

TECHNOLOGY CREATES

# ENDLESS POSSIBILITIES

Annual Report 2011

TECHNOLOGY CREATES

# ENDLESS POSSIBILITIES

We stay with times and keep abreast of the latest technological advancements, creating strategic and ingenious solutions, delivering cutting-edge technologies and quality services for the global market. Through constant learning, sharing of knowledge and upgrading of skills, we tap the power of technology to create endless possibilities.

**2011 ASEAN  
Partner of  
the Year Award**

*from  
Juniper Networks, a  
high-performance  
networking company.*

**Most Extreme  
Partner 2011 Award**

*for Revenue Contribution  
in South East Asia  
from  
Extreme Networks,  
provider of Ethernet  
solutions for network  
connectivity.*

**Most Extreme  
Partner 2011 Award**

*for Strategic Win  
in South East Asia  
from  
Extreme Networks,  
provider of Ethernet  
solutions for network  
connectivity.*

**Rookie of the Year  
2011 Award**

*from  
Palo Alto Networks,  
the network security  
company providing the  
next-generation firewalls.*

**Best Performing  
Channel Partner,  
APAC**

*from  
SafeNet, a leading  
global provider of data  
protection.*

**Premium Partner  
in providing Nimbra  
suite of media products  
and solutions.**

*from  
NetInsight,  
a world-leading  
media-rich transport  
solutions provider.*

**Top Regional  
Partner Award  
2011**

*from  
VeriFone, a global  
leader in secure  
electronic payment  
technologies.*

**Innovation  
Award 2011**

*from  
VeriFone, a global  
leader in secure  
electronic payment  
technologies.*

**2011 VIP  
Knight of the  
Round Table Award**

*in recognition of  
a. Exceeding Company  
Expectations and Sales Goals  
b. Outperforming all Others in  
the Business Unit  
from  
VeriFone.*

**Recognition as  
loyal partner and  
excellent business  
performer 2011**

*from  
Thrane & Thrane,  
a global communications  
provider in aeronautical,  
land mobile, maritime  
and systems.*

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# CHAIRMAN'S STATEMENT

The Group had ended the year with cash and cash equivalents of S\$46.5 million compared to S\$40.0 million in FY2010, increased by 16.4%, representing 12.86 cents per share.

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 2011.

For FY2011, the Group recorded S\$156.2 million in turnover compared to S\$155.8 million in FY2010. The marginal increase of 0.3% in turnover was attributed to the higher turnover from the Telecommunications business, partially offset by the lower turnover from the Infocomm business segment. Profit before tax ("PBT") grew 10.8% from S\$14.6 million in FY2010 to S\$16.2 million as a result of the improvement in gross margin and higher other operating income. Profit after tax ("PAT") rose from S\$10.9 million in FY2010 to S\$13.5 million, representing an increase of 23.8%. The Group had ended the year with cash and cash equivalents of S\$46.5 million compared to S\$40.0 million in FY2010, increased by 16.4%, representing 12.86 cents per share.

Basic earnings per ordinary share for the year based on net profit attributable to shareholders were recorded at 3.73 cents compared to 3.02 cents in FY2010. Net asset value per ordinary share based on issued share capital of 361,897,000 ordinary shares was 16.92 cents compared to 17.20 cents in FY2010.

On 10 February 2012, the Company and Singapore Technologies Electronics Limited ("ST Electronics") had jointly announced the proposed acquisition by ST Electronics of all the issued and paid-up ordinary shares in the capital of the Company by way of a scheme of arrangement under Section 210 of the Companies Act, Chapter 50 of Singapore ("Scheme") and in accordance with the Singapore Code on Take-overs and Mergers ("Joint Announcement"). As stated in the Joint Announcement and the Company's FY2011 results announcement, the Company will pay a dividend of S\$0.06 per share on the Scheme becoming effective ("Scheme Dividend"). In light of the Scheme Dividend and the Scheme, the Company has not proposed any further dividend in respect of FY2011.

The mobile market in the telecommunication industry is expected to continue to grow and remain highly competitive. The continuous demand for lower operating and capital expenditures by the mobile operators for network roll-out, expansion and additional capabilities will provide more business opportunities for our microwave transmission business. The Group will continue to promote its wireless infrastructure network (WIN) products and solutions to 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. The Group will continue to seek partnership with OEMs for new satellite products and solutions.

The Infocomm industry, although remains highly competitive, continues to present many business opportunities to the Network Infrastructure business due to the robust growth in the internet voice, data and video traffic, coupled with the continual migration to the next generation broadband networks. For the Payment Solutions business, we also see more business opportunities as we believe that more retail customers will outsource their point-of-sale infrastructure for efficiency and cost effectiveness.

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 the Board, I would like to thank the shareholders, valued customers and business partners for their confidence and continued support, and the Management and Staff for their dedication and commitment.



S Chandra Das  
Chairman



# PRESIDENT & CEO'S STATEMENT

Profit after tax increased from S\$10.9 million in FY2010 to S\$13.5 million, up 23.8% from the previous year.

Ang Seong Kang Samuel  
*President and CEO*



## Business Review

FY2011 was another challenging year for the NeraTel Group. However, we managed to deliver a set of positive results within a highly competitive business environment.

Turnover of S\$156.2 million was registered for the Group compared to S\$155.8 million in FY2010, increased slightly by 0.3%. This was attributed to the higher turnover from the Telecommunications business segment, partially offset by the lower turnover from the Infocomm business segment. Profit before tax ("PBT") rose by 10.8% from S\$14.6 million in FY2010 to S\$16.2 million owing to the improvement in gross margin and higher other operating income, partially offset by the higher operating cost. Other operating income was higher by S\$2.4 million due to an account receivable collection in relation to an OEM agreement signed on 19 January 2011. PBT as a percentage of turnover ("PBT %") improved from 9.4% to 10.4% for FY2011. Profit after tax ("PAT") increased from S\$10.9 million in FY2010 to S\$13.5 million, up 23.8% from the previous year. As at end of the year, the Group registered positive cash and cash equivalents of S\$46.5 million compared to S\$40.0 million in FY2010, an increase of 16.4%. The increase in cash and cash equivalents for the year was mainly generated from operating activities.

The Telecom business segment recorded a turnover of S\$55.7 million compared to S\$48.0 million in FY2010, an increase of 16.0%. This was attributed to the higher sales of microwave radio equipment in the Transmission business area, with sales to the new markets of Middle East and North Africa amounting to S\$10.6 million for the last quarter of the year and S\$14.2 million in FY2011. Profit from operations increased by 61.6% from S\$3.9 million in FY2010 to S\$6.3 million.

The Infocomm business segment registered a decrease of 6.7% in turnover from S\$107.8 million in FY2010 to S\$100.5 million. The decrease in turnover was mainly due to the lower sales from both the Network Infrastructure and Payment Solutions business areas. Profit from operations was lower by 4.5% from S\$10.0 million in FY2010 to S\$9.5 million.

## Business Outlook

### Telecommunications (Telecom)

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

The global radio transmission market remains highly competitive. In FY2011, we witnessed price erosion and consolidation in the industry from both the mobile operators and equipment manufacturers. Mobile operators continue to demand for lower operating and capital expenditures for network roll-out, expansion and additional capabilities so as to offer new services to support huge consumer demand for mobile data services. The current uncertainties in Europe and USA, and the unclear spectrum, licensing and regulatory framework in some countries are causing some mobile operators to be cautious in their network investments.

## PRESIDENT & CEO'S STATEMENT

However, mobile operators cannot afford to delay their network expansion and migration to next generation networks such as 3G/LTE ("Long Term Evolution") and they need to introduce new services at lower cost to gain market share and stay ahead of competitors. The Group believes that the market opportunities remain positive and demand for radio transmission networks will be driven by the demand for internet data traffic, mobile broadband services, social networking and applications by users of different types of mobile devices.

The Group took over the Middle East and North Africa ("MENA") markets from Nera Networks Norway in January 2011 and had managed to secure a number of new orders for microwave radios from various mobile operators. We will continue to focus on the sales and marketing of NERA brand point-to-point radio products and gradually introduce a range of wireless infrastructure network ("WIN") products and services such as wifi, 3G offload, in-building coverage and network performances to mobile operators in APAC and MENA that will help them to reduce their operating and capital expenditures. In addition, we will promote our WIN products and solutions to the Defence, Broadcast and Utilities market sectors.

In the Satellite business area, we will continue to sell Inmarsat, Thuraya and other satellite communication products, solutions and services to the land and marine markets. The land, marine and handheld mobile satellite terminals are, however, very price competitive as there are many distributors, resellers and agents selling similar OEM products. The Group will continue to seek partnerships with OEMs for new satellite products and solutions and develop business opportunities with 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 rapid growth in the internet voice, data and video traffic is driving service providers to expand their current broadband networks capacities and gradually migrate to the next generation broadband networks, offering new and more competitive multi-media services to both the consumer and corporate customers. The Group will focus on providing cost-effective, robust, high performance IP, optical and broadcast DTT T2 network infrastructure products and solutions to enable Service Providers, Broadcasters, ISPs and operators the agility to scale and secure their network and service infrastructure to rapidly deploy new services.



In the Enterprise market sector, corporate IT expenditure is expected to continue to grow as enterprises need to expand and upgrade their network infrastructure. Some enterprises will move their IT resources to the Cloud to achieve greater flexibility and lower cost. We will continue to focus on providing cost effective enterprise-class network infrastructure product and services such as routers, switches, security devices and threat management, optimization and aggregation appliances to help enterprises improve productivity and deploy secured and cost-effective networks.

In the Enterprise Banking, Finance and Retail market sector, we believe that the customers will continue to outsource point-of-sale infrastructure to lower their capital and operating expenses so that they can focus on their core business activities. The Group will focus on offering end-to-end payment systems, security and network infrastructure products and solutions to financial institutions and retailers, and strengthen its point-of-sale terminal sales, software, applications, rental, leasing and maintenance business.

