

providing solutions expanding horizons

Modern technology has transformed the way we communicate, where seamless communication is no longer an option, but a necessity. Boundaries that existed before, no longer exist today. The truly global communications framework, has become a reality.

With over 35 years' of experience, NERA TELECOMMUNICATIONS LTD is a leading alobal communications company and a premier IT solutions provider. Our wireless technology allow communication across vast areas of land and sea, helping individuals and organisations stay connected with one another. We also partner with some of the best technology partners worldwide to provide advanced, powerful and robust Infocomm Network Infrastructure solutions for our customers.

We tap the power of technology to keep the world connected.

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CHAIRMAN'S **STATEMENT**

On behalf of the Board, I am pleased to present the Annual Report and Financial Statements of Nera Telecommunications Ltd for the year ended 31 December 2013.

Against an uncertain business environment due to concerns about the United States Federal Reserve's tapering of its quantitative easing policies, the Group achieved S\$178.2 million in turnover, comparable to the S\$178.8 million recorded for FY2012. However, Profit before tax ("PBT") rose 16.3% from S\$23.6 million to S\$27.5 million, inclusive of negative goodwill contribution arising from the acquisition of Nera (Malaysia) Sdn. Bhd on 26 April 2013. The Group ended the year with S\$39.3 million cash, and zero debt.

Basic earnings per ordinary share for the year, based on the net profit attributable to shareholders, rose from 5.36 cents in FY2012 to 6.48 cents, representing an increase of 20.9%. Net Asset value per ordinary share, based on issued share capital of 361,897,000 ordinary shares, increased from 18.20 cents recorded in FY2012 to 18.29 cents. These results were achieved despite the Group having paid a dividend of 4 cents per ordinary share on 16 May 2013 for FY2012, and an interim dividend per of 2 cents per ordinary share on 30 August 2013.

The Board is pleased to recommend a final one-tier tax exempt dividend of 4 cents per ordinary share for FY2013. The proposed dividend, if approved at the Annual General Meeting on 29 April 2014, will be paid on 20 May 2014. This, including the interim dividend of 2 cents paid on 30 August 2013, will bring the total dividend for FY2013 to 6 cents per ordinary share.

The Infocomm industry continues to present many opportunities, with multimedia, mobile content, applications and services on smart phones driving the exponential growth in consumer internet traffic. We will continue to focus on providing high performance IP, Optical and Broadcast network infrastructure products and solutions for our customers.

Low Point-of-Sales penetration, coupled with increased card spending, especially in the emerging economies, continues to drive the demand for cashless payment solutions. We are also seeing more business opportunities as banks increasingly outsource their point-of-sales infrastructure.

The Telecommunication industry is expected to remain active and highly competitive, with the growth in voice, data, video and broadband driving Telecom operators to upgrade their wireless networks and expand their network coverage. This robust demand for wireless infrastructure networks across Asia Pacific, Middle East and North Africa markets will provide more business opportunities for the Group.

The Group will continue to leverage on our strong position in the Telecom and Infocomm business segments to expand into new markets. 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 this increasingly challenging business environment.

The Board and Committees contributed to enhance processes as well as implement many of the changes required of the Code of Governance 2012. The Board also welcomes Ms Wong Su-Yen, who was appointed as Independent Director on 23 December 2013 after a rigorous search process. This facilitated completion of the Board composition and restructuring of the various Committees. With her wealth of knowledge and experience, I am confident that she, together with the other directors, will serve the Group well.

To our fellow directors, management and staff, I would like to express my deepest appreciation for your efforts throughout the year. To our valued customers, suppliers and business partners, I wish to register my thanks for your continued confidence and support to the Group. We look forward to many more years of fruitful collaboration and alliances in the years ahead.

Last but not least, on behalf of the Board of Directors, we are grateful to you, our shareholders, for your relentless support year after year. We strive to enhance shareholders' value in the years ahead.

MR TAN LYE HUAT

Chairman



PRESIDENT & CEO'S STATEMENT

BUSINESS REVIEW

FY2013 was a challenging year for the NeraTel Group. However, despite the uncertain global economic environment, we managed to deliver a set of positive results

Turnover of S\$178.2 million was registered for the Group compared to S\$178.8 million in FY2012, a slight drop of 0.3%. This was attributed to a lower turnover from the Infocomm business segment, partially offset by higher turnover from the Telecommunications business segment. Despite the lower turnover, Profit before tax ("PBT") rose 16.3% from S\$23.6 million to S\$27.5 million, contributed by negative goodwill arising from the acquisition of Nera (Malaysia) Sdn Bhd of S\$7.0 million. Profit after tax ("PAT") increased from S\$19.4 million to S\$23.5 million, up 21% from the previous year. At the end of the year, the Group registered positive cash at bank balances and fixed deposit of S\$39.3 million compared to S\$43.7 million in FY2012, a drop of 10.3%. The decrease in cash and cash equivalents for the year was mainly due to the payment of final dividend for FY2012, interim dividend for FY2013 as well as purchase of point-of-sale terminals for our leasing business.

