turnover	18	155,811	171,741
Cost of sales		(118,908)	(138,430)
<b>Gross profit</b>		<b>36,903</b>	<b>33,311</b>
Other operating income	19	3,113	3,003
Distribution and selling expenses		(16,799)	(15,743)
Administrative expenses	20	(8,332)	(7,204)
Other operating expenses	20	(1,043)	(958)
<b>Profit from operating activities</b>		<b>13,842</b>	<b>12,409</b>
Financial income	22	607	862
Financial expenses	23	(352)	(202)
		14,097	13,069
Share of results of an associate		543	114
<b>Profit before tax</b>		<b>14,640</b>	<b>13,183</b>
Tax	24	(3,728)	(2,515)
<b>Profit for the year attributable to shareholders</b>		<b>10,912</b>	<b>10,668</b>
<b>Other comprehensive income:</b>			
Foreign currency translation of financial statements of foreign operations		(50)	201
<b>Total comprehensive income for the year</b>		<b>10,862</b>	<b>10,869</b>
<b>Earnings per share (cents per share)</b>			
Basic	25	3.02	2.95
Diluted	25	3.02	2.95

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

# Statements of Changes in Equity

for the financial year ended 31 December 2010

	Attributable to equity holders of the Company			
	Share capital (Note 16) \$'000	Revenue reserve \$'000	Translation reserve (Note 17) \$'000	Total equity \$'000
<b>Group</b>				
<b>At 1 January 2010</b>	29,909	34,744	(2,395)	62,258
Profit for the year	–	10,912	–	10,912
Other comprehensive income for the year	–	–	(50)	(50)
<b>Total comprehensive income for the year</b>	–	10,912	(50)	10,862
<u>Contributions by and distributions to owners</u>				
Dividends paid (Note 26)	–	(10,857)	–	(10,857)
<b>Total contributions by and distributions to owners</b>	–	(10,857)	–	(10,857)
<b>At 31 December 2010</b>	29,909	34,799	(2,445)	62,263
<b>At 1 January 2009</b>	29,909	34,933	(2,596)	62,246
Profit for the year	–	10,668	–	10,668
Other comprehensive income for the year	–	–	201	201
<b>Total comprehensive income for the year</b>	–	10,668	201	10,869
<u>Contributions by and distributions to owners</u>				
Dividends paid (Note 26)	–	(10,857)	–	(10,857)
<b>Total contributions by and distributions to owners</b>	–	(10,857)	–	(10,857)
<b>At 31 December 2009</b>	29,909	34,744	(2,395)	62,258
<b>Company</b>				
<b>At 1 January 2010</b>	29,909	29,047	–	58,956
Profit for the year	–	10,091	–	10,091
<b>Total comprehensive income for the year</b>	–	10,091	–	10,091
<u>Contributions by and distributions to owners</u>				
Dividends paid (Note 26)	–	(10,857)	–	(10,857)
<b>Total contributions by and distributions to owners</b>	–	(10,857)	–	(10,857)
<b>At 31 December 2010</b>	29,909	28,281	–	58,190
<b>At 1 January 2009</b>	29,909	29,341	–	59,250
Profit for the year	–	10,563	–	10,563
<b>Total comprehensive income for the year</b>	–	10,563	–	10,563
<u>Contributions by and distributions to owners</u>				
Dividends paid (Note 26)	–	(10,857)	–	(10,857)
<b>Total contributions by and distributions to owners</b>	–	(10,857)	–	(10,857)
<b>At 31 December 2009</b>	29,909	29,047	–	58,956

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

# Consolidated Cash Flow Statement

for the financial year ended 31 December 2010

	Note	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>			
Profit before tax		14,640	13,183
Adjustments for:			
Depreciation of property, plant and equipment	4	2,987	2,739
Net loss/(gain) on disposal/write-off of property, plant and equipment		13	(15)
Allowance for stock obsolescence	7	355	654
Provision/(write-back) of provision for doubtful trade debts	9	105	(308)
Provision for warranty	14	1,122	2,021
Interest expense		7	7
Interest income		(607)	(862)
Share of results of an associate		(543)	(114)
<b>Operating profit before working capital changes</b>		<b>18,079</b>	<b>17,305</b>
Decrease/(increase) in:			
Stocks		321	356
Contract work-in-progress		(1,073)	10,312
Trade receivables		(14,026)	5,842
Other receivables, deposits and prepayments		(1,724)	(4)
Changes in related companies and associate balances		16,377	(7,514)
(Decrease)/increase in :			
Trade payables		6,794	(3,061)
Other payables and accruals		2,707	98
Provision for warranty		(447)	(725)
<b>Cash generated from operations</b>		<b>27,008</b>	<b>22,609</b>
Income tax paid		(4,023)	(2,661)
Interest paid		(7)	(7)
<b>Net cash flows from operating activities</b>		<b>22,978</b>	<b>19,941</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		194	298
Purchase of property, plant and equipment	4	(2,190)	(1,845)
Interest received		607	862
<b>Net cash flows used in investing activities</b>		<b>(1,389)</b>	<b>(685)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders of the Company	26	(10,857)	(10,857)
Repayment of hire purchase obligations		(24)	(20)
<b>Net cash flows used in financing activities</b>		<b>(10,881)</b>	<b>(10,877)</b>
<b>Net increase in cash and cash equivalents</b>		<b>10,708</b>	<b>8,379</b>
Effect of exchange rate changes		(118)	173
Cash and cash equivalents at beginning of year		29,401	20,849
<b>Cash and cash equivalents at end of year</b>	<b>27</b>	<b>39,991</b>	<b>29,401</b>

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

# Notes to the Financial Statements

31 December 2010

## 1. Corporate information

The Company is a limited liability company incorporated and domiciled 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 as disclosed in the accounting policies below.

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

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

FRS 103 Business Combinations (revised) and FRS 27 Consolidated and Separate Financial Statements (revised)

The revised FRS 103 Business Combinations and FRS 27 Consolidated and Separate Financial Statements are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

FRS 103 Business Combinations (revised)

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;
- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;
- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and



# Notes to the Financial Statements

31 December 2010

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

### 2.2 Changes in accounting policies (cont'd)

#### FRS 103 Business Combinations (revised) (cont'd)

- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted. The adoption of the revised FRS 103 does not impact the Group's consolidated financial statements for the financial year ended 31 December 2010 as there was no acquisition during the year. The changes will affect future acquisitions.