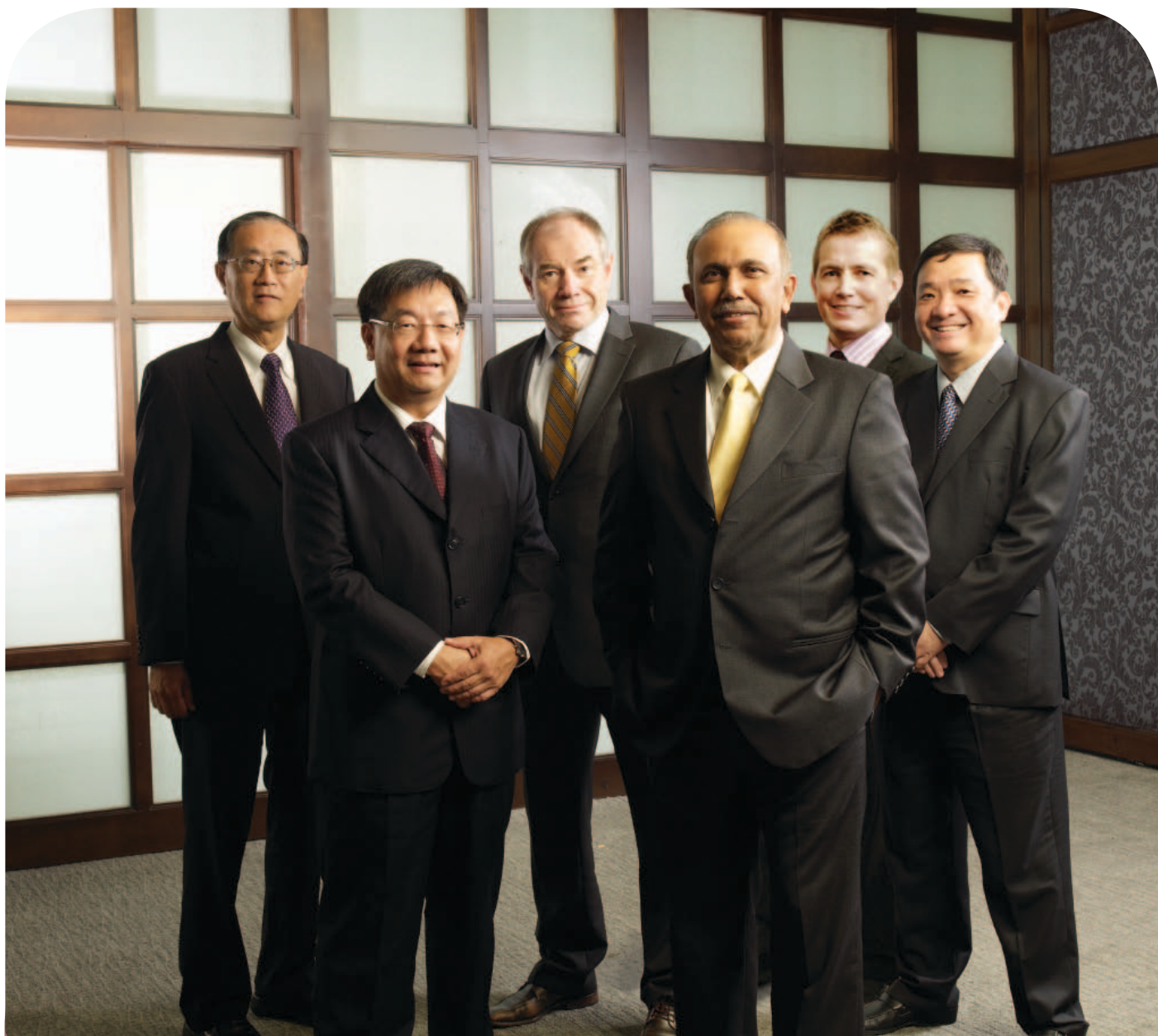
In the Government, Transport and Utilities market sector, it is envisaged that IT spending from the healthcare, education, defence, transport and utilities sectors will continue to increase as government drives to lower costs, improve productivity and better serve the public. To develop these markets, we will focus on providing wired and wireless infrastructure networks, internet appliances, integrated communication solutions, dedicated networks and payment products and solutions to customers in these sectors.

The Infocomm industry in the region remains highly competitive with some global markets and technology leaders offering their products and services via local system integrators, resellers and distributors, while other OEMs will engage directly with the customers.

Lastly, 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 and my colleagues for their commitment and contributions. I look forward to their continued support.



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



## BOARD OF DIRECTORS

*from left to right:*

Mr Lau Ping Sum

Mr Ang Seong Kang Samuel

Mr Jorgen Larsen

Mr S Chandra Das

Mr Pal Skistad

Mr Sitoh Yih Pin

**Mr S Chandra Das** (72 years old) was appointed as an Independent Non-Executive Chairman of the Company on 15 January 1988 and was last re-elected on 19 April 2011. 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, Spice i2i Limited and Super Group Ltd. Currently, he is Singapore's non-resident Ambassador to Turkey. Mr Das was appointed Pro Chancellor of Nanyang Technological University of Singapore in December 2007. Mr Das was the Chairman of the Trade Development Board from 1983 to 1986. He served as a Member of Parliament from 1980 to 1996. Mr Das was awarded the President's Medal by the Singapore Australian Business Council in 2000 and the Distinguished Service (Star) Award by the National Trades Union Congress in 2005. Mr Das graduated from the University of Singapore with a Bachelor of Arts in Economics (Honours). He also holds a Certificate in Education from the former Singapore Teachers' Training College.

**Mr Ang Seong Kang Samuel** (56 years old) is the President & CEO of the Company. He was appointed to the Board on 2 October 1996. He is responsible for the overall performance of the NeraTel Group. In addition, he serves on the Board of many NeraTel Group of Companies. Mr Ang previously served as the managing director, vice president and general manager of NeraTel. He was a director of Nera Electronics Ltd and committee member of the Norwegian Business Association of Singapore. Mr Ang holds a degree in Business Administration from Oklahoma City University.

**Mr Lau Ping Sim** (71 years old) was appointed as an Independent Non-Executive Director of the Company on 29 April 1999 and was last re-elected on 19 April 2011. 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 and Political Secretary (Health) from 1981 to 1985. 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 the Diploma in Business Administration from the University of Singapore (now NUS).

## BOARD OF DIRECTORS

**Mr Sitoh Yih Pin** (48 years old) was appointed as an Independent Non-Executive Director of the Company on 29 April 1999 and was last re-elected on 19 April 2011. Mr Sitoh is a Certified Public Accountant and a director of Nexia TS Public Accounting Corporation. Currently, Mr Sitoh is the Member of Parliament for Potong Pasir constituency and a Board Member of Accounting and Corporate Regulatory Authority. He is also presently a director of several public listed companies comprising Allied Technologies Limited, Chinasing Investment Holdings Limited, Lian Beng Group Ltd, United Food Holdings Limited and Meiban Group Ltd. 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 and Labroy Marine Pte Ltd. 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** (62 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 Adviser to Eltek ASA, a public listed company mainly focusing on energy systems. With Eltek ASA since 1995, he previously served as the CEO, Acting CEO, Group CFO and Executive Vice President of Business Development. He is a Director of several companies in the Eltek Group. 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** (44 years old) was appointed as a Non-Executive Director of the Company on 7 February 2011 and was last re-elected on 19 April 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 a Director of several companies in the Eltek Group. 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**, aged 56, 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**, aged 46, 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**, aged 48, 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-three years of experience in the areas she is currently serving. In addition, she oversees the Group's functions of Human Resource, Administration and Information Services. Ms Chiang is a member of the Institute of Public Relations of Singapore.

**Mr Mark Weng Kwai**, aged 45, 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.

# 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
- Nera Telecommunications AS <sup>+</sup>
- Nera Telecommunications Maroc S.A.R.L AU <sup>+</sup>
- Nera Telecommunications (Pakistan) Private Limited <sup>+</sup>
- Nera Telecommunications FZ-LLC <sup>+</sup>

\* Dormant Company    \*\* Associated Company    <sup>+</sup> Subsidiary of Nera Networks (S) Pte Ltd

# 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 Non-Executive 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

## Remuneration Committee

S Chandra Das, Chairman

Sitoh Yih Pin

Jorgen Larsen

## Company Secretary

Tan Cher Liang

## Business Address

109 Defu Lane 10

Singapore 539225

Tel : (65) 62813388

Fax : (65) 63839566 / 63839577

## Registered Office

50 Raffles Place #32-01

Singapore Land Tower

Singapore 048623

Tel : (65) 6536 5355

Fax : (65) 6536 1360

## Registrars and Share Transfer Office

Boardroom Corporate & Advisory Services Pte Ltd

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

HSBC Building

Singapore 049320

### Skandinaviska Enskilda Banken (SEB)

50 Raffles Place #36-01

Singapore Land Tower

Singapore 048623



Communication via Marine Satellite Terminal



# BUSINESS SEGMENT:

## Telecommunications

### Wireless Infrastructure Network (WIN)

NERA provides wireless infrastructure networks, end-to-end solutions and services in the wireless space. We address various market sectors such as service providers, ISPs, Broadcasters, Enterprises, Government Organisations, Offshore and Utilities. Our WIN portfolio covers in-building solution, outdoor coverage enhancement, RF access network optimization, benchmarking, 3G/LTE base stations, licensed and unlicensed point-to-point and point-to-multi-point microwave. We provide end-to-end solutions such as 3G data offloading, RAN benchmarking, optimization and QoS. These solutions cater the needs of green field and brown field deployments.