The Telecom business segment recorded a turnover of S\$70.4 million in FY2013 compared to S\$69.3 million in FY2012, an increase of 1.6%. This increase was attributed to higher sales of satellite equipment, with sales in Wireless Infrastructure Products ("WIN") remaining relatively stable at S\$65.4 million.

The Infocomm business segment registered a turnover of S\$107.8 million in FY2013 compared to S\$109.5 million recorded in FY2012, a slight decrease of 1.6%. This was due to fluctuations in sales of network equipment to the Service Provider market sector, offset by increased leasing revenue from point-of-sales terminals.

Business outlook Telecommunications (Telecom)

The Telecommunications business segment comprises two business areas: Wireless Infrastructure Networks ("WIN") and Satellite Communications ("Satcom").

The global Telecom industry remains highly competitive with Telecom operators being cautious in their capital investments and operational costs, demanding products and solutions with lower capital and operating expenses. At the same time, major global telecom equipment vendors are competing aggressively to gain market share.

Nonetheless, the growth in mobile data and smart devices as well as various regulatory compliances will drive mobile operators to improve their wireless infrastructure, coverage, capacity and capabilities. This will benefit the Group as we have the ability to provide comprehensive end-to-end wireless infrastructure networks, comprising point-to-point and point-to-multipoint radios, solutions for indoor and outdoor coverage, data offload, wifi and other network performance solutions to address market demands.

In the non-mobile space, the Group will focus on offering its suite of WIN products and solutions to Enterprise, Defence, Broadcasting and Utilities customers, including In-Building Solutions.

In the Satellite business area, we will continue to sell various satellite communication products, solutions and services to the land and marine markets.

Infocommunications (Infocomm)

The Infocomm business segment comprises two 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.

PRESIDENT & CEO'S STATEMENT

Network Infrastructure

Competition is expected to remain strong from local resellers, distributors and system integrators as well as some global network equipment manufacturers.

However, the Group believes that the strong growth in internet traffic, web services and regulatory compliance will drive Service Providers to build, expand and upgrade their networks. The demand for IT and network equipment for the Enterprise market sector is also expected to be driven by network security concerns and the need to improve competitiveness. In the Government, Transport and Utilities market sector, demand for IT infrastructure networks will continue to remain strong as governments drive to lower costs and improve public services.

The Group will focus on providing quality IP, Optical and Broadcast network infrastructure products, solutions and services to meet various customers' objectives.