#### FRS 27 Consolidated and Separate Financial Statements (revised)

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;
- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and
- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

### 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
Amendment to FRS 32 <i>Financial Instruments: Presentation</i> - <i>Classification of Rights Issues</i>	1 February 2010
INT FRS 119 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
Revised FRS 24 <i>Related Party Disclosures</i>	1 January 2011
Amendments to INT FRS 114 <i>Prepayments of a Minimum Funding Requirement</i>	1 January 2011
INT FRS 115 <i>Agreements for the Construction of Real Estate</i>	1 January 2011

Except for the revised FRS 24, 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 24 is described below.

# Notes to the Financial Statements

31 December 2010

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

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

#### Revised FRS 24 Related Party Disclosures

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

### 2.4 *Basis of consolidation*

#### Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. 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 to 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.

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.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

# Notes to the Financial Statements

31 December 2010

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

### 2.4 *Basis of consolidation (cont'd)*

#### Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

### 2.5 *Foreign currency*

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### **(a) Transactions and balances**

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 rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

#### **(b) Group companies**

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 subsidiary, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

# Notes to the Financial Statements

31 December 2010

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

### 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.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less 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. An 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 associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. 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.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, 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 the end of each reporting period 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 associates 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.

Upon loss of significant influence over the associate, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

### 2.8 *Related parties/related companies*

Related parties refer to associate, 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 2010

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

### 2.9 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of property, plant and equipment 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 property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss 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 indication exists, or when an 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. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, 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 2010

## 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. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as revaluation increase.

### 2.11 *Financial assets*

#### *Initial recognition and measurement*

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. The Group determines the classification of its financial assets at initial recognition.

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.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

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.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

#### **(b) *Loans and receivables***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. 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 2010

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

### 2.11 *Financial assets (cont'd)*

#### *Subsequent measurement (con'd)*

##### **(c) Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

##### **(d) Available-for-sale financial assets**

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

#### **Derecognition**

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 had 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.

### 2.12 *Impairment of financial assets*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

#### **(a) Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

# Notes to the Financial Statements

31 December 2010

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

### 2.12 Impairment of financial assets (cont'd)

#### (a) *Financial assets carried at amortised cost (con't)*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current 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 incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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.

#### (b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at 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 current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

#### (c) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

# Notes to the Financial Statements

31 December 2010

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

### 2.12 *Impairment of financial assets (cont'd)*

#### (c) *Available-for-sale financial assets (cont'd)*

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

### 2.13 *Cash and cash equivalents*

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

### 2.14 *Stocks*

Stocks are stated 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.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of stocks to the lower of cost and net realisable value.

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.

### 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.

# Notes to the Financial Statements

31 December 2010

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

### 2.16 *Provisions (cont'd)*

Provisions are reviewed at the end of each reporting period 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.

### 2.17 *Financial liabilities*

#### ***Initial recognition and measurement***

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. The Group determines the classification of its financial liabilities at initial recognition.

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

#### ***Subsequent measurement***

The measurement of financial liabilities depends on their classification as follows:

#### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities 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 liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

#### ***Other financial liabilities***

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

#### ***Derecognition***

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

# Notes to the Financial Statements

31 December 2010

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

### 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').

##### *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 capitalised 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 2010

## 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) *As lessee*

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 asset 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 periods 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.

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.

#### (b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20. Contingent rents are recognised as revenue in the period in which they are earned.

### 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. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. 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.



# Notes to the Financial Statements

31 December 2010

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

### 2.20 Revenue recognition (cont'd)

#### (d) Interest income

Interest income is recognised using the effective interest method.

#### (e) Rental income

Rental income arising from operating leases on equipment is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

### 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 income, 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 in the countries where the Group operates and generates taxable income.

Current taxes are recognised in profit or loss except that tax relating to items recognised directly in equity is recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### (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

# Notes to the Financial Statements

31 December 2010

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

### 2.22 *Income taxes (cont'd)*

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

- 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.

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 recovered.

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.

### 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.

# Notes to the Financial Statements

31 December 2010

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

### 2.24 *Segment reporting*

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 in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

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 is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

# Notes to the Financial Statements

31 December 2010

## 3. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each 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 periods.

### 3.1 *Judgments made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have 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 judgment 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 2010 are \$2,182,000 (2009 : \$2,032,000) and \$1,285,000 (2009 : \$892,000) 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 other equipment and equipment held for leasing are depreciated on a straight-line basis over the machineries' useful lives. Management estimates the useful lives of these plant and other equipment and equipment held for leasing to be within 2 to 7 years. The carrying amount of the Group's plant and other equipment and equipment held for leasing at 31 December 2010 was \$5,245,000 (2009: \$5,850,000). 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 2010

## 4. Property, plant and equipment

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
<b>Cost</b>							
At 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 and 1 January 2010	5,150	1,003	4,791	834	1,156	12,342	25,276
Additions	–	–	267	46	130	1,747	2,190
Disposals/written off	–	–	(58)	(21)	(161)	(1,060)	(1,300)
Reclassification	–	–	–	5	–	(5)	–
Currency realignment	–	3	(29)	(9)	(8)	(24)	(67)
At 31 December 2010	5,150	1,006	4,971	855	1,117	13,000	26,099
<b>Accumulated depreciation</b>							
At 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 and 1 January 2010	4,220	766	3,099	572	650	8,184	17,491
Charge for the year	286	55	613	66	155	1,812	2,987
Disposals/written off	–	–	(57)	(21)	(157)	(858)	(1,093)
Reclassification	–	–	–	5	–	(5)	–
Currency realignment	–	1	(31)	(10)	(8)	(31)	(79)
At 31 December 2010	4,506	822	3,624	612	640	9,102	19,306
<b>Net book value</b>							
At 31 December 2009	930	237	1,692	262	506	4,158	7,785
At 31 December 2010	644	184	1,347	243	477	3,898	6,793

# Notes to the Financial Statements

31 December 2010

## 4. Property, plant and equipment (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
<b>Cost</b>							
At 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 and 1 January 2010	5,150	745	1,991	362	758	7,805	16,811
Additions	–	–	80	–	116	376	572
Disposals/written off	–	–	(18)	(19)	(155)	(721)	(913)
Reclassification	–	–	–	5	–	(5)	–
At 31 December 2010	5,150	745	2,053	348	719	7,455	16,470
<b>Accumulated depreciation</b>							
At 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 and 1 January 2010	4,220	672	886	226	427	6,061	12,492
Charge for the year	286	11	332	27	92	764	1,512
Disposals/written off	–	–	(18)	(19)	(155)	(699)	(891)
Reclassification	–	–	–	5	–	(5)	–
At 31 December 2010	4,506	683	1,200	239	364	6,121	13,113
<b>Net book value</b>							
At 31 December 2009	930	73	1,105	136	331	1,744	4,319
At 31 December 2010	644	62	853	109	355	1,334	3,357



# Notes to the Financial Statements

31 December 2010

## 4. Property, plant and equipment (cont'd)

As at 31 December 2010, 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

The carrying amount of motor vehicles held under finance leases at the balance sheet date is \$73,000 (2009 : \$104,000).