NERA world class Evo series microwave radio is built around a software defined core which enables a wide range of radio applications based on one common product platform. Supporting Native IP and TDM and managed by a single network management, it's at the forefront of the technology. NERA passive and active solutions are vendor agnostic and focus on delivering quality solutions for their indoor coverage needs. Our outdoor solutions add tremendous value for improved total cost of ownership. With a comprehensive portfolio for RAN optimization and performance benchmarking, we are very well poised to navigate cellular operators aspiring to achieve high quality of experience.

3G data offloading solutions using Wifi are gaining a lot of traction with operators and we are uniquely positioned with a complete solution. Being vendor agnostic we are flexible in customizing to customer needs and provide best of class products.

In addition, we undertake turnkey projects covering complete life cycle of project. Our highly trained and experienced resources provide planning, designing, installation, commissioning, testing and post sales service and support.

### Satellite Communications

NERA provides 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.



Evo™ Long Haul Radio



Evo™ Xpand IP+



Marine Satellite Terminal





# 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.



Customer Service



Network Infrastructure Equipment



Service Management Helpdesk



Point-of-Sale Terminal

## 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.

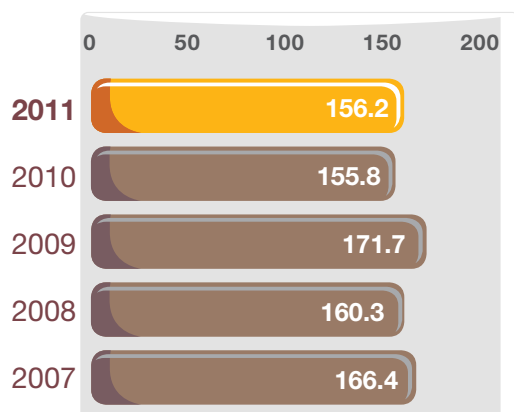
## Payment Solutions

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, PCIPED 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.

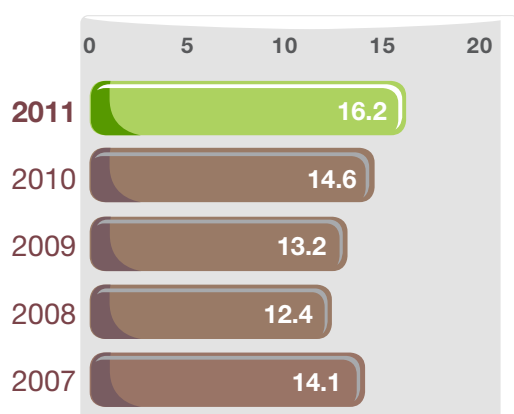


# FINANCIAL HIGHLIGHTS



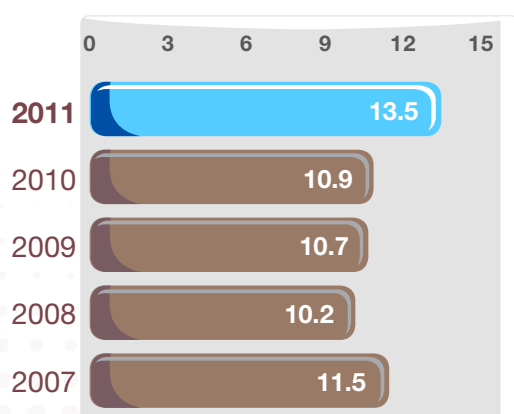
## Turnover (S\$m)

Turnover was S\$156.2 million in FY2011 compared to S\$155.8 million in FY2010, an increase of 0.3%.



## Profit before tax (S\$m)

Profit before tax was S\$16.2 million in FY2011 compared to S\$14.6 million in FY2010, an increase of 10.8%.



## Profit after tax (S\$m)

Profit after tax was S\$13.5 million in FY2011 compared to S\$10.9 million in FY2010, an increase of 23.8%.

# HUMAN CAPITAL



Annual Dinner & Dance



Group Discussion



Christmas Event

We remain committed to develop our human capital to handle the challenges of tomorrow in a dynamic business environment. This will enable us to stay competitive and be at the fore-front of technology.

Our various trainings equip the employees with the skill and knowledge they 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.

## 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 are independent non-executive 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 non-executive 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 non-executive 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 non-executive 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

\* Independent non-executive Directors



## CORPORATE GOVERNANCE REPORT

The principal functions of the NC are:

- (a) to identify candidates, review nominations for both appointment and re-appointment of the Directors to the Board for its approval. For the appointment of new candidates to the Board, the proposed appointee's background, experience and other board memberships will be taken into account;
- (b) to review the Board structure and size including the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board, and make 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 pursuant to Section 153(6) of the Companies Act, Cap 50, namely Jorgen Larsen, Lau Ping Sum and S Chandra Das, for re-election/re-appointment at the forthcoming Annual General Meeting. Jorgen Larsen is retiring under Article 87 of the Company's Articles of Association while Lau Ping Sum and S Chandra Das are retiring under S153(6) of the Companies Act, Cap 50.

Jorgen Larsen, a non-independent Director, was appointed to the Board on 6 February 2008. He is a member of the Nominating Committee and Remuneration Committee. Mr Larsen was last re-elected on 29 April 2010. Mr Larsen will, upon re-election as Director of the Company, remain as a member of both the Nominating and Remuneration Committees.

Lau Ping Sum, an independent non-executive 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 who is over 70 years of age will, upon re-appointment 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. Mr Das who is over 70 years of age will, upon re-appointment as Director of the Company, remain as Chairman of the Board and chairman of both the Nominating and Remuneration Committees.

Jorgen Larsen, 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 annually.

### Audit Committee (AC)

#### Principle 11 : Audit Committee

The AC 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 non-executive Directors*

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

The AC has adopted written terms of reference.

## CORPORATE GOVERNANCE REPORT

The Group has complied with Rule 712 and Rule 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited.

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

The AC has also reviewed the Company's material internal controls including financial, operational and compliance controls. Risk management is also conducted at least annually. No significant weaknesses were noted. The AC is satisfied that there are adequate internal controls in the Company.

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 12 : Internal Controls

### Principle 13 : Internal Audit (IA)

Based on the review conducted by the internal auditor of the Group, the Board opines, with the concurrence of the AC, that there are adequate controls in place within the Group addressing material financial, operational and compliance risks to meet the needs of the Group in its current business environment.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute assurance that the Group will not be adversely affected by any event that can be unforeseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

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

### Remuneration Committee (RC)

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

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

#### Principle 9 : Disclosure on Remuneration

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

S Chandra Das, Chairman\*  
Sitoh Yih Pin\*  
Jorgen Larsen

\* Independent non-executive Directors

## 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 non-executive 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.

Remuneration Bands / Name	Fees (S\$) %	Salary (S\$) %	Bonus (S\$) %	Total %
<b>S\$1,000,000 to S\$1,250,000</b> Ang Seong Kang Samuel <sup>(1)</sup>	-	60	40	100
<b>Below S\$250,000</b> (Fees paid to independent non-executive 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 FY2011 at the Annual General Meeting.
- (3) No other directors, other than disclosed above, received directors' fees or remuneration during the period.
- (4) The above table excludes share options which are described in the Directors' Report.
- (5) There were no share options granted in FY2011.



## 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\$250,000 to S\$500,000</b>			
Tay Kheng Seng Alvin Executive Vice President, Telecommunications	77	23	100
<b>Below S\$250,000</b>			
Chan Heng Chew Michael Senior Vice President, Contracts & Investment	76	24	100
Chiang Hock Chin Jessie Senior Vice President, Corporate Affairs/Staff	73	27	100
Mark Weng Kwai Financial Controller	76	24	100
Png Keng Geok Albert Vice President, Infocomm Singapore	69	31	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 FY2011.

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. News releases and quarterly results announcements are published through the SGXNET.

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

The Company communicates with its shareholders, both institutional and retail, on a regular basis. The Annual Report and Notice of Annual General Meeting are forwarded to all shareholders of the Company. The Notice of Annual General Meeting is also advertised in the newspaper. All Directors including chairpersons of the Audit, Nominating and Compensation Committee are encouraged to be present at all Annual General Meeting. At the Annual General Meeting, shareholders are given the opportunity to communicate their views to the Directors and Management on matters relating to the Company.

## CORPORATE GOVERNANCE REPORT

### Dealing in Securities

The Company has 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 Code discourages officers of the Company to deal directly or indirectly in the Company’s securities on short term considerations.

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 results or two weeks before quarterly results and ending on the date of the announcement of such results.

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

### Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out at arm’s length and under normal commercial terms. There are no interested person transactions for the financial year ended 31 December 2011.

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

	Board Meetings	Audit Committee Meetings	Nominating Committee Meetings	Remuneration Committee Meetings
<b>Total Held in FY2011</b>	<b>6</b>	<b>4</b>	<b>1</b>	<b>1</b>
S Chandra Das	6	-	1	1
Ang Seong Kang Samuel	6	-	-	-
Lau Ping Sum	6	4	1	-
Sitoh Yih Pin	6	4	-	1
Jorgen Larsen	4	-	1	1
Pal Skistad	4	4	-	-

## 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 2011.

### 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 or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	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*
Pal Skistad	265,000	265,000	—	—
<b>Option to subscribe for ordinary shares</b>				
Jorgen Larsen	60,000	—	—	—
Pal Skistad	35,000	25,000	—	—



## 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	1,040,000	1,040,000	25,000***	25,000***
Lau Ping Sum	550,000	550,000	—	—
Sitoh Yih Pin	500,000	500,000	—	—

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

\*\* Shares are held by the spouse of S Chandra Das.

\*\*\* 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 2012.

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 2012.