Payment Solutions

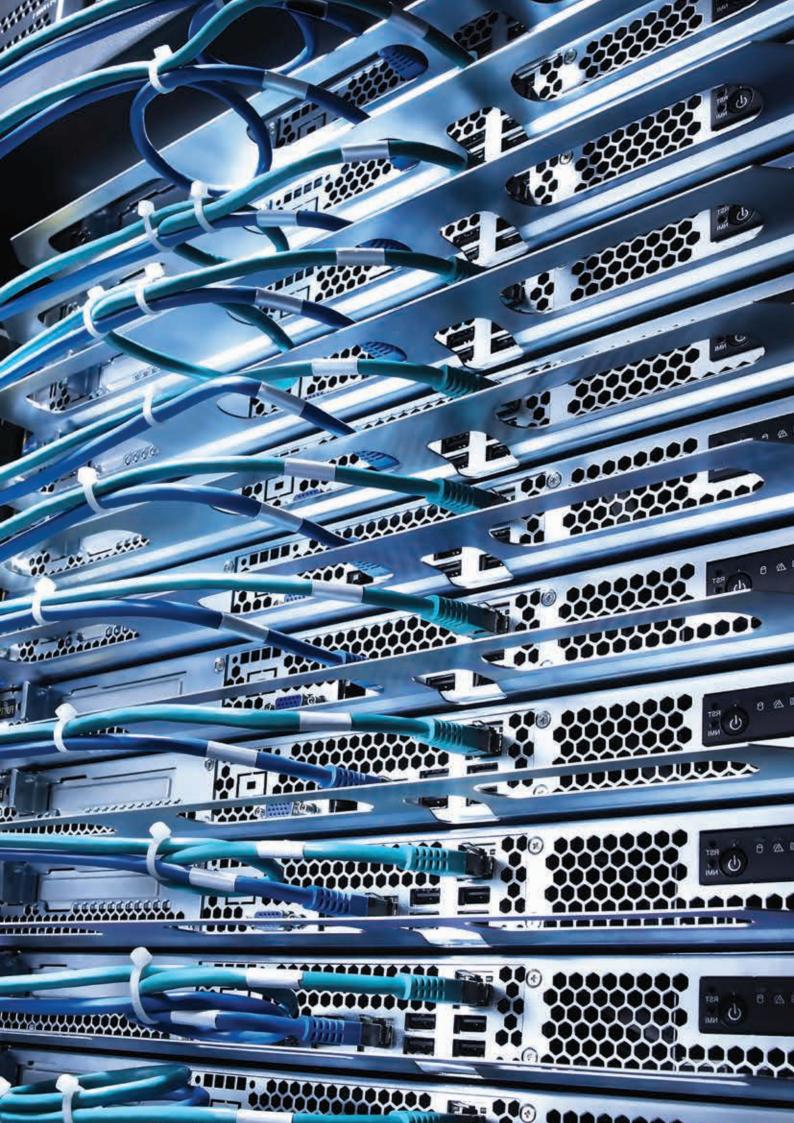
Growth in the payment business is driven mainly by an increased deployment of point-of-sale terminals due to the rise in debit and credit card spending, government initiatives to go cashless as well as banks outsourcing their point-of-sale infrastructure in order to focus on their core business activities.

The Group will continue to focus on providing secured end-to-end electronic payment network infrastructure, payment terminal variants and maintenance services to financial institutions and retailers, as well as increasing our recurring revenue from leasing.

Finally, I would like to thank our customers, business partners and shareholders for their continuous support. I would 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**



MR TAN LYE HUAT (aged 65)
Independent Non-Executive Director since 28 January 2013
Chairman of the Board since 28 January 2013
Chairman, Audit Committee since 2 April 2013
Last re-elected on 26 April 2013

Mr Tan is the Founder and Non-Executive Chairman of HIM Governance Private Limited. He had been actively engaged in other corporate governance work including, until recently, being the Regional Adviser of Governance for Owners LLP as well as volunteering at a number of governance-related associations.

Besides senior professional and management experiences in the banking, audit and commercial sectors, Mr Tan sits on the boards of other Singapore listed companies, namely, SP Corporation Limited, Japan Foods Holding Ltd, Neo Group Limited and Dynamic Colours Limited. He was a director of Singapore Kitchen Equipment Limited (listed on the Singapore Exchange), from which he resigned in 2013.

Mr Tan is a member of the Institute of Singapore Chartered Accountants (ISCA), Fellow of the Association of Chartered Certified Accountants (FCCA), member of the Australian Institute of Company Directors (AICD) as well as a Chartered Director (C. Dir.) of the Institute of Directors (IOD, UK). He attended the Executive Management Program at Columbia University and the International Directors' Course at Insead.

MR ANG SEONG KANG SAMUEL

(aged 58)
Executive Director

Mr Ang 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.

PROFESSOR LEE KWOK CHEONG

(aged 59)
Independent
Non-Executive Director since 8 March 2013
Chairman, Remuneration Committee
since 2 April 2013
Last re-elected on 26 April 2013

Professor Lee is the Chief Executive Officer ("CEO") of Singapore Institute of Management Pte Ltd and an Adjunct Professor at SIM University. He was previously an Adjunct Associate Professor of NTU Business School. Mr Lee serves on the boards of Defence Science & Technology Agency, Inland Revenue Authority of Singapore, Singapore Institute of Management Pte Ltd, SIM University and ITE Holding Pte Ltd.

Professor Lee was awarded the MIT Scholarship and graduated from the Massachusetts Institute of Technology (MIT) with Bachelor of Science in Management. He also holds a Master of Science in Management Science from University of California at Berkeley. He attended the ISEAD Avira Program and Stanford Executive Program at Stanford University Business School.

Professor Lee had a 27-year successful career in IT consulting and services before moving to education in 2005.



MR TAN CHOON HONG (aged 40) Non-Executive Director since

28 January 2013 Member, Nominating Committee since 28 January 2013 Member, Remuneration Committee since 28 January 2013 Last re-elected on 26 April 2013

Mr Tan is a Managing Director at Northstar Advisors. Prior to joining Northstar, Mr Tan was a director for special projects at CS Partners and a vice president at GIC Special Investments Pte Ltd. Earlier, he spent five years in Corporate Finance at Deutsche Bank. He began his career with the Ministry of Trade and Industry as an Assistant Director. He currently serves on the board of The Thai Credit Retail Bank, ERA Realty Network and Samudra Energy.