## 5. Investment in subsidiaries

	Company	
	2010 \$'000	2009 \$'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	
			2010 %	2009 %	2010 \$'000	2009 \$'000
Nera Infocom Pte Ltd β	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 2010

## 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	
			2010 %	2009 %	2010 \$'000	2009 \$'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 Telecommunications (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#	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 2010

## 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	
			2010 %	2009 %	2010 \$'000	2009 \$'000
Nera Telecom-munications (Australia) Pty Ltd##	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*	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

β 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.

^ 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 2010

## 6. Investment in an associate

	Group		Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Unquoted equity shares, at cost	199	199	199	199
Share of post-acquisition :-				
Revenue reserve	2,315	1,772	–	–
Translation reserve	(784)	(792)	–	–
Carrying amount of investment	1,730	1,179	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	
			2010 %	2009 %
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 :-

	2010 \$'000	2009 \$'000
<b>Assets and liabilities</b>		
Current assets	14,080	31,316
Non-current assets	112	120
Total assets	14,192	31,436
Current liabilities	8,454	27,544
Results :-		
Revenue	30,960	22,735
Profit for the year	1,810	381

# Notes to the Financial Statements

31 December 2010

## 7. Stocks

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Balance sheet</b>				
Finished goods, at cost	159	180	–	–
Finished goods, at net realisable value	2,941	3,599	1,745	2,052
	3,100	3,779	1,745	2,052

At 31 December 2010, trading stocks recognised as an expense in the consolidated statement of comprehensive income under line item “Cost of sales” for the Group amounted to \$3,196,000 (2009: 13,575,000) inclusive of trading stocks written-down of \$355,000 (2009: \$659,000).

## 8. Contract work-in-progress

Contract work in progress comprise:-

Cost incurred to date	103,045	82,086	79,801	67,608
Profits recognised to date	20,323	10,791	17,300	9,327
	123,368	92,877	97,101	76,935
Progress billings	(101,618)	(72,200)	(82,590)	(61,145)
	21,750	20,677	14,511	15,790
Gross amount due from customers for contract work	21,750	20,677	14,511	15,790

## 9. Trade receivables

Trade receivables	39,811	25,793	26,211	18,601
Less : Allowance for impairment of trade debts	(612)	(513)	(394)	(297)
Total trade receivables	39,199	25,280	25,817	18,304
Add :				
Other debtors, deposits and prepayment (excluding prepayments) (Note 10)	4,920	3,240	3,303	1,480
Cash and cash equivalents (Note 27)	39,991	29,401	35,369	26,438
Amounts due from subsidiaries	–	–	15,713	7,605
Amount due from an associate	4,467	22,096	3,243	19,362
Amounts due from related companies	14	32	3	20
Total loans and receivables	88,591	80,049	83,448	73,209

# Notes to the Financial Statements

31 December 2010

## 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 \$432,000 (2009: \$35,000) which has been recognised in profit or loss.

At balance sheet date, retention sums relating to contract included in trade receivables of the Group and the Company are \$344,000 and \$275,000 (2009: \$1,073,000 and \$954,000) respectively.

At the balance sheet date, trade receivables for the Group and the Company arising from export sales amounting to \$6,025,000 (2009 : \$1,572,000) are arranged to be settled via letters of credits issued by reputable banks in countries where the customers are based.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Trade receivables denominated in a currency other than the entity's functional currency :				
- US Dollars	6,303	13,062	4,802	12,256
- Euro Dollars	6,153	128	6,134	128
- Other currencies	575	116	195	116

### *Allowance for impairment of trade receivables*

For the year ended 31 December 2010, the Group and the Company have provided allowance of \$105,000 and \$97,000 (2009 : wrote-back \$308,000 and \$414,000) for impairment of debts respectively which are recognised as expense in profit or loss, subsequent to debt recovery assessment performed on trade receivables as at 31 December 2010.

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

Not past due and not impaired	22,327	10,080	11,576	4,721
Past due but not impaired	16,692	14,936	14,241	13,583
Impaired	792	777	394	297
	39,811	25,793	26,211	18,601
Less: Allowance for impairment	(612)	(513)	(394)	(297)
	39,199	25,280	25,817	18,304



# Notes to the Financial Statements

31 December 2010

## 9. Trade receivables (cont'd)

### *Receivables that are past due but not impaired*

The Group and the Company have trade receivables amounting to \$16,872,000 (2009 : \$15,200,000) and \$14,241,000 (2009 : \$13,583,000) 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	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade receivables past due but not impaired :				
Less than 3 months	7,479	11,418	5,798	10,398
More than 3 months but less than 6 months	8,792	1,467	8,243	1,181
More than 6 months but less than 12 months	373	2,039	200	2,004
More than 12 months	228	276	–	–
	16,872	15,200	14,241	13,583

### *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	142	118	32	10
Customer with financial difficulties	53	72	31	46
Pending for acceptance certification	359	279	285	203
Incomplete documentation	58	38	46	38
Others	–	6	–	–
	612	513	394	297
Less: Allowance for impairment	(612)	(513)	(394)	(297)
	–	–	–	–

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

At 1 January	513	823	297	711
Charge for the year	691	1,179	679	1,073
Written back	(586)	(1,487)	(582)	(1,487)
Written off	(9)	–	–	–
Currency realignment	3	(2)	–	–
At 31 December	612	513	394	297

# Notes to the Financial Statements

31 December 2010

## 10. Other receivables, deposits and prepayments

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Advances to suppliers	3,298	1,097	3,116	1,089
Deposits	446	718	35	40
Dividend receivable	–	–	–	300
Prepayments	180	136	100	78
Staff advances	202	131	3	10
Tax recoverable	643	1,123	142	34
Other debtors	331	171	7	7
	5,100	3,376	3,403	1,558