## 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

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
Ang Seong Kang Samuel	0.625	–	200,000	–	200,000

## 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 :

	<b>Exercise price \$</b>	<b>Aggregate options outstanding as at beginning of financial year</b>	<b>Options granted during the financial year</b>	<b>Options exercised/ cancelled during the financial year</b>	<b>Aggregate options outstanding as at end of financial year</b>
Employees of the Company	0.625	574,000	–	45,000	529,000
Employees of the subsidiaries	0.625	226,000	–	13,000	213,000

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. The options expired on 28 February 2012.

### 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  
30 March 2012



## 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 2011 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors,

**S Chandra Das**

*Director*

**Ang Seong Kang Samuel**

*Director*

Singapore

30 March 2012

## INDEPENDENT AUDITORS' REPORT

for the financial year ended 31 December 2011

to the members of Nera Telecommunications Ltd

### Report on the financial statements

We have audited the accompanying financial statements of Nera Telecommunications Ltd (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 37 to 94, which comprise the balance sheets of the Group and the Company as at 31 December 2011, 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 financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 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 2011 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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

### Ernst & Young LLP

Public Accountants and Certified Public Accountants

Singapore

30 March 2012

## BALANCE SHEETS

as at 31 December 2011

		Group		Company	
	Note	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	4	7,788	6,793	3,966	3,357
Intangible asset	5	1,225	–	1,225	–
Investment in subsidiaries	6	–	–	4,602	4,316
Investment in an associate	7	2,042	1,730	199	199
Finance lease receivable	8	321	–	–	–
Deferred tax assets	26	2,375	1,285	427	264
		13,751	9,808	10,419	8,136
<b>Current assets</b>					
Stocks	9	3,245	3,100	1,799	1,745
Contract work-in-progress	10	20,541	21,750	12,295	14,511
Trade receivables	11	56,272	39,199	27,408	25,817
Finance lease receivable	8	288	–	–	–
Other receivables, deposits and prepayments	12	2,289	5,100	1,099	3,403
Amounts due from subsidiaries					
- trade	13	–	–	11,616	14,959
- non-trade	13	–	–	325	754
Amount due from an associate (trade)	13	503	4,467	503	3,243
Amounts due from related companies (trade)	13	–	14	–	3
Cash and cash equivalents	29	46,535	39,991	39,821	35,369
		129,673	113,621	94,866	99,804
<b>Current liabilities</b>					
Trade payables	14	54,047	37,302	30,384	31,960
Other payables and accruals	15	19,111	15,946	11,868	11,601
Amounts due to subsidiaries (non-trade)	13	–	–	402	413
Amount due to an associate (non-trade)	13	24	–	–	–
Amounts due to related companies (trade)	13	–	688	–	377
Provision for taxation		3,027	2,182	2,156	2,517
Provision for warranty	16	5,934	4,985	2,448	2,882
Obligations under finance leases	17	28	27	–	–
		82,171	61,130	47,258	49,750
<b>Net current assets</b>		47,502	52,491	47,608	50,054
<b>Non-current liabilities</b>					
Obligations under finance leases	17	(7)	(36)	–	–
<b>Net assets</b>		61,246	62,263	58,027	58,190
<b>Equity attributable to equity holders of the Company</b>					
Share capital	18	29,909	29,909	29,909	29,909
Revenue reserve		33,828	34,799	28,118	28,281
Translation reserve	19	(2,491)	(2,445)	–	–
		61,246	62,263	58,027	58,190

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 2011

	Note	2011 \$'000	2010 \$'000
Turnover	20	156,238	155,811
Cost of sales		(111,607)	(118,908)
<b>Gross profit</b>		44,631	36,903
Other operating income	21	5,495	3,113
Distribution and selling expenses		(25,216)	(16,799)
Administrative expenses	22	(8,309)	(8,332)
Other operating expenses	22	(819)	(1,043)
<b>Profit from operating activities</b>		15,782	13,842
Financial income	24	223	607
Financial expenses	25	(289)	(352)
		15,716	14,097
Share of results of an associate		510	543
<b>Profit before tax</b>		16,226	14,640
Tax	26	(2,721)	(3,728)
<b>Profit for the year attributable to shareholders</b>		13,505	10,912
<b>Other comprehensive income:</b>			
Foreign currency translation of financial statements of foreign operations		(46)	(50)
<b>Total comprehensive income for the year</b>		13,459	10,862
<b>Earnings per share (cents per share)</b>			
Basic	27	3.73	3.02
Diluted	27	3.73	3.02

*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 2011

	Attributable to equity holders of the Company			
	Share capital (Note 18) \$'000	Revenue reserve \$'000	Translation reserve (Note 19) \$'000	Total equity \$'000
<b>Group</b>				
<b>At 1 January 2011</b>	29,909	34,799	(2,445)	62,263
Profit for the year	–	13,505	–	13,505
Other comprehensive income for the year	–	–	(46)	(46)
<b>Total comprehensive income for the year</b>	–	13,505	(46)	13,459
<u>Contributions by and distributions to owners</u>				
Dividends paid (Note 28)	–	(14,476)	–	(14,476)
<b>Total contributions by and distributions to owners</b>	–	(14,476)	–	(14,476)
<b>At 31 December 2011</b>	29,909	33,828	(2,491)	61,246
<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 28)	–	(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>Company</b>				
<b>At 1 January 2011</b>	29,909	28,281	–	58,190
Profit for the year	–	14,313	–	14,313
<b>Total comprehensive income for the year</b>	–	14,313	–	14,313
<u>Contributions by and distributions to owners</u>				
Dividends paid (Note 28)	–	(14,476)	–	(14,476)
<b>Total contributions by and distributions to owners</b>	–	(14,476)	–	(14,476)
<b>At 31 December 2011</b>	29,909	28,118	–	58,027
<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 28)	–	(10,857)	–	(10,857)
<b>Total contributions by and distributions to owners</b>	–	(10,857)	–	(10,857)
<b>At 31 December 2010</b>	<b>29,909</b>	<b>28,281</b>	<b>–</b>	<b>58,190</b>

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 2011

	Note	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
Profit before tax		16,226	14,640
Adjustments for :			
Amortisation of intangible asset	5	64	–
Depreciation of property, plant and equipment	4	3,156	2,987
Net (gain)/loss on disposal/write-off of property, plant and equipment		(8)	13
(Writeback)/allowance for stock obsolescence	9	(117)	355
Provision for doubtful trade debts	11	31	105
Provision for warranty	16	1,887	1,122
Interest expense		9	7
Interest income		(223)	(607)
Share of results of an associate		(510)	(543)
<b>Operating profit before working capital changes</b>		20,515	18,079
Decrease/(increase) in :			
Stocks		(28)	321
Contract work-in-progress		1,209	(1,073)
Trade receivables		(17,104)	(14,026)
Finance lease receivable		(609)	–
Other receivables, deposits and prepayments		2,811	(1,724)
Changes in related companies and associate balances		3,314	16,377
(Decrease)/increase in :			
Trade payables		16,745	6,794
Other payables and accruals		3,165	2,707
Provision for warranty		(938)	(447)
<b>Cash generated from operations</b>		29,080	27,008
Income tax paid		(2,964)	(4,023)
Interest paid		(9)	(7)
<b>Net cash flows from operating activities</b>		26,107	22,978
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		59	194
Purchase of intangible asset	5	(1,289)	–
Purchase of property, plant and equipment	4	(4,273)	(2,190)
Interest received		223	607
<b>Net cash flows used in investing activities</b>		(5,280)	(1,389)
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders of the Company	28	(14,476)	(10,857)
Repayment of hire purchase obligations		(28)	(24)
<b>Net cash flows used in financing activities</b>		(14,504)	(10,881)
<b>Net increase in cash and cash equivalents</b>		6,323	10,708
Effect of exchange rate changes		221	(118)
Cash and cash equivalents at beginning of year		39,991	29,401
<b>Cash and cash equivalents at end of year</b>	29	46,535	39,991

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

## 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 6 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 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

### 2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 107 <i>Disclosures – Transfers of Financial Assets</i>	1 July 2011
Amendments to FRS 12 <i>Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012
Amendments to FRS 1 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Revised FRS 19 <i>Employee Benefits</i>	1 January 2013
Revised FRS 27 <i>Separate Financial Statements</i>	1 January 2013
Revised FRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2013
FRS 110 <i>Consolidated Financial Statements</i>	1 January 2013
FRS 111 <i>Joint Arrangements</i>	1 January 2013
FRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
FRS 113 <i>Fair Value Measurements</i>	1 January 2013

Except for the Amendments to FRS 1 and FRS 112, the directors expect that the adoption of the 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 Amendments to FRS 1 and FRS 112 are described below.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

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

##### Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

##### FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

#### 2.4 *Basis of consolidation*

##### *(a) Basis of consolidation*

##### *Basis of consolidation 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 and dividends 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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

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

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

###### Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

##### *(b) Business combinations*

###### Business combinations from 1 January 2010

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 charge to other comprehensive income. If the contingent consideration is classified as equity, it is not to 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 2011

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

#### 2.4 Basis of consolidation and business combinations (cont'd)

##### (b) Business combinations (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. Any additional acquired share of interest did not affect previously recognised goodwill.

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 adjustments to the contingent consideration were recognised as part of 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 2011

### 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, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

#### 2.8 *Related parties/related companies*

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
  - (i) Has control or joint control over the Company;
  - (ii) Has significant influence over the Company; or
  - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies :
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a);
  - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related companies in these financial statements referred to Eltek ASA group of companies.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

#### 2.10 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

##### ***Brand name***

Nera brand name which are acquired, are capitalised and amortised on a straight-line basis over a useful life of 20 years. Brand name is tested annually for impairment or more frequently if the event or circumstances warrant it. Amortisation period and method are reviewed at each financial year end.