Mr Tan is a Chartered Financial Analyst and holds a Master of Engineering and Bachelor of Arts from Cambridge University. He was awarded the Overseas Merit Scholarship by the Singapore Public Service Commission.

MR ASHISH JAIPRAKASH SHASTRY

(aged 38) Non-Executive Director since 28 January 2013 Member, Nominating Committee since 28 January 2013 Last re-elected on 26 April 2013

Mr Shastry is a Managing Partner at Northstar Advisors. Prior to joining Northstar, Mr Shastry was at TPG Capital for over 13 years, most recently as the partner responsible for TPG's business in Southeast Asia. Before joining TPG, Mr Shastry was an investment banker at Lehman Brothers in New York. He currently serves as a non-executive director on the boards of Bank Tabungan Pensiunan Nasional, Delta Dunia Makmur, Triputra Agro Persada, United Test and Assembly Center and ERA Realty Network.

Mr Shastry attended Princeton University and graduated with an A.B. degree in Economics (Honors).

MS WONG SU-YEN (aged 43)
Independent Non-Executive Director since
23 December 2013
Chairman, Nominating Committee since
23 December 2013
Member, Remuneration Committee since
23 December 2013

Ms Wong brings with her over 20 years of experience in driving business strategy, strategic talent development, organisation transformation, operation redesign and risk management. She is the Chairman for Marsh & McLennan Companies Inc, in Singapore, a global professional services firm specialising in risk, strategy, and human capital advice and solutions. She is also Senior Advisor to Oliver Wyman, a leading global management consulting firm, and a Senior Partner of Mercer, a global leader in human resources consulting and related financial services.

She also serves as a Director and Member of the Remuneration Committee at the National Kidney Foundation, Singapore. Previously she was Managing Director of Mercer – ASEAN, and the Asia Managing Partner for the Communications, Information & Entertainment practice at Oliver Wyman. She has advised clients across North America and Asia, and has previously been based in Boston, Bangkok, Hong Kong, Beijing and Seoul.

SENIOR MANAGEMENT

MR LIM GEE KIAT, aged 44, is the Chief Financial Officer of Nera Telecommunications Ltd. He joined on 6 May 2013 and leads the Group in areas such as corporate strategy, merger & acquisitions, corporate finance, cash flow planning, financial planning and reporting, tax planning as well as other finance-related matters. Mr Lim's extensive experience in the finance industry spans more than 10 years, including stints in GIC, SembCorp Industries and DBS. Mr Lim graduated with a Bachelor of Engineering (First Class Honors) in Electrical & Electronics from Nanyang Technological University and has a MBA from Nanyang Business School. Mr Lim is also a Chartered Accountant with the Institute of Singapore Chartered Accountants. In addition, he is an independent director of China Minzhong Food Corporation Ltd.

MR ODD KARE FOSSMO, aged 61, is the Senior Vice President for Wireless Infrastructure Networks. He is responsible for the Group's Wireless Infrastructure Networks business. Mr Fossmo has more than thirty six years working experience mainly in the areas of project management and sales. Mr Fossmo holds a Bachelor degree of Electronics from Trondheim, Norway.

MR AHMAD FAUZAN HASHIM. aged 56, is Managing Director and Country Manager for Nera (Malaysia) Sdn Bhd. Mr Fauzan has more than 32 years of working experience and had worked with Petronas, International Franchising and Philips before joining Nera in 1991. He obtained a Malaysian Government scholarship to study in the United States in 1975 and graduated with a Bachelor of Science (Business Administration) from the California State University, Chico and a Master of Administration (Business Administration) from the University of California. Riverside.

MAJOR CHOAKDEE DHAMASAROJ,

aged 56, is the Country Manager for Nera (Thailand) Ltd. Major Dhamasaroj has more than thirty years of working experience in engineering management in the telecommunications field. Prior to joining Nera (Thailand) Ltd., he was the Chief of Operation and Support, Telecommunications Center, Royal Thai Army, Chief of Satellite Engineer for Royal Thai Army Television (Channel 5), and a member of the Army Telecommunication Committee of Thailand. Major Dhamasaroj holds a Bachelor degree in Electronics and Telecommunications Engineering from Feati University Sta.Cruz, Manila in the Philippines in 1978. He is also a Board Director of the Telecommunications Association of Thailand under the Royal Patronage and a Vice President of Thai-Norwegian Chamber of Commerce.