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 \$4,467,000 (2009 : \$22,096,000) and \$3,243,000 (2009 : \$19,362,000) respectively, bears interest at 4.25% to 8.00% (2009 : 4.25% to 8.50%) 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 is a fair value gain on forward currency contracts amounting to \$1,000 (2009: loss of \$88,000) which has 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	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
US Dollars	7,229	5,743	7,144	5,513
Euro Dollars	84	440	38	366
Other currencies	1	21	3	2

# Notes to the Financial Statements

31 December 2010

## 13. Other payables and accruals

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Accrued payroll expenses	6,280	5,859	5,326	4,754
Accrued contract and material cost	–	493	–	–
Customer advances	6,115	4,732	4,340	2,766
Other accrued operating expenses	1,969	1,423	1,775	1,106
Other creditors	1,582	732	160	88
<b>Total other payables and accruals</b>	<b>15,946</b>	<b>13,239</b>	<b>11,601</b>	<b>8,714</b>
Add :				
Trade payables	37,302	30,508	31,960	25,524
Amounts due to subsidiaries	–	–	413	399
Amounts due to related companies	688	1,958	377	1,834
Obligations under finance leases	63	87	–	–
<b>Total financial liabilities carried at amortised cost</b>	<b>53,999</b>	<b>45,792</b>	<b>44,351</b>	<b>36,471</b>

## 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	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
At 1 January	4,415	2,965	2,283	1,820
Provision for the year	3,229	4,049	1,809	2,279
Write-back of provision	(2,107)	(2,028)	(861)	(1,458)
Utilised during the year	(445)	(725)	(349)	(358)
Currency realignment	(107)	154	–	–
<b>At 31 December</b>	<b>4,985</b>	<b>4,415</b>	<b>2,882</b>	<b>2,283</b>

# Notes to the Financial Statements

31 December 2010

## 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			
	2010 \$'000		2009 \$'000	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Not later than one year	30	27	30	25
Later than one year but not later than five years	37	36	66	62
Total minimum lease payments	67	63	96	87
Less: Amounts representing finance charges	(4)	–	(9)	–
Present value of minimum lease payments	63	63	87	87

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	
	2010 \$'000	2009 \$'000	2010 '000	2009 '000
Issued and fully paid ordinary shares :-				
At 1 January and 31 December	29,909	29,909	361,897	361,897

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 ordinary shares have no par value.

The Company has an employee share option scheme (Note 28) under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group.

There were no treasury shares in issue during the financial year and previous financial year.

# Notes to the Financial Statements

31 December 2010

## 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	
	2010 \$'000	2009 \$'000
At 1 January	(2,395)	(2,596)
Net effect of exchange differences	(50)	201
At 31 December	(2,445)	(2,395)
Net effect of exchange differences arises from :-		
Translation of financial statements of foreign operations	(50)	201

## 18. Turnover

	Group	
	2010 \$'000	2009 \$'000
Sales of goods	120,049	137,189
Services rendered	30,534	30,684
Rental income	5,228	3,868
	155,811	171,741

## 19. Other operating income

	Group	
	2010 \$'000	2009 \$'000
Service fee	1,433	1,157
Commission income	56	94
Net gain on disposal/write-off of property, plant and equipment	–	15
Grant income from Jobs Credit Scheme	85	462
Foreign exchange gain, net – forward currency contracts	1,468	812
Foreign exchange (loss)/gain, net – others	(315)	427
Write back of long outstanding deposits and advances	201	–
Others	185	36
	3,113	3,003

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs 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 received 6% and 3% for the remaining 2 quarters respectively in 2010. The Scheme is for one and a half years, and the Group received its grant income of \$85,000 (2009 : \$462,000) in two receipts in March and June 2010 compared to four receipts in March, June, September and December 2009.

# Notes to the Financial Statements

31 December 2010

## 20. Administrative and other operating expenses

Administrative and other operating expenses include :

	Group	
	2010 \$'000	2009 \$'000
Non-audit fees paid to :-		
Auditors of the Company	19	27
Net loss on disposal/write-off of property, plant and equipment	13	—

## 21. Personnel expenses and employee benefits

	Group	
	2010 \$'000	2009 \$'000
Wages, salaries and bonuses	14,338	13,555
Pension contributions	1,695	1,653
Termination benefits	21	133
Other personnel benefits	1,321	1,370
	17,375	16,711

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

## 22. Financial income

	Group	
	2010 \$'000	2009 \$'000
Interest income from :-		
Bank deposits	56	65
An associate	551	795
Others	—	2
	607	862



# Notes to the Financial Statements

31 December 2010

## 23. Financial expenses

	Group	
	2010 \$'000	2009 \$'000
Bank charges	(345)	(195)
Interest expense	(7)	(7)
	(352)	(202)

## 24. Tax

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

	Group	
	2010 \$'000	2009 \$'000
Current tax :-		
Current year	2,800	2,211
Foreign tax	891	666
Underprovision in respect of prior years	482	36
Deferred tax :-		
Current year	(465)	(420)
Underprovision in respect of prior year	20	22
Income tax expense recognised in profit or loss	3,728	2,515

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	14,640	13,183
Tax at 17%	2,489	2,241
Tax effect of expenses that are not deductible in determining taxable profit	686	314
Realisation of deferred tax assets previously not recognised	(47)	(273)
Temporary liberalisation of tax exemption for foreign income	–	(68)
Tax exemption	(26)	(26)
Underprovision in respect of prior years	502	58
Difference in tax rates applicable to subsidiaries and associates	125	235
Tax effect of reduction in tax rates	–	77
Deferred tax assets not recognised by subsidiaries	232	75
Share of results of an associate	(92)	(19)
Tax effect of income not subject to tax	(18)	(82)
Tax effect on benefits arising from Productivity and Innovation Credit	(135)	–
Others	12	(17)
Income tax expense recognised in profit or loss	3,728	2,515

# Notes to the Financial Statements

31 December 2010

## 24. Tax (cont'd)

### *Deferred tax assets and liabilities*

Deferred tax as at 31 December related to the following:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Deferred tax liability :-				
Excess of tax over book depreciation of fixed assets	(592)	(613)	(439)	(535)
Interest income not remitted	(94)	(135)	(94)	(135)
	(686)	(748)	(533)	(670)
Deferred tax assets :-				
General provisions	1,971	1,640	797	675
Net deferred tax assets	1,285	892	264	5

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

Indonesia : reduced from 28% to 25% for the fiscal year 2010 onwards

Taiwan : reduced from 20% to 17% for the calendar year 2010 onwards

### *Unrecognised tax losses*

The Group has tax losses and unutilised capital allowances of approximately \$1,584,000 (2009 : \$1,029,000) 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.