#### 2.11 *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 2011

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

#### 2.11 *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.

#### 2.12 *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 2011

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

#### 2.12 *Financial assets (cont'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.

#### 2.13 *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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

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

##### **(a) *Financial assets carried at amortised cost (cont'd)***

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

#### 2.14 *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.

#### 2.15 *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.

#### 2.16 *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.

#### 2.17 *Provisions*

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

Provisions are reviewed at 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

#### 2.18 *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, 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.

#### 2.19 *Employee benefits*

##### ***(a) Defined contribution plans***

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

##### ***(b) Employee leave entitlement***

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

##### ***(c) Employee share option plans***

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



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

#### 2.19 *Employee benefits (cont'd)*

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

###### *Equity-settled transactions*

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

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

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

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

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

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

#### 2.20 *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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

#### 2.20 *Leases (cont'd)*

##### **(a) As lessee (cont'd)**

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.

#### 2.21 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. 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 from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

##### **(b) Rendering of services**

Revenue is recognised on an individual contract basis by reference to the stage of completion. Stage of completion is measured by reference to the cost incurred to date as a percentage of total estimated cost for each contract which approximates the progress billings that match the billing milestones as indicated in the contract, as a percentage of the total contract sum. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

##### **(c) Dividend income**

Dividend income is recognised when dividends are declared payable.

##### **(d) Interest income**

Interest income is recognised using the effective interest method.

##### **(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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

#### 2.22 *Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. 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.

#### 2.23 *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
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

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

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

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

#### 2.24 *Derivative financial instruments and hedging activities*

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

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to 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 2011

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

#### 2.25 *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 34, 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.

#### 2.26 *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.

#### 2.27 *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 2011

### 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 2011 are \$3,027,000 (2010 : \$2,182,000) and \$2,375,000 (2010 : \$1,285,000) 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 2011 was \$6,560,000 (2010: \$5,245,000). 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.

##### ***Amortisation of brand name***

The cost of Nera brand name is amortised in accordance with the accounting policy stated in Note 2.10. The carrying amount of the Group's brand at 31 December 2011 was \$1,225,000 (2010: Nil). Changes in the expected cash generated by the brand could impact the economic useful life and the residual value of the brand, therefore future amortisation charges could be revised.

##### ***Revenue from contracts***

The Group recognises revenue from contracts by reference to the stage of completion of the individual contract activity at the end of each reporting period, when the outcome of the contract can be estimated reliably. The stage of completion is measured by reference to the cost incurred to date as a percentage of total estimated cost for each contract to the total contract sum. Assumptions are required to estimate the total estimated cost that affect the stage of completion. In making these estimates, management has relied on past experiences and knowledge of the project engineers. The carrying amounts of the assets and liabilities arising from contracts at 31 December 2011 and 2010 are disclosed in Note 10 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 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
Cost							
At 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 and 1 January 2011	5,150	1,006	4,971	855	1,117	13,000	26,099
Additions	–	2	351	36	241	3,643	4,273
Disposals/written off	–	(2)	(27)	(7)	(33)	(335)	(404)
Currency realignment	–	(5)	(35)	(7)	(10)	(132)	(189)
At 31 December 2011	5,150	1,001	5,260	877	1,315	16,176	29,779
Accumulated depreciation							
At 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 and 1 January 2011	4,506	822	3,624	612	640	9,102	19,306
Charge for the year	286	52	561	57	193	2,007	3,156
Disposals/written off	–	(1)	(26)	(5)	(32)	(289)	(353)
Currency realignment	–	(3)	(25)	(4)	(8)	(78)	(118)
At 31 December 2011	4,792	870	4,134	660	793	10,742	21,991
Net book value							
At 31 December 2010	644	184	1,347	243	477	3,898	6,793
At 31 December 2011	358	131	1,126	217	522	5,434	7,788

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 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
Cost							
At 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 and 1 January 2011	5,150	745	2,053	348	719	7,455	16,470
Additions	–	2	230	16	123	2,034	2,405
Disposals/written off	–	(2)	(20)	(7)	(32)	(274)	(335)
At 31 December 2011	5,150	745	2,263	357	810	9,215	18,540
Accumulated depreciation							
At 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 and 1 January 2011	4,506	683	1,200	239	364	6,121	13,113
Charge for the year	286	11	335	25	128	990	1,775
Disposals/written off	–	(1)	(19)	(5)	(32)	(257)	(314)
At 31 December 2011	4,792	693	1,516	259	460	6,854	14,574
Net book value							
At 31 December 2010	644	62	853	109	355	1,334	3,357
At 31 December 2011	358	52	747	98	350	2,361	3,966

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

As at 31 December 2011, 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 \$39,000 (2010 : \$73,000).

### 5. Intangible asset

	Group and Company	
	2011 \$'000	2010 \$'000
Cost		
Addition	1,289	—
At 31 December	1,289	—
Accumulated amortisation		
Amortisation	64	—
At 31 December	64	—
Net carrying amount		
At 31 December	1,225	—

The intangible asset relates to the "Nera" brand and the useful life is estimated to be 20 years.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 6. Investment in subsidiaries

	Company	
	2011 \$'000	2010 \$'000
Unquoted shares, at cost	5,379	4,379
Impairment loss	(777)	(63)
Carrying amount after impairment loss	4,602	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	
			2011 %	2010 %	2011 \$'000	2010 \$'000
Nera Infocom Pte Ltd (B)	Dormant	Singapore	100	100	^	^
Nera Networks (S) Pte Ltd (B)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communication and information technology networks	Singapore	100	—	1,000	—
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
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



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

Name of Company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of Investment	
			2011 %	2010 %	2011 \$'000	2010 \$'000
Nera Infocom (M) Sdn Bhd (*)	Sales, installation and maintenance of information technology equipment	Malaysia	100	100	225	225
Nera Telecommunications (Taiwan) Co.,Ltd (#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, 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
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
Nera Telecommunications (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

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 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	
			2011 %	2010 %	2011 \$'000	2010 \$'000
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
					5,379	4,379
<b>Held through Nera Networks (S) Pte Ltd</b>						
Nera Telecom-munications AS (#) (i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Norway	100	—	—	—
Nera Telecom-munications Maroc SARL AU (**) (i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Morocco	100	—	—	—
Nera Telecom-munications (Pakistan) Pvt Ltd (***) (i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Pakistan	100	—	—	—

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

- (B) Audited by Ernst & Young LLP, Singapore.
- (\*) Audited by member firms of Ernst & Young Global in the respective countries.
- (#) Audited by other CPA firms in the respective countries.
- (^) Amounts less than \$1,000.
- (\*\*) No requirement for statutory audit.
- (\*\*\*) No audit required as the company was incorporated on 13 December 2011.
- (i) Cost of investment are not stated as the subsidiaries are not directly held by the Company.

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.

#### ***Impairment testing of investment in subsidiaries***

During the financial year, management performed impairment test for the investment in Nera Telecommunications (Taiwan) Co Ltd and Nera Telecommunications (India) Pvt Ltd as these subsidiaries had been persistently making losses. Impairment losses of \$235,000 (2010: Nil) and \$479,000 (2010: Nil) was recognised respectively to write down these subsidiaries to their recoverable amounts. The recoverable amounts of the investments has been determined based on a value in use calculation using cash flow projects from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to the cash flow project is 7.04% (2010: 8.81%).

### 7. Investment in an associate

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Unquoted equity shares, at cost	199	199	199	199
Share of post-acquisition :-				
Revenue reserve	2,652	2,315	—	—
Translation reserve	(809)	(784)	—	—
Carrying amount of investment	2,042	1,730	199	199

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

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

Name of Company	Principal activity	Country of incorporation and place of business	Effective equity interest held by the Group	
			2011 %	2010 %
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 :-

	2011 \$'000	2010 \$'000
<b>Assets and liabilities</b>		
Current assets	12,631	14,080
Non-current assets	79	112
Total assets	12,710	14,192
Current liabilities	5,533	8,454
Results :-		
Revenue	14,936	30,960
Profit for the year	1,701	1,810

### 8. Finance lease receivable

The Group entered into an agreement to lease certain assets to a customer. It has remaining non-cancellable lease terms of 29 months (2010: Nil). Future minimum lease rental receivable under non-cancellable operating lease as at 31 December are as follows:

	Group		Company	
	2011		2010	
	Gross lease receivable \$'000	Present value of receivable \$'000	Gross lease receivable \$'000	Present value of receivable \$'000
Not later than one year	319	288	—	—
Later than one year but within five years	338	321	—	—
	657	609	—	—
Less: Unearned finance income	(48)	—	—	—
	609	609	—	—

The implicit interest rate for the lease is 7.07% (2010: Nil) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 9. Stocks

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Balance sheet</b>				
Finished goods, at cost	–	159	–	–
Finished goods, at net realisable value	3,245	2,941	1,799	1,745
	3,245	3,100	1,799	1,745

At 31 December 2011, trading stocks recognised as an expense in the consolidated statement of comprehensive income under line item “Cost of sales” for the Group amounted to \$19,345,000 (2010: \$3,196,000) inclusive of trading stocks written-back of \$117,000 (2010: written-down of \$355,000).

### 10. Contract work-in-progress

Contract work in progress comprise:-

Cost incurred to date	112,873	103,045	79,905	79,801
Profits recognised to date	27,031	20,323	21,487	17,300
	139,904	123,368	101,392	97,101
Progress billings	(119,363)	(101,618)	(89,097)	(82,590)
	20,541	21,750	12,295	14,511
Gross amount due from customers for contract work	20,541	21,750	12,295	14,511

### 11. Trade receivables

Trade receivables	56,781	39,811	27,811	26,211
Less : Allowance for impairment of trade debts	(509)	(612)	(403)	(394)
Total trade receivables	56,272	39,199	27,408	25,817
Add :				
Other receivables and deposits (excluding prepayments) (Note 12)	2,082	4,920	1,011	3,303
Cash and cash equivalents (Note 29)	46,535	39,991	39,821	35,369
Amounts due from subsidiaries	–	–	11,941	15,713
Amount due from an associate	503	4,467	503	3,243
Amounts due from related companies	–	14	–	3
Total loans and receivables	105,392	88,591	80,684	83,448



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 11. 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.