MS NIMFA TANACIO MARIANO,

aged 50, is the Country Manager of Nera (Philippines) Inc., since 1996. Ms Mariano is a degree holder of Bachelor of Science in Electronics Engineering with Post Graduate units in Civil Law from the University of Santo Tomas. She has more than twenty five years of working experience in the field of telecommunications and information technology. Ms Mariano is a licence professional electronics engineer and is a lifetime member of the Institute of Electronics Engineer of the Philippines and a Board of Director of the Integrated Electronics Suppliers Association of the Philippines.

MR CHAN HENG CHEW MICHAEL,

aged 48, is the Senior Vice President for Contracts & Corporate Secretariat. He is responsible for contractual, commercial risk management, contract matters and corporate secretarial functions of the NeraTel Group. He has more than twenty three years of experience in marketing, logistics, investment, merger and acquisitions, and business and corporate

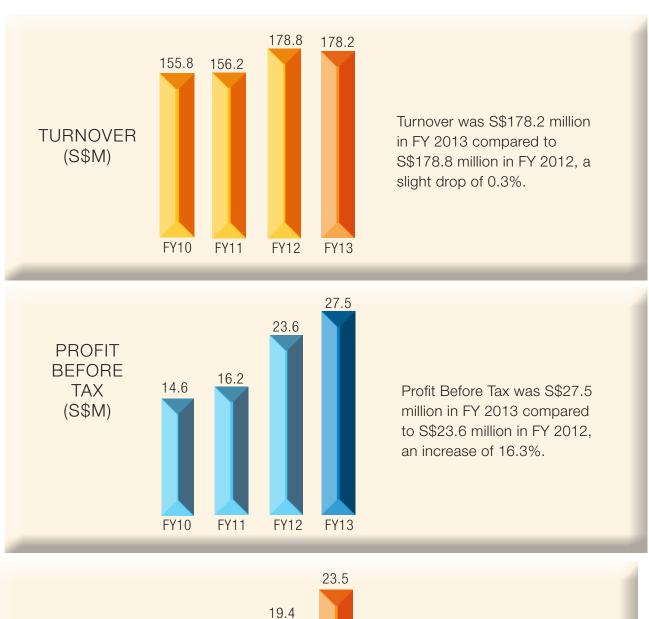
development in various industries such as shipping, healthcare, leisure, printing and publishing, telecommunications and information technology. Mr Chan holds a Bachelor of Science degree in Finance from the Indiana University and a Master of Business Administration degree from the Monash University.

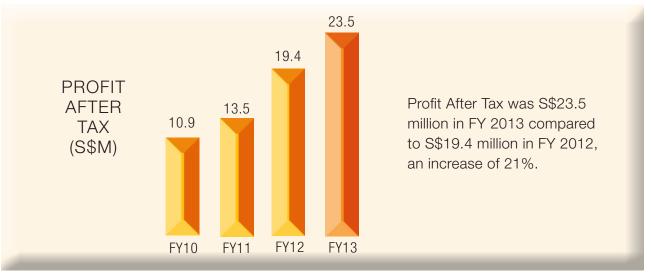
MS CHIANG HOCK CHIN JESSIE.

aged 50, is the Senior Vice President for Corporate Affairs & Staff. She is responsible for the Group's HR functions, investor relations, and corporate communications which include crisis management, corporate identity and the strategic positioning of the NeraTel Group. She has more than twenty-four years of experience in the areas she is currently serving. In addition, she oversees the Group's functions of Administration and Information Services. Ms Chiang is a member of the Institute of Public Relations of Singapore.

MR MARK WENG KWAI, aged 47, 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 three 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 Chartered Accountant (FCA Singapore) with the Institute of Singapore Chartered Accountants.