## 25. Earnings per share

Basic earnings per share is 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 financial year.

Diluted earnings per share is 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 (adjusted for the effects of dilutive options).

# Notes to the Financial Statements

31 December 2010

## 25. Earnings per share (cont'd)

The following tables reflect the income and share data used in the computation of basic and diluted earnings per share for the years ended 31 December :

	Group	
	2010 \$'000	2009 \$'000
Net profit attributable to ordinary equity holders of the Company for basic and diluted earnings per share	10,912	10,668
Weighted average number of ordinary shares for basic and diluted earnings per share computation	361,897,000	361,897,000

1,000,000 (2009 : 1,000,000) 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.

## 26. Dividends

	Group and Company	
	2010 \$'000	2009 \$'000
A final exempt (one-tier) dividend paid in respect of the previous financial year of 3 cents (2009 : 3 cents) per share	10,857	10,857

The directors proposed a final dividend of 4 cents (2009 : 3 cents) per share one-tier tax exempt dividend (2009 : one-tier tax exempt) amounting to \$14,476,000 (2009 : \$10,857,000) in respect of the year ended 31 December 2010. 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.

## 27. Cash and cash equivalents

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Fixed deposits	28,500	17,700	28,500	17,700
Cash and bank balances	11,491	11,701	6,869	8,738
	39,991	29,401	35,369	26,438

# Notes to the Financial Statements

31 December 2010

## 27. Cash and cash equivalents (cont'd)

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.15% to 2.55% (2009 : 0.20% to 2.35%) per annum. Included in cash and bank balances is an amount of \$29,000 (2009 : \$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 (2009 : 1 week to 4 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 0.09% to 2% (2009 : 0.095% to 3%) per annum.

## 28. 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 :-

2010 Category	Exercise price \$	Number of options outstanding at 1.1.2010 <sup>(1)</sup>	During the year			Number of options outstanding at 31.12.2010	Exercisable period
			Granted	Exercised	Forfeited		
Employees of the Company	0.625	574,000	–	–	–	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
		800,000	–	–	–	800,000	
Executive director	0.625	200,000	–	–	–	200,000	1.3.2004 to 28.2.2012
		200,000	–	–	–	200,000	
Total		1,000,000	–	–	–	1,000,000	
Exercisable at end of year						1,000,000	

# Notes to the Financial Statements

31 December 2010

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

2009 Category	Exercise price \$	Number of options outstanding at 1.1.2009 <sup>(1)</sup>	During the year			Number of options outstanding at 31.12.2009	Exercisable period
			Granted	Exercised	Forfeited		
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	

(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 (2009 : Nil) was exercised.

## 29. 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	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Capital commitments in respect of property, plant and equipment	272	79	272	79

# Notes to the Financial Statements

31 December 2010

## 29. Commitments (cont'd)

### (b) *Non-cancellable operating lease commitments*

As at 31 December 2010, 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 \$1,180,000 (2009 : \$1,051,000).

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

	Group	
	2010 \$'000	2009 \$'000
Not later than one year	889	781
Later than one year but not later than five years	952	349
	1,841	1,130

## 30. Contingent liabilities

### (a) *Legal claim*

During the year, one of the Group's subsidiaries was involved in a dispute with a customer in relation to a Maintenance and Service Agreement between the customer and the subsidiary to which resulted in the customer initiating a claim against the subsidiary for losses and damages amounting to aggregate of RM41.9 million (approximately S\$17.4 million). The claim is currently pending trial and the outcome of the trial is presently unknown. Based on the facts and information available presently, the subsidiary strongly disputes the amount of the claim. Any liability arising from the resolution of the claim will be accounted for by the subsidiary as and when the claim materialises and its amount determinable.

### (b) *Guarantees*

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Bankers' guarantees issued by banks on behalf of :				
Associate	345	431	345	125
Subsidiaries	–	–	5,097	3,581
	345	431	5,442	3,706



# Notes to the Financial Statements

31 December 2010

## 31. 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	
	2010 \$'000	2009 \$'000
Income :-		
Sales to related companies	252	642
Sales to an associate	1,836	11,784
Other income from related company	65	–
Service fee from a related company	1,433	1,157
Expenses :-		
Purchase of goods from related companies	15,013	22,120

### (b) *Compensation of key management personnel*

Directors of the Company :-

Directors' fees	189	165
Directors' remuneration	951	832
Defined contribution benefits	7	8

Directors of the subsidiaries :-

Directors' fees	2	2
Directors' remuneration	466	433
Defined contribution benefits	12	14

Key management :-

Key management's remuneration	1,081	969
Defined contribution benefits	49	51

## 32. 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. |

# Notes to the Financial Statements

31 December 2010

## 32. Segment information (cont'd)

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.

2010	Telecommunications \$'000	Infocomm \$'000	Adjustments and eliminations \$'000	Notes	Total \$'000
Turnover	48,048	107,763	–		155,811
Inter-segment turnover	8,175	12,558	(20,733)	A	–
Total turnover	56,223	120,321	(20,733)		155,811
Cost of sales	(47,384)	(92,257)	20,733		(118,908)
Gross profit	8,839	28,064	–		36,903
Other operating income	2,694	419	–		3,113
Distribution and selling expenses	(4,171)	(12,628)	–		(16,799)
Administrative expenses	(2,458)	(5,874)	–		(8,332)
Other operating expenses	(1,032)	(11)	–		(1,043)
Profit from operating activities	3,872	9,970	–		13,842
Financial income					607
Financial expenses					(352)
					14,097
Share of results of an associate					543
Tax					(3,728)
Net profit for the year					10,912
Other information					
Segment assets	29,727	45,596	48,106	B	123,429
Segment liabilities	25,777	19,237	16,152	C	61,166
Capital expenditure	99	2,091			2,190
Depreciation	251	2,736			2,987
Other non-cash expenses	783	799			1,582

# Notes to the Financial Statements

31 December 2010

## 32. 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	2,287	65			2,352

### 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:

	2010 \$'000	2009 \$'000
Investment in an associate	1,730	1,179
Deferred tax assets	1,285	892
Other receivables, deposits and prepayments	5,100	3,376
Cash and cash equivalents	39,991	29,401
	48,106	34,848

# Notes to the Financial Statements

31 December 2010

## 32. 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:

	2010 \$'000	2009 \$'000
Other payables and accruals	13,907	11,982
Obligations under finance leases	63	87
Provision for taxation	2,182	2,032
	16,152	14,101

### 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	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Singapore	57,310	37,273	3,357	4,319
Indonesia	30,794	36,612	513	514
Thailand	27,366	33,916	1,731	1,746
Philippines	14,331	23,265	624	746
Vietnam	12,663	13,660	–	–
Malaysia	7,937	17,967	510	271
Other Asian countries	4,677	7,761	58	189
Others	733	1,287	–	–
	155,811	171,741	6,793	7,785

Non-current assets information presented above consist of property, plant and equipment.