In 2010, included in trade receivables is a fair value gain on forward currency contracts amounting to \$433,000 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 \$1,493,000 and \$1,457,000 (2010: \$344,000 and \$275,000) respectively.

At the balance sheet date, trade receivables for the Group and the Company arising from export sales amounting to \$5,840,000 (2010 : \$6,025,000) are arranged to be settled via letters of credits issued by reputable banks in countries where the customers are based.

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

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
US Dollar	11,919	6,303	6,094	4,802
Euro Dollar	13,057	6,153	4,680	6,134
Norwegian Krone	3,899	380	59	–
Thai Baht	1,188	–	1,188	–
Danish Krone	115	575	115	195

#### *Allowance for impairment of trade receivables*

For the year ended 31 December 2011, the Group and the Company have provided allowance of \$31,000 and \$9,000 (2010 : \$105,000 and \$97,000) 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 2011. The analysis of trade receivables as at 31 December is as follows :-

Not past due and not impaired	40,460	22,327	14,862	11,576
Past due but not impaired	15,812	16,872	12,546	14,241
Impaired	509	612	403	394
	56,781	39,811	27,811	26,211
Less: Allowance for impairment	(509)	(612)	(403)	(394)
	56,272	39,199	27,408	25,817

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 11. Trade receivables (cont'd)

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

The Group and the Company have trade receivables amounting to \$15,586,000 (2010 : \$16,872,000) and \$12,320,000 (2010 : \$14,241,000) 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade receivables past due but not impaired :				
Less than 3 months	5,046	7,479	2,628	5,798
More than 3 months but less than 6 months	2,318	8,792	1,817	8,243
More than 6 months but less than 12 months	3,653	373	3,450	200
More than 12 months	4,795	228	4,651	–
	15,812	16,872	12,546	14,241

#### *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	78	142	30	32
Customer with financial difficulties	28	53	28	31
Pending for acceptance certification	345	359	345	285
Incomplete documentation	42	58	–	46
Under legal case	16	–	–	–
	509	612	403	394
Less: Allowance for impairment	(509)	(612)	(403)	(394)
	–	–	–	–

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

At 1 January	612	513	394	297
Charge for the year	808	691	713	679
Written back	(777)	(586)	(704)	(582)
Written off	(130)	(9)	–	–
Currency realignment	(4)	3	–	–
At 31 December	509	612	403	394

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 12. Other receivables, deposits and prepayments

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Advances to suppliers	981	3,298	797	3,116
Deposits	454	446	27	35
Prepayments	207	180	88	100
Staff advances	134	202	5	3
Tax recoverable	276	643	139	142
Other debtors	237	331	43	7
	2,289	5,100	1,099	3,403

Staff advances are unsecured and non-interest bearing.

### 13. Amount due from/(to) an associate (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 \$503,000 (2010 : \$4,467,000) and \$503,000 (2010 : \$3,243,000) respectively, bears interest at Nil% (2010 : 4.25% to 8.00%) per annum.

### 14. 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 loss on forward currency contracts amounting to \$229,000 which has been recognised in profit or loss as at 31 December 2011.

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
US Dollar	8,863	7,229	4,436	7,144
Euro Dollar	5,346	84	1,017	38
Norwegian Krone	5,219	–	711	–
Thai Baht	209	–	209	–
Other currencies	22	1	4	3

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 15. Other payables and accruals

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Accrued payroll expenses	9,509	6,280	6,598	5,326
Customer advances	6,745	6,115	4,223	4,340
Other accrued operating expenses	1,553	1,969	888	1,775
Other creditors	1,304	1,582	159	160
Total other payables and accruals	19,111	15,946	11,868	11,601
Add :				
Trade payables	54,047	37,302	30,384	31,960
Amounts due to subsidiaries	–	–	402	413
Amount due to an associate	24	–	–	–
Amounts due to related companies	–	688	–	377
Obligations under finance leases	35	63	–	–
Total financial liabilities carried at amortised cost	73,217	53,999	42,654	44,351

### 16. 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
At 1 January	4,985	4,415	2,882	2,283
Provision for the year	3,515	3,229	1,428	1,809
Write-back of provision	(1,628)	(2,107)	(1,199)	(861)
Utilised during the year	(922)	(445)	(663)	(349)
Currency realignment	(16)	(107)	–	–
At 31 December	5,934	4,985	2,448	2,882

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 17. 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			
	2011 \$'000		2010 \$'000	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Not later than one year	29	28	30	27
Later than one year but not later than five years	7	7	37	36
Total minimum lease payments	36	35	67	63
Less: Amounts representing finance charges	(1)	–	(4)	–
Present value of minimum lease payments	35	35	63	63

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.

### 18. Share capital

	Group and Company			
	2011 \$'000	2010 \$'000	Number of shares	
			2011 '000	2010 '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 30) 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 2011

### 19. 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	
	2011 \$'000	2010 \$'000
At 1 January	(2,445)	(2,395)
Net effect of exchange differences	(46)	(50)
At 31 December	(2,491)	(2,445)
Net effect of exchange differences arises from :-		
Translation of financial statements of foreign operations	(46)	(50)

### 20. Turnover

	Group	
	2011 \$'000	2010 \$'000
Sales of goods (including goods supplied to contracts)	109,449	120,049
Services rendered	40,418	30,534
Rental income	6,371	5,228
	156,238	155,811

### 21. Other operating income

	Group	
	2011 \$'000	2010 \$'000
Trade receivables collection fee	4,607	–
Service fee	782	1,433
Commission income	14	56
Net gain on disposal/write-off of property, plant and equipment	8	–
Grant income from Jobs Credit Scheme	–	85
Foreign exchange gain, net – forward currency contracts	–	1,468
Foreign exchange loss, net – others	–	(315)
Write back of long outstanding deposits and advances	–	201
Others	84	185
	5,495	3,113



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 22. Administrative and other operating expenses

Administrative and other operating expenses include :

	Group	
	2011 \$'000	2010 \$'000
Audit fees paid to :-		
Auditors of the Company	78	65
Other auditors	66	51
Non-audit fees paid to :-		
Auditors of the Company	31	225
Other auditors	16	10
Foreign exchange loss, net – forward currency contracts	5	–
Foreign exchange loss, net – others	160	–
Net loss on disposal/write-off of property, plant and equipment	–	13

### 23. Personnel expenses and employee benefits

	Group	
	2011 \$'000	2010 \$'000
Wages, salaries and bonuses	19,551	14,338
Pension contributions	2,059	1,695
Termination benefits	275	21
Other personnel benefits	1,691	1,321
	23,576	17,375

Personnel expenses include directors and executive officers' remuneration as shown in Note 33.

### 24. Financial income

	Group	
	2011 \$'000	2010 \$'000
Interest income from :-		
Bank deposits	146	56
An associate	46	551
Others	31	–
	223	607

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 25. Financial expenses

	Group	
	2011 \$'000	2010 \$'000
Bank charges	(280)	(345)
Interest expense	(9)	(7)
	(289)	(352)

### 24. Tax

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

	Group	
	2011 \$'000	2010 \$'000
Current tax :-		
Current year	2,365	2,800
Foreign tax	1,354	891
Underprovision in respect of prior years	90	482
Deferred tax :-		
Current year	(1,088)	(465)
Underprovision in respect of prior year	–	20
Income tax expense	2,721	3,728

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	16,226	14,640
Tax at 17%	2,758	2,489
Tax effect of expenses that are not deductible in determining taxable profit	235	686
Realisation of deferred tax assets previously not recognised	(146)	(47)
Tax exemption	(52)	(26)
Underprovision in respect of prior years	90	502
Difference in tax rates applicable to subsidiaries and associates	216	125
Deferred tax assets not recognised by subsidiaries	205	232
Share of results of an associate	(87)	(92)
Tax effect of income not subject to tax	(6)	(18)
Tax effect on benefits arising from Productivity and Innovation Credit	(499)	(135)
Others	7	12
Income tax expense	2,721	3,728

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 26. Tax (cont'd)

#### *Deferred tax assets and liabilities*

Deferred tax as at 31 December related to the following:

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Deferred tax liability :-				
Differences in depreciation of property, plant and equipment for tax purposes	(723)	(592)	(583)	(439)
Interest income not remitted	–	(94)	–	(94)
	(723)	(686)	(583)	(533)
Deferred tax assets :-				
General provisions	2,685	1,971	716	797
Difference in amortisation of intangible asset	294	–	294	–
Unutilised capital allowances	119	–	–	–
Net deferred tax assets	2,375	1,285	427	264

The corporate tax rate for Thailand will be reduced from 30% to 23% for financial year ending on or after 31 December 2012 and to 20% for financial year commencing on or after 1 January 2013.

#### *Unrecognised tax losses*

The Group has tax losses and unutilised capital allowances of approximately \$1,994,000 (2010 : \$1,107,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

### 27. Earnings per share

Basic earnings per share 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 2011

### 27. 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	
	2011 \$'000	2010 \$'000
Net profit attributable to ordinary equity holders of the Company for basic and diluted earnings per share	13,505	10,912
Weighted average number of ordinary shares for basic and diluted earnings per share computation	361,897,000	361,897,000

942,000 (2010 : 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.

### 28. Dividends

	Group and Company	
	2011 \$'000	2010 \$'000
A final exempt (one-tier) dividend paid in respect of the previous financial year of 4 cents (2010 : 3 cents) per share	14,476	10,857

In accordance with the scheme of arrangement ("Scheme") as described in Note 38 on 'Events occurring after the reporting period', the Company will pay a final one-tier tax exempt dividend of S\$0.06 per share amounting in aggregate to approximately S\$21,714,000 ("Permitted Dividend"). The Permitted Dividend is conditional on the Scheme becoming effective and binding in accordance with its terms, which would include the approval by shareholders of the Scheme by the requisite majorities at a meeting of the Company convened by the High Court to approve the Scheme. The Permitted Dividend has not been recognised as liabilities as at 31 December 2011.