FINANCIAL **HIGHLIGHTS**





GEOGRAPHICAL PRESENCE



SUBSIDIARIES AND REPRESENTATIVE OFFICES			
Nera Networks (S) Pte Ltd	Nera Telecommunications (India) Pvt Ltd		
Nera Infocom Pte Ltd*	Nera Telecommunications (Australia) Pty Ltd		
Nera (Malaysia) Sdn Bhd	Nera Telecommunications Ltd, Vietnam Representative Office		
Nera Infocom (M) Sdn Bhd	Nera Telecommunications Ltd, Beijing Representative Office		
P.T. Nera Indonesia	Nera Telecommunications AS +		
Nera (Thailand) Ltd	Nera Telecommunications Maroc S.A.R.L AU +		
Nera (Philippines), Inc.	Nera Telecommunications (Pakistan) Private Limited +		
 Nera Telecommunications (Myanmar) Co., Ltd 	d* • Nera Telecommunications FZ-LLC +		
Nera Telecommunications (Taiwan) Co., Ltd	Nera Networks (Nigeria) Ltd +		

^{*} Dormant Company

⁺ Subsidiary of Nera Networks (S) Pte Ltd



BUSINESS **SEGMENT**: **TELECOMMUNICATIONS**



In-building coverage solution



Microwave transmission deployment

– Outdoor unit



Microwave transmission deployment – Indoor unit

WIRELESS INFRASTRUCTURE NETWORKS (WIN)

We provide 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 solutions, outdoor coverage enhancement, RF access network optimisation, 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, optimisation and QoS. These solutions cater to the needs of green field and brown field deployments.

Our 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 optimisation and performance benchmarking, we are very well poised to navigate cellular operators aspiring to achieve high quality of experience.

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

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

SATELLITE COMMUNICATIONS

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

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

BUSINESS **SEGMENT: INFOCOMMUNICATIONS**

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 server farm

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 customers to improve network accessibility, security and productivity, and Government Organisations to deliver services efficiently and securely.

Our IP Network Infrastructure product portfolio comprises of routers (core/edge), switches (Ethernet/carrier Ethernet), security devices (firewalls, intrusion, detection and prevention), application performance systems (optimisation/aggregation), controlling access, network operating systems and management systems.

Broadcast Network

We provide various digital TV broadcast network infrastructure products, networks and services to the Broadcasters and Service Providers. Our range of products include content creation, acquisition, aggregation and play-out, fixed/mobile contribution link (IP video transport solutions), head-end compression and multiplexing (encoders/multiplexers), distribution links and transmission (transmitters, fibre/radio transmission system) as well as coverage studies.

Optical Network

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



Optical Network equipment



Network Security equipment

BUSINESS **SEGMENT**: **INFOCOMMUNICATIONS**



Cashless payment solution deployed in schools

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.



Point-of-Sale Terminals



Private Bus operator payment system

Our range of products include high capacity digital cross connect systems, micro MSPP for CLE/CPE and metro access applications, optical multi-service platforms which integrate SDH/SONET, WDM/ROADM and Carrier Class Ethernet, and carrier Ethernet service edge routers/switches. This comprehensive combination of products aim 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 for brick and mortar, internet and mobile commerce to the Banking, Financial Services and Retail industries. Our solutions enable customers to have fast and secure transmission of vital financial business data.

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

BUSINESS **SEGMENT: INFOCOMMUNICATIONS**





HUMAN CAPITAL/CORPORATE SOCIAL RESPONSIBILITY



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

Our training programmes, which cater to different levels of employees, have provided them both the skills and knowledge to better perform in their jobs with the aim of raising productivity and better serve our customers. These 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. Social activities and festive celebrations are organised to provide a platform for employees to interact across all levels.



We believe in sharing our success with the community, and developing a right balance between business performance and social engagement.

Following the destruction left behind by Typhoon Haiyan, a Group-wide relief effort was organised. Through various fund raising activities, essentials and food packs were purchased and distributed as part of disaster relief efforts.

Nera Telecommunications Ltd (the "Company") is committed to high standards of corporate governance so as to ensure greater transparency and protect the interests of its employees, customers and shareholders. The Board of Directors ("**Board**") and Management believe that good corporate governance is key to the integrity of the Group and essential to the long-term sustainability of the Group's businesses and performance.

To discharge its governance function, the Board and its committees have established policies and rules to govern their activities. The Board and its committees are guided by their respective Terms of References which were updated during the year.

The Board is pleased to report to its shareholders on the Company's corporate governance practices for the financial year ended 31 December 2013 with specific reference to each guideline of the Code of Corporate Governance 2012 (the "Code").

BOARD MATTERS

The Board oversees the overall strategy and business direction of the Group and is collectively responsible for its success. The Management also plays a pivotal role in providing Board members with complete, adequate and timely information to assist the Board in the fulfilment of its responsibilities.

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

Guideline 1.1

Board's Role

The principal functions of the Board include, inter alia, providing entrepreneurial leadership, setting strategic objectives, monitoring Management's performance, establishing a framework for prudent and effective control for risk management, safeguarding shareholders' interests and the Company's assets as well as setting values and standards (including ethical standards) for the Company. The Board is also mindful of the Company's social responsibilities.