### Information about a major customer

Revenue from one major customer amounted to \$27,068,000 (2009: \$33,089,000), arising from sales by the Telecommunications segment and the Infocomm segment (2009: Telecommunications segment).

# Notes to the Financial Statements

31 December 2010

## 33. Financial risk management objectives and policies

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

### *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly US Dollars, Euro Dollars and Norwegian Krone. Approximately 44% (2009: 57%) of the Group's sales and 83% (2009 : 83%) 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 \$5,306,000 (2009 : \$6,408,000) and \$4,499,000 (2009 : \$6,036,000) 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.

### *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 and the Company's profit net of tax.

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>US dollar -</b>				
- Strengthened 3% (2009 : 3%)	(199)	(73)	(164)	(38)
- Weakened 3% (2009 : 3%)	199	73	164	38
<b>Norwegian Krone -</b>				
- Strengthened 3% (2009 : 3%)	5	17	5	20
- Weakened 3% (2009 : 3%)	(5)	(17)	(5)	(20)
<b>Euro dollar -</b>				
- Strengthened 5% (2009 : 5%)	98	16	100	19
- Weakened 5% (2009 : 5%)	(98)	(16)	(100)	(19)

# Notes to the Financial Statements

31 December 2010

## 33. 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.

	Group		Company	
	Increase/ (decrease) basis points \$'000	Effect on profit, net of tax \$'000	Increase/ (decrease) basis points \$'000	Effect on profit, net of tax \$'000
<b>2010</b>				
Singapore dollar	(100)	(116)	(100)	(116)
US dollar	(100)	–	(100)	–
Singapore dollar	100	283	100	283
US dollar	100	32	100	39
<b>2009</b>				
Singapore dollar	(100)	(202)	(100)	(202)
US dollar	(100)	(9)	(100)	(9)
Singapore dollar	100	321	100	321
US dollar	100	30	100	30



# Notes to the Financial Statements

31 December 2010

## 33. 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.

	2010				2009			
	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
<b>Group</b>								
<b>Financial assets:</b>								
Trade receivables (excluding fair value of forward currency contracts)	38,767	–	–	38,767	25,245	–	–	25,245
Other receivables, deposits and prepayments (excluding prepayments)	4,920	–	–	4,920	3,240	–	–	3,240
Amount due from an associate	4,467	–	–	4,467	22,096	–	–	22,096
Amounts due from related companies	14	–	–	14	32	–	–	32
Cash and cash equivalents	39,991	–	–	39,991	29,401	–	–	29,401
Derivative financial instruments - Forward currency contracts – gross receipts	16,166	–	–	16,166	15,909	–	–	15,909
<b>Total undiscounted financial assets</b>	<b>104,325</b>	<b>–</b>	<b>–</b>	<b>104,325</b>	<b>95,923</b>	<b>–</b>	<b>–</b>	<b>95,923</b>

# Notes to the Financial Statements

31 December 2010

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

### Liquidity risk (cont'd)

	2010				2009			
	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
<b>Group (cont'd)</b>								
<b>Financial liabilities:</b>								
Trade payables (excluding fair value of forward currency contracts)	37,303	–	–	37,303	30,420	–	–	30,420
Other payables and accruals	15,946	–	–	15,946	13,239	–	–	13,239
Amounts due to related companies	688	–	–	688	1,958	–	–	1,958
Obligations under finance leases	30	37	–	67	30	66	–	96
Derivative financial instruments								
- Forward currency contracts – gross payments	240	–	–	40	4,204	–	–	4,204
Total undiscounted financial liabilities	54,207	37	–	54,244	49,851	66	–	49,917
Total net undiscounted financial assets/ (liabilities)	50,118	(37)	–	50,081	46,072	(66)	–	46,006

# Notes to the Financial Statements

31 December 2010

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

### Liquidity risk (cont'd)

	2010				2009			
	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
<b>Company</b>								
<b>Financial assets:</b>								
Trade receivables (excluding fair value of forward currency contracts)	25,385	–	–	25,385	18,269	–	–	18,269
Other receivables, deposits and prepayments (excluding prepayments)	3,303	–	–	3,303	1,480	–	–	1,480
Amounts due from subsidiaries	15,713	–	–	15,713	7,605	–	–	7,605
Amount due from an associate	3,243	–	–	3,243	19,362	–	–	19,362
Amounts due from related companies	3	–	–	3	20	–	–	20
Cash and cash equivalents	35,369	–	–	35,369	26,438	–	–	26,438
Derivative financial instruments								
- Forward currency contracts – gross receipts	16,166	–	–	16,166	15,909	–	–	15,909
<b>Total undiscounted financial assets</b>	<b>99,182</b>	<b>–</b>	<b>–</b>	<b>99,182</b>	<b>89,083</b>	<b>–</b>	<b>–</b>	<b>89,083</b>

# Notes to the Financial Statements

31 December 2010

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

### Liquidity risk (cont'd)

	2010				2009			
	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
<b>Company (cont'd)</b>								
<b>Financial liabilities:</b>								
Trade payables (excluding fair value of forward currency contracts)	31,961	–	–	31,961	25,436	–	–	25,436
Other payables and accruals	11,601	–	–	11,601	8,714	–	–	8,714
Amounts due to subsidiaries	413	–	–	413	399	–	–	399
Amounts due to related companies	377	–	–	377	1,834	–	–	1,834
Derivative financial instruments								
- Forward currency contracts – gross payments	240	–	–	240	4,020	–	–	4,020
Total undiscounted financial liabilities	44,592	–	–	44,592	40,403	–	–	40,403
Total net undiscounted financial assets	54,590	–	–	54,590	48,680	–	–	48,680