### 29. Cash and cash equivalents

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Fixed deposits	35,038	28,500	35,000	28,500
Cash and bank balances	11,497	11,491	4,821	6,869
	46,535	39,991	39,821	35,369

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.2% to 2.55% (2010 : 0.15% to 2.55%) per annum. Included in cash and bank balances is an amount of \$29,800 (2010 : \$29,400) pledged in accordance to a contractual arrangement.

Fixed deposits of the Group and the Company were made for varying periods between 1 week to 3 months (2010 : 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 0.05% to 0.38% (2010 : 0.09% to 2%) per annum.

### 30. Employee share option scheme

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

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

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

2011 Category	Exercise price \$	Number of options outstanding at 1.1.2011 <sup>(1)</sup>	During the year			Number of options outstanding at 31.12.2011	Exercisable period
			Granted	Exercised	Forfeited		
Employees of the Company	0.625	574,000	—	—	45,000	529,000	1.3.2004 to 28.2.2012
Employees of the subsidiaries	0.625	226,000	—	—	13,000	213,000	1.3.2004 to 28.2.2012
		800,000	—	—	58,000	742,000	
Executive director	0.625	200,000	—	—	—	200,000	1.3.2004 to 28.2.2012
		200,000	—	—	—	200,000	
Total		1,000,000	—	—	58,000	942,000	
Exercisable at end of year						942,000	

## NOTES TO THE FINANCIAL STATEMENTS

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

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	

(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 (2010 : Nil) was exercised.

### 31. 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Capital commitments in respect of property, plant and equipment	156	272	156	272



## NOTES TO THE FINANCIAL STATEMENTS

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### 31. Commitments (cont'd)

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

As at 31 December 2011, 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 \$1,211,000 (2010 : \$1,180,000).

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

	<b>Group</b>	
	<b>2011 \$'000</b>	<b>2010 \$'000</b>
Not later than one year	1,060	889
Later than one year but not later than five years	676	952
	<b>1,736</b>	<b>1,841</b>

### 32. Contingent liabilities

#### *Guarantees*

	<b>Group</b>		<b>Company</b>	
	<b>2011 \$'000</b>	<b>2010 \$'000</b>	<b>2011 \$'000</b>	<b>2010 \$'000</b>
Bankers' guarantees issued by banks on behalf of :				
Associate	212	345	212	345
Subsidiaries	–	–	5,026	5,097
	<b>212</b>	<b>345</b>	<b>5,238</b>	<b>5,442</b>

### 33. 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 :-

	<b>Group</b>	
	<b>2011 \$'000</b>	<b>2010 \$'000</b>
Income :-		
Sales to related companies	–	252
Sales to an associate	2,277	1,836
Other income from related company	–	65
Service fee from a related company	–	1,433
Expenses :-		
Purchase of goods from related companies	25	15,013

## NOTES TO THE FINANCIAL STATEMENTS

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### 33. Related party disclosures (cont'd)

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

	Group	
	2011 \$'000	2010 \$'000
Directors of the Company :-		
Directors' fees	185	189
Directors' remuneration	1,020	951
Defined contribution benefits	7	7
Directors of the subsidiaries :-		
Directors' fees	9	2
Directors' remuneration	404	466
Defined contribution benefits	15	12
Key management :-		
Key management's remuneration	1,139	1,081
Defined contribution benefits	52	49

### 34. Segment information

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

Telecommunications	– Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of satellite communications and transmission products and systems.
Infocomm	– Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of info-communications network infrastructure, broadcast infrastructure, payment systems and wireless solutions.

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

#### ***Allocation basis and transfer pricing***

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

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

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 34. Segment information (cont'd)

2011	Telecommunications \$'000	Infocomm \$'000	Adjustments and eliminations \$'000	Notes	Total \$'000
Turnover	55,749	100,489	–		156,238
Inter-segment turnover	10,109	9,286	(19,395)		–
Total turnover	65,858	109,775	(19,395)		156,238
Cost of sales	(51,355)	(79,647)	19,395		(111,607)
Gross profit	14,503	30,128	–		44,631
Other operating income	5,410	85	–		5,495
Distribution and selling expenses	(10,826)	(14,390)	–		(25,216)
Administrative expenses	(2,125)	(6,184)	–		(8,309)
Other operating expenses	(703)	(116)	–		(819)
Profit from operating activities	6,259	9,523	–		15,782
Financial income					223
Financial expenses					(289)
					15,716
Share of results of an associate					510
Tax					(2,721)
Net profit for the year					13,505
Other information					
Segment assets	43,050	47,133	53,241	B	143,424
Segment liabilities	42,984	18,140	21,054	C	82,178
Capital expenditure	1,642	3,920			5,562
Depreciation and amortisation	274	2,946			3,220
Other non-cash expenses	510	1,291			1,801

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 34. Segment information (cont'd)

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 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:

	2011 \$'000	2010 \$'000
Investment in an associate	2,042	1,730
Deferred tax assets	2,375	1,285
Other receivables, deposits and prepayments	2,289	5,100
Cash and cash equivalents	46,535	39,991
	53,241	48,106

## NOTES TO THE FINANCIAL STATEMENTS

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### 34. 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:

	2011 \$'000	2010 \$'000
Other payables and accruals	17,992	13,907
Obligations under finance leases	35	63
Provision for taxation	3,027	2,182
	21,054	16,152

#### 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Singapore	62,802	57,310	5,192	3,357
Indonesia	25,975	30,794	283	513
Thailand	15,287	27,366	1,604	1,731
Philippines	14,739	14,331	1,581	624
Malaysia	9,993	7,937	509	510
Morocco	8,666	—	113	—
Europe	5,615	—	5	—
Middle East	5,547	—	—	—
Vietnam	3,171	12,663	—	—
Other Asian countries	4,125	4,677	47	58
Others	318	186	—	—
	156,238	155,264	9,334	6,793

Non-current assets information presented above consist of intangible asset, property, plant and equipment, and lease receivable.

#### Information about a major customer

Revenue from one major customer amounted to \$27,142,000 (2010: \$27,068,000), arising from sales by the Telecommunications and Infocomm segments.

## NOTES TO THE FINANCIAL STATEMENTS

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### 35. 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 43% (2010 : 44%) of the Group's sales and 83% (2010 : 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 \$3,844,000 (2010 : \$5,306,000) and \$1,788,000 (2010 : \$4,499,000) 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>US dollar -</b>				
- Strengthened 3% (2010 : 3%)	(2)	(199)	44	(164)
- Weakened 3% (2010 : 3%)	2	199	(44)	164
<b>Norwegian Krone -</b>				
- Strengthened 3% (2010 : 3%)	(17)	5	2	5
- Weakened 3% (2010 : 3%)	17	(5)	(2)	(5)
<b>Euro dollar -</b>				
- Strengthened 5% (2010 : 5%)	279	98	77	100
- Weakened 5% (2010 : 5%)	(279)	(98)	(77)	(100)



## NOTES TO THE FINANCIAL STATEMENTS

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### 35. 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>2011</b>				
Singapore dollar	(100)	(96)	(100)	(92)
US dollar	(100)	–	(100)	–
Singapore dollar	100	332	100	316
US dollar	100	1	100	–
<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

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 35. 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.

	2011				2010			
	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	56,272	–	–	56,272	38,767	–	–	38,767
Finance lease receivable	319	338	–	657	–	–	–	–
Other receivables and deposits (excluding prepayments)	2,082	–	–	2,082	4,920	–	–	4,920
Amount due from an associate	503	–	–	503	4,467	–	–	4,467
Amounts due from related companies	–	–	–	–	14	–	–	14
Cash and cash equivalents	46,535	–	–	46,535	39,991	–	–	39,991
Derivative financial instruments								
- Forward currency contracts, net	–	–	–	–	433	–	–	433
Total undiscounted financial assets	105,711	338	–	106,049	88,592	–	–	88,592

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Liquidity risk (cont'd)

	2011				2010			
	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	53,818	–	–	53,818	37,303	–	–	37,303
Other payables and accruals	19,111	–	–	19,111	15,946	–	–	15,946
Amount due to an associate	24	–	–	24	–	–	–	–
Amounts due to related companies	–	–	–	–	688	–	–	688
Obligations under finance leases	29	7	–	36	30	37	–	67
Derivative financial instruments								
- Forward currency contracts, net	229	–	–	229	–	–	–	–
Total undiscounted financial liabilities	73,211	7	–	73,218	53,967	37	–	54,004
Total net undiscounted financial assets/ (liabilities)	32,500	331	–	32,831	34,625	(37)	–	34,588
<b>Company</b>								
<b>Financial assets:</b>								
Trade receivables	27,408	–	–	27,408	25,385	–	–	25,385
Other receivables, deposits and prepayments (excluding prepayments)	1,011	–	–	1,011	3,303	–	–	3,303
Amounts due from subsidiaries	11,941	–	–	11,941	15,713	–	–	15,713
Amount due from an associate	503	–	–	503	3,243	–	–	3,243
Amounts due from related companies	–	–	–	–	3	–	–	3
Cash and cash equivalents	39,821	–	–	39,821	35,369	–	–	35,369
Derivative financial instruments								
- Forward currency contracts, net	–	–	–	–	433	–	–	433
Total undiscounted financial assets	80,684	–	–	80,684	83,449	–	–	83,449