The Board's Conduct Of Affairs

The principal functions of the Board include, inter alia:

- (a) Providing entrepreneurial leadership, setting key business and financial strategic objectives and strategies and ensuring necessary financial and human resources are in place for the Company to meet those objectives;
- (b) Approving the annual budget, major investments and divestments, and funding proposals;
- (c) Reviewing and monitoring Management's performance;
- (d) Establishing a framework for the oversight of prudent and effective internal controls, risk management, financial reporting and compliance; and
- (e) Assuming the responsibility for good corporate governance to protect the Company's assets and enhancing the long-term value of the Company for its shareholders.

Guideline 1.2

Objective Decision Making

The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and works with the Management to take objective decisions in the interest of the Group.

Guideline 1.3

Delegation of Authority to Board Committees

The Board is supported by a number of committees to assist it in the discharge of its responsibilities and also enhance the Company's corporate governance framework. These committees include the Nominating Committee ("**RC**"), the Remuneration Committee ("**RC**") and the Audit Committee ("**AC**"). Each Board committee has its own specific Terms of Reference setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

Guideline 1.4

Meetings of Board and Board Committees

The Board and its committees meet regularly through scheduled meetings and as warranted by particular circumstances. A schedule of meetings is provided in advance to each Director prior to the commencement of each Financial Year. If Directors are unable to attend meetings in person, telephonic means of communication are allowed under the Company's Articles of Association. To enable members of the Board and its committees to prepare for the meetings, agendas are circulated at least seven days in advance, with board papers and related materials dispatched within five working days before the meetings.

A record of the Directors' attendance at the Board and Board Committee meetings for the financial year ended 31 December 2013 is set out below:

	Board Meetings	Audit Committee	Nominating Committee	Remuneration Committee
Total Held in FY 2013	5	4	2	2
Mr Tan Lye Huat, Chairman(1)	5	4	2	1, 1*
Mr Ang Seong Kang Samuel	5	4*	2*	2*
Mr Ashish Jaiprakash Shastry	5	4*	2	2*
Mr Lee Kwok Cheong ⁽²⁾	4	3	1, 1*	2
Mr Tan Choon Hong	5	4	2*	2
Ms Wong Su-Yen ⁽³⁾	1	1*	1	1

^{*} By invitation

Notes:

- (1) Mr Tan Lye Huat ceased as a member of the RC from 23 December 2013.
- (2) Mr Lee Kwok Cheong ceased as the Chairman of the NC from 23 December 2013.
- (3) Ms Wong Su-Yen was appointed as a Director on 23 December 2013. She is the Chairman of the NC and a member of the RC.

Guideline 1.5

Internal Guidelines on Matters Requiring Board Approval

The Company has adopted internal guidelines governing matters that require the Board's approval. During the year, the Board reviews and approves the Group's annual budget and business plans, and the Terms of References of the Board and its committees.

Guideline 1.6

Continuous Training and Development of Directors

Management and professional advisers keep the Directors up-to-date on pertinent developments in the business including changes in laws and regulations, the code of corporate governance, financial reporting standards and industry-related matters. Such periodic updates are provided to Directors to facilitate the discharge of their duties.

The Directors also attend other appropriate courses, conference and seminars, at the Company's expense. During the course of the year, Mr Tan Lye Huat, Mr Tan Choon Hong, Mr Lee Kwok Cheong and Mr Samuel Ang attended a conference ("From Form to Value Creation") on Corporate Governance organised by the Singapore Institute of Directors. Directors are also encouraged to read and actively engage in informal discussions on subjects which are relevant to the Group's business.

Guideline 1.7

Appointment and Training for First-time Directors

Orientation programmes are organised during the year for new incoming Directors to ensure that they are familiar with the Company's key businesses and corporate governance practices. This also allows the new director to get acquainted with Senior Management, thereby facilitating board interaction and independent access to Senior Management. Directors may also at any time request further explanations, briefings and informal discussions on any aspect of the Company's operations or business.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Guideline 2.1

Independent Element of the Board

The Board comprises six Directors, two of whom are non-Executive Directors with another three of them being independent, thus providing a strong independent element on the Board, capable of open, constructive and robust debate on pertinent issues affecting the affairs and business of the Company and the Group.

Guideline 2.2

Composition of Independent Directors on the Board

Half of the Board including the Chairman are independent.

Guidelines 2.3 & 2.4

Independence of Directors

The NC, in its deliberation as to the independence of a Director, takes into account examples of relationships as set out in the Code, and considers whether a Director has business relationships with the Group, and if so, whether such relationships can interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment.