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

	2010				2009			
	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
<b>Group</b>								
Financial guarantees	–	345	–	345	–	125	–	125
<b>Company</b>								
Financial guarantees	1,310	4,132	–	5,442	2,190	1,516	–	3,706

# Notes to the Financial Statements

31 December 2010

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

### **Credit risk**

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

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

The carrying amount of trade and other 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**

% of total	Group		Company	
	2010	2009	2010	2009
≥ 25	Singapore and Thailand	Philippines and Singapore	Philippines and Singapore	Philippines and Singapore
>10 and <25	Philippines	–	–	–
≤ 10	Malaysia, Indonesia and others	Malaysia, Sri Lanka, Thailand and others	Thailand, Philippines, Indonesia, Vietnam and others	Sri Lanka, Korea, Vietnam and others

#### **By Industry Sectors**

	Group				Company			
	2010		2009		2010		2009	
	\$'000	% of total	\$'000	% of total	\$'000	% of total	\$'000	% of total
Telecommunication	18,375	47	16,163	64	15,055	58	13,598	74
Financial institutions	5,174	13	3,337	13	1,408	6	1,449	8
Government agencies	11,365	29	1,244	5	5,953	23	828	5
Media and broadcasting	1,897	5	1,663	7	1,621	6	1,214	7
Multi industry conglomerates	1,409	4	948	4	1,393	5	948	5
Others	979	2	1,925	7	387	2	267	1
	39,199	100	25,280	100	25,817	100	18,304	100

# Notes to the Financial Statements

31 December 2010

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

### *Credit risk (cont'd)*

At the balance date,

- 69% (2009 : 41%) of the Group's trade receivables in Singapore (2009 : Philippines) are due from a reputable telecommunication service provider; and
- 35% (2009 : 39%) 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.

## 34. Financial instruments

### (a) *Fair values*

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

#### *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 :

	<b>Group</b>			
	<b>Quoted prices in active markets for identical instruments (Level 1) \$'000</b>	<b>Significant other observable inputs (Level 2) \$'000</b>	<b>Significant unobservable inputs (Level 3) \$'000</b>	<b>Total \$'000</b>
<b>At 31 December 2010</b>				
<b>Financial assets</b>				
Derivatives – Forward currency contracts	–	432	–	432
<b>Financial liabilities</b>				
Derivatives – Forward currency contracts	–	1	–	1

# Notes to the Financial Statements

31 December 2010

## 34. Financial instruments (cont'd)

### (a) Fair values (cont'd)

	Group			
	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
<b>At 31 December 2009</b>				
<b>Financial assets</b>				
Derivatives – Forward currency contracts	–	35	–	35
<b>Financial liabilities</b>				
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 2010

## 34. Financial instruments (cont'd)

### (b) Interest rate risk

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

	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
<b>2010</b>							
<b>Group</b>							
<b>Floating rate</b>							
Cash and bank balances	11,491	–	–	–	–	–	11,491
Amount due from an associate	4,467	–	–	–	–	–	4,467
<b>Fixed rate</b>							
Fixed deposits	28,500	–	–	–	–	–	28,500
Obligations under finance leases	(27)	(27)	(9)	–	–	–	(63)
<b>Company</b>							
<b>Floating rate</b>							
Cash and bank balances	6,869	–	–	–	–	–	6,869
Amount due from an associate	3,243	–	–	–	–	–	3,243
<b>Fixed rate</b>							
Fixed deposits	28,500	–	–	–	–	–	28,500
<b>2009</b>							
<b>Group</b>							
<b>Floating rate</b>							
Cash and bank balances	11,701	–	–	–	–	–	11,701
Amount due from an associate	22,096	–	–	–	–	–	22,096
<b>Fixed rate</b>							
Fixed deposits	17,700	–	–	–	–	–	17,700
Obligations under finance leases	(25)	(25)	(25)	(12)	–	–	(87)
<b>Company</b>							
<b>Floating rate</b>							
Cash and bank balances	8,738	–	–	–	–	–	8,738
Amount due from an associate	19,362	–	–	–	–	–	19,362
<b>Fixed rate</b>							
Fixed deposits	17,700	–	–	–	–	–	17,700

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 2010

## 34. Financial instruments (cont'd)

### (c) Derivative financial instruments

	Group					
		2010 S\$'000			2009 S\$'000	
	Contract/ notional amount	Assets	Liabilities	Contract/ notional amount	Assets	Liabilities
Forward currency contracts – gross receipts	16,166	432	–	15,909	35	–
Forward currency contracts – gross payments	240	1	–	4,204	–	(88)

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 June 2011 (2009: July 2010).

The Group does not apply hedge accounting.

## 35. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

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	
	2010 \$'000	2009 \$'000
Trade payables (Note 12)	37,302	30,508
Other payables and accruals (Note 13)	15,946	13,239
Amounts due to related companies (Note 11)	688	1,958
Obligations under finance leases (Note 15)	63	87
Less: Cash and cash equivalents (Note 27)	(39,991)	(29,401)
Net debt	14,008	16,391
Capital :		
Equity attributable to equity holders of the Company	62,263	62,258
Capital and net debt	76,271	78,649
Gearing ratio	18.4%	20.8%

# Notes to the Financial Statements

31 December 2010

## 36. Events occurring after the reporting period

### ***Incorporation of a new subsidiary company***

On 12 January 2011, the Company has incorporated a wholly-owned subsidiary, Nera Network (S) Pte Ltd. Nera Network (S) Pte Ltd is a company incorporated in Singapore. Its principal activity is in the area of telecommunications and infocommunications.

### ***Trademark purchase agreement and Original Equipment Manufacturer agreement***

On 19 January 2011, the Company entered into a trademark purchase agreement with Nera Networks AS ("Networks"), previously a related company until its disposal to a third party on 19 January 2011, relating to the transfer and assignment to the Company, of all rights, title and interests, including all intellectual property rights in and to the Nera trademarks and Nera domain names ("IP Assets") for a cash consideration of US\$1 million (approximately S\$1.3 million). Under the agreement, the Company is subject to, inter alia, a 3-year non-compete obligation with respect to the sale of point-to-point microwave radios, in certain territories which, if breached, will result in the Company re-assigning to Networks, all rights, title and interests, including all intellectual property rights, in and to the IP Assets.