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

#### Liquidity risk (cont'd)

	2011				2010			
	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	30,155	–	–	30,155	31,961	–	–	31,961
Other payables and accruals	11,868	–	–	11,868	11,601	–	–	11,601
Amounts due to subsidiaries	402	–	–	402	413	–	–	413
Amounts due to related companies	–	–	–	–	377	–	–	377
Derivative financial instruments - Forward currency contracts, net	229	–	–	229	–	–	–	–
Total undiscounted financial liabilities	42,654	–	–	42,654	44,352	–	–	44,352
Total net undiscounted financial assets	38,030	–	–	38,030	39,097	–	–	39,097

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

	2011				2010			
	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	212	–	–	212	–	345	–	345
<b>Company</b>								
Financial guarantees	3,613	1,625	–	5,238	1,310	4,132	–	5,442

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 35. 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	
	2011	2010	2011	2010
≥ 25	Singapore	Singapore and Thailand	Singapore	Philippines and Singapore
>10 and <25	Thailand, Morocco and Indonesia	Philippines	Thailand and Philippines	–
≤ 10	Philippines, Afghanistan, Norway and others	Malaysia, Indonesia and others	Vietnam and others	Thailand, Vietnam, Philippines, Indonesia, and others

##### **By Industry Sectors**

	Group				Company			
	2011		2010		2011		2010	
	\$'000	% of total	\$'000	% of total	\$'000	% of total	\$'000	% of total
Telecommunication	39,552	70	18,375	47	17,140	63	15,055	58
Financial institutions	4,087	7	5,174	13	2,906	11	1,408	6
Government agencies	10,628	19	11,365	29	6,411	23	5,953	23
Media and broadcasting	323	1	1,897	5	127	–	1,621	6
Multi industry conglomerates	635	1	1,409	4	287	1	1,393	5
Others	1,047	2	979	2	537	2	387	2
	56,272	100	39,199	100	27,408	100	25,817	100

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

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

#### **Customers' profile (cont'd)**

#### **By Industry Sectors (cont'd)**

At the balance date,

- 44% (2010 : 69%) of the Group's trade receivables in Singapore (2010: Singapore) are due from a reputable telecommunication service provider; and
- 34% (2010 : 35%) of the Group trade receivables are due from 3 major customers in the 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 11.

### 36. 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 2011</b>				
<b>Financial liabilities</b>				
Derivatives – Forward currency contracts	–	229	–	229
<b>At 31 December 2010</b>				
<b>Financial assets</b>				
Derivatives – Forward currency contracts	–	433	–	433



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 36. Financial instruments (cont'd)

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

##### 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.

#### (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>2011</b>							
<b>Group</b>							
<b><i>Floating rate</i></b>							
Cash and bank balances	11,497	–	–	–	–	–	11,497
<b><i>Fixed rate</i></b>							
Fixed deposits	35,038	–	–	–	–	–	35,038
Finance lease receivable	288	321	–	–	–	–	609
Obligations under finance leases	(28)	(7)	–	–	–	–	(35)
<b>Company</b>							
<b><i>Floating rate</i></b>							
Cash and bank balances	4,821	–	–	–	–	–	4,821
<b><i>Fixed rate</i></b>							
Fixed deposits	35,000	–	–	–	–	–	35,000

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 36. Financial instruments (cont'd)

#### (b) Interest rate risk (cont'd)

2010	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>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

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.

#### (c) Derivative financial instruments

Group						
	Contract/ notional amount	2011 S\$'000		Contract/ notional amount	2010 S\$'000	
		Assets	Liabilities		Assets	Liabilities
Forward currency contracts – gross receipts	7,040	–	226	16,166	432	–
Forward currency contracts – gross payments	157	–	3	240	1	–

Forward currency contracts are used to hedge the Group's sales and purchases denominated in US dollar, Euro dollar, Danish Krone, against SGD for which firm commitments existed at the balance sheet date, extending to March 2012 (2010: June 2011).

The Group does not apply hedge accounting.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

### 37. 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 2011 and 31 December 2010.

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	
	2011 \$'000	2010 \$'000
Trade payables (Note 14)	54,047	37,302
Other payables and accruals (Note 15)	19,111	15,946
Amount due to an associate (Note 13)	24	–
Amounts due to related companies (Note 13)	–	688
Obligations under finance leases (Note 17)	35	63
Less: Cash and cash equivalents (Note 29)	(46,535)	(39,991)
Net debt	26,682	14,008
Capital : Equity attributable to equity holders of the Company	61,246	62,263
Capital and net debt	87,928	76,271
Gearing ratio	30.3%	18.4%

### 38. Events occurring after the reporting period

#### *Scheme of arrangement*

On 10 February 2012, the Company and Singapore Technologies Electronics Limited ("STEL") jointly announced the proposed acquisition of all the issued and paid up shares in the capital of the Company by way of a scheme of arrangement ("Scheme") under Section 210 of the Companies Act, Chapter 50 of Singapore and in accordance with the Singapore Code on Take-overs and Mergers.

The Scheme will require, inter alia, (i) the approval by the shareholders by the requisite majorities at a meeting of the Company convened by the High Court and (ii) sanction by the High Court. If the Scheme becomes effective and binding in accordance with its terms, it will result in a change in the ultimate holding company from Eltek ASA to STEL.

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

On 13 February 2012, the Group has incorporated a wholly-owned subsidiary, Nera Telecommunications FZ-LLC. The subsidiary company is incorporated in United Arab Emirates and its principal activity is in the area of telecommunications and infocommunications.

### 39. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 30 March 2012.

## STATISTICS OF SHAREHOLDINGS

as at 21 March 2012

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	6	0.11	1,361	0.00
1,000 - 10,000	3,236	60.97	18,064,000	4.99
10,001 - 1,000,000	2,052	38.66	105,078,249	29.04
1,000,001 - and above	14	0.26	238,753,390	65.97
Total :	5,308	100.00	361,897,000	100.00

### Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Eltek ASA	181,136,000	50.05
2.	Raffles Nominees (Pte) Ltd	11,172,000	3.09
3.	DBSN Services Pte Ltd	8,733,000	2.41
4.	DBS Nominees Pte Ltd	7,926,000	2.19
5.	HSBC (Singapore) Nominees Pte Ltd	6,704,000	1.85
6.	Citibank Nominees Singapore Pte Ltd	6,482,000	1.79
7.	United Overseas Bank Nominees Pte Ltd	4,725,000	1.31
8.	Poh Kheng Mui (Fu Qingmei)	2,868,000	0.79
9.	OCBC Nominees Singapore Pte Ltd	2,510,000	0.69
10.	Tan Boon Khak Holdings Pte Ltd	1,682,000	0.46
11.	Maybank Kim Eng Securities Pte Ltd	1,617,000	0.45
12.	Phillip Securities Pte Ltd	1,156,390	0.32
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.	Rosie d/o Pillai Mrs Rosie Chandra Das	1,000,000	0.28
17.	OCBC Securities Private Ltd	963,049	0.27
18.	DB Nominees (Singapore) Pte Ltd	919,000	0.25
19.	Quek Geok Eng	906,000	0.25
20.	Bank of Singapore Nominees Pte Ltd	882,000	0.24
Total :		244,423,439	67.54

### Substantial Shareholders as at 21 March 2012

	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 the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

## NOTICE OF ANNUAL GENERAL MEETING

Nera Telecommunications Ltd

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Nera Telecommunications Ltd (the “Company”) will be held at 109 Defu Lane 10, Singapore 539225 on Friday, 27 April 2012 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 2011 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect Mr Jorgen Larsen, the Director retiring pursuant to Article 87 of the Articles of Association of the Company. [See Explanatory Note (i)] **(Resolution 2)**
3. To re-appoint the following Directors, who are retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company:  
Mr S Chandra Das **(Resolution 3)**  
Mr Lau Ping Sum **(Resolution 4)**  
[See Explanatory Note (ii)]
4. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

### As Special Business

6. To approve the payment of Directors’ fees of S\$185,000 for the year ended 31 December 2011 (2010: S\$189,286) **(Resolution 6)**

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

#### 7. Authority to issue shares

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

- (a) (i) issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

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

## NOTICE OF ANNUAL GENERAL MEETING

Nera Telecommunications Ltd

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

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new shares arising from the conversion or exercise of any convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

**(Resolution 7)**

### 8. 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 prevailing Nera Telecom Employees' Share Option Scheme ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)]

**(Resolution 8)**

By Order of the Board

**Tan Cher Liang**

Company Secretary

Singapore, 12 April 2012



## NOTICE OF ANNUAL GENERAL MEETING

Nera Telecommunications Ltd

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

### Explanatory Notes:

- (i) Mr Jorgen Larsen will, upon re-election as a Director of the Company, remain as Non-Executive Director and members of the Nominating and Remuneration Committees.
- (ii) The effect of the Ordinary Resolutions 3 and 4 proposed in item 3 above, are to re-appoint 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 Nominating Committee. He will be considered independent.

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

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

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

### Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the “**Meeting**”) is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at 109 Defu Lane 10, Singapore 539225 not less than forty-eight (48) hours before the time appointed for holding the Meeting.
3. If the appointor is a corporation, the instrument appointing a proxy must be executed under its seal or the hand of its duly authorised officer or attorney.

## Nera Telecommunications Ltd

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

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT:

1. For investors who have used their CPF monies to buy Nera Telecommunications Ltd's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, \_\_\_\_\_  
of \_\_\_\_\_

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 109 Defu Lane 10, Singapore 539225 on Friday, 27 April 2012 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 2011		
2	Re-election of Mr Jorgen Larsen as a Director		
3	Re-appointment of Mr S Chandra Das as a Director		
4	Re-appointment of Mr Lau Ping Sum as a Director		
5	Re-appointment of Messrs Ernst & Young LLP as Auditors		
6	Approval of Directors' fees amounting to S\$185,000		
7	Authority to issue shares		
8	Authority to issue shares under the Nera Telecom Employees' Share Option Scheme		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2012

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