On the same date, Nera Networks (S) Pte Ltd ("NNS"), a wholly-owned subsidiary, and Nera Networks AS (Networks") signed an Original Equipment Manufacturer ("OEM") agreement whereby NNS shall have the non-exclusive right to sell certain specified products in certain specified territories. Under the OEM agreement, NNS is liable to indemnify Networks up to a maximum amount of US\$4 million under the terms of an agreed liability sharing arrangement.

### ***Enhancement of Productivity and Innovation Credit***

The Productivity and Innovation Credit ("PIC") Scheme first introduced in the Singapore 2010 budget has been enhanced in the Singapore 2011 budget on 18 February 2011. Under the enhanced PIC Scheme, the tax benefits on the qualifying activities have been raised upwards from 250% on a cap of \$300,000 to 400% on a cap of \$400,000 of the qualifying expenditure effective from year of assessments 2011 to 2015.

In accordance with FRS12, *Income Taxes* and FRS10, *Events after the Balance Sheet Date*, this is a non-adjusting subsequent event and the financial effect of the change will be reflected in the financial year ending 31 December 2011. The Group has assessed the financial effect of the above change and is not expected to have a material impact on the financial position or results of operations of the Group.

## 37. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 25 March 2011.

# Statistics of Shareholdings

as at 15 March 2011

Issued and fully paid-up capital	: S\$29,909,152
Number of ordinary shares in issue	: 361,897,000
Class of shares	: ordinary shares
Voting rights	: one vote per share

## Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	7	0.12	1,361	0.00
1,000 - 10,000	3,396	60.81	19,133,000	5.29
10,001- 1,000,000	2,168	38.82	111,114,249	30.70
1,000,001- and above	14	0.25	231,648,390	64.01
Total :	5,585	100.00	361,897,000	100.00

## Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Eltek ASA	181,136,000	50.05
2.	DBSN Services Pte Ltd	10,437,000	2.88
3.	Raffles Nominees (Pte) Ltd	9,022,000	2.49
4.	DBS Nominees Pte Ltd	7,115,000	1.97
5.	HSBC (Singapore) Nominees Pte Ltd	5,541,000	1.53
6.	United Overseas Bank Nominees Pte Ltd	4,670,000	1.29
7.	Poh Kheng Mui (Fu Qingmei)	2,868,000	0.79
8.	OCBC Nominees Singapore Pte Ltd	2,494,000	0.69
9.	Citibank Nominees Singapore Pte Ltd	1,864,000	0.52
10.	UOB Kay Hian Pte Ltd	1,818,000	0.50
11.	Tan Boon Khak Holdings Pte Ltd	1,540,000	0.43
12.	Phillip Securities Pte Ltd	1,101,390	0.30
13.	Ang Seong Kang Samuel	1,040,000	0.29
14.	Kim Leng Tee Investments Pte Ltd	1,002,000	0.28
15.	Estate of Phay Seng Whatt Deceased	1,000,000	0.28
16.	Koh Peck Hoon	1,000,000	0.28
17.	Rosie d/o Pillai Mrs Rosie Chandradas	1,000,000	0.28
18.	Hong Leong Finance Nominees Pte Ltd	970,000	0.27
19.	OCBC Securities Private Ltd	803,049	0.22
20.	Tan Wai See	784,000	0.22
Total :		237,205,439	65.56

## Substantial Shareholders as at 15 March 2011

	Direct Interest	%	Deemed Interest	%
Eltek ASA	181,136,000	50.05	-	-

## Percentage of Shareholdings 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

(Incorporated in The Republic of Singapore) (Company Registration No. 197802690R)

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 19 April 2011 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 2010 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final one-tier tax exempt dividend of 4 cents per share for the year ended 31 December 2010 (2009: a final one-tier tax exempt dividend of 3 cents per share). **(Resolution 2)**
3. To re-elect Mr Sitoh Yih Pin, the Director retiring pursuant to Article 87 of the Company's Articles of Association. [See Explanatory Note (i)] **(Resolution 3)**
4. To re-elect Mr Pal Skistad, the Director retiring pursuant to Article 94 of the Company's Articles of Association. [See Explanatory Note (ii)] **(Resolution 4)**
5. To re-appoint the following Directors, who are retiring pursuant to 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:  
Mr S Chandra Das **(Resolution 5)**  
Mr Lau Ping Sum **(Resolution 6)**  
[See Explanatory Note (iii)]
6. To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## As Special Business

8. To approve the payment of Directors' fees of S\$189,286 for the year ended 31 December 2010 (2009: S\$165,000). **(Resolution 8)**

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

### 9. 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

(Incorporated in The Republic of Singapore) (Company Registration No. 197802690R)

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 (iv)]

**(Resolution 9)**

## 10. 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 (v)]

**(Resolution 10)**

By Order of the Board

**Tan Cher Liang**

*Company Secretary*

Singapore, 4 April 2011

# Notice Of Annual General Meeting

Nera Telecommunications Ltd

(Incorporated in The Republic of Singapore) (Company Registration No. 197802690R)

## Explanatory Notes:

- (i) Mr Sitoh Yih Pin will, upon re-election as Director of the Company, remain as member of the Audit and Remuneration Committees and will be considered independent.
- (ii) Mr Pal Skistad will, upon re-election as Director of the Company, remain as a member of the Audit Committee and will be considered non-independent.
- (iii) The effect of the Ordinary Resolutions 5 and 6 proposed in item 5 above, are to re-appoint the Directors of the Company who are 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 Remuneration Committees and will be considered independent. Mr Lau Ping Sum will, upon re-appointment as a Director of the Company, remain as Chairman of the Audit Committee and member of the Nominating Committee. He will be considered independent.
- (iv) The Ordinary Resolution 9 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, 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.

- (v) The Ordinary Resolution 10 in item 10 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 share (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 19 April 2011 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 2010		
2	Payment of proposed final one-tier tax exempt dividend		
3	Re-election of Mr Sitoh Yih Pin as a Director		
4	Re-election of Mr Pal Skistad as a Director		
5	Re-appointment of Mr S Chandra Das as a Director		
6	Re-appointment of Mr Lau Ping Sum as a Director		
7	Re-appointment of Messrs Ernst & Young LLP as Auditors		
8	Approval of Directors' fees amounting to S\$189,286		
9	Authority to issue shares		
10	Authority to issue shares under the Nera Telecom Employees' Share Option Scheme		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011

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.





## **Nera Telecommunications Ltd**

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Co. Reg. No: 197802690R