The NC, having considered the assessment made by the Directors on the independent status of Messrs Tan Lye Huat, Lee Kwok Cheong and Wong Su-Yen and other relevant factors, determined that Messrs Tan Lye Huat, Lee Kwok Cheong and Wong Su-Yen have no relationship with the Company, its related corporations or its officers and are also independent of the executive functions of the Company. In the discharge of their duties, they had exercised their independent business judgment to the best interest of the Company. In this respect, the NC affirmed that Messrs Tan Lye Huat, Lee Kwok Cheong and Wong Su-Yen remain as Independent Directors of the Company.

Guideline 2.5

Composition and Size of the Board

The NC conducts an annual review on the composition of the Board which comprises members from different backgrounds and whose core competencies, qualifications, skills and experiences are extensive. Having reviewed and considered the composition of the Board and its committees, the NC has determined that the current Board size and structure is adequate for the existing business operations of the Company.

The Board is also well supported by accurate, complete and timely information, and has unrestricted access to management.

A summary of the composition of the Board and its Committees is set out below:

Director	Board	AC	NC	RC
Mr Tan Lye Huat	Chairman, Independent Director	Chairman	Member	_
Mr Ang Seong Kang Samuel	Executive Director	-	-	-
Mr Lee Kwok Cheong	Independent Director	Member	-	Chairman
Mr Tan Choon Hong	Non-Executive Director	Member	_	Member
Mr Ashish Jaiprakash Shastry	Non-Executive Director	-	Member	-
Ms Wong Su-Yen	Independent Director	_	Chairman	Member

Non-Executive Directors

Mr Tan Lye Huat, Chairman* Mr Ashish Jaiprakash Shastry Mr Lee Kwok Cheong* Mr Tan Choon Hong Ms Wong Su-Yen*

Executive Director

Mr Ang Seong Kang Samuel (President & CEO)

^{*} Independent Director

The NC reviews on an annual basis, the composition and size of the Board, and each Board Committee, as well as the skills and core competencies of its members, to ensure a good balance and diversity of skills, knowledge and experience. Amongst the directors are IT, accounting, finance, corporate governance and human resource professionals who possess the relevant expertise and skill sets in their respective fields for effective decision making. For example, the Board Chairman, Mr Tan Lye Huat, is a Chartered Accountant and is also a member of the Institute of Singapore Chartered Accountants. Mr Lee Kwok Cheong, currently the CEO of the Singapore Institute of Management, has more than 20 years' experience in the IT industry, and has also served as the president of the Singapore Computer Society and as the chairman of the National InfoComm Competency Council. Their combined core competencies and experience provide management with a diverse and objective perspective to enable balanced and well-considered decisions to be made. The directors' profiles are set out in pages 8 and 9 of this Annual Report.

The Board is well supported by accurate, complete and timely information, and has unrestricted access to management.

Apart from the Executive Director, who also serves as the President and CEO of the Group, there is currently no director who has served beyond three years from the date of his or her first appointment.

Guideline 2.6

Competency of the Board

To assist the NC in its annual review of the Directors' mix of skills and experiences that the Board requires for it to function competently and efficiently, the Directors complete a Competency Matrix form providing information on their areas of specialisation and expertise.

The NC reviews and subsequently presents the results to the Board for further consultation, highlighting key areas for improvement.

Guideline 2.7

Role of Non-Executive Directors

During the year, the Non-Executive Directors constructively challenge and help develop both the Group's short-term and long-term business strategies. Management's progress in implementing such agreed business strategies are monitored by the Non-Executive Directors.

Guideline 2.8

Regular Meetings of Non-Executive Directors

During the year, the Non-Executive Directors communicate among themselves without the presence of Management as and when the need arises. The Company also benefits from Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board committees meetings.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Guideline 3.1

Separate role of Chairman and CEO

The functions of the Chairman and the CEO are assumed by two separate individuals so as to ensure effective supervision and maintenance of an appropriate balance of power and authority. There is a clear demarcation between the roles of the Chairman and the CEO, which promotes increased accountability and a greater capacity of the Board for independent decision making.

The Chairman, Mr Tan Lye Huat, manages the business of the Board whilst the President & CEO, Mr Samuel Ang, and his management team translate the Board's decisions into executive action. The CEO has executive responsibilities for the Group's businesses and is accountable to the Board.

The Chairman and CEO are not related.

Guideline 3.2

Roles and Responsibilities of Chairman

Mr Tan Lye Huat is both an independent Director and Chairman of the Board. He is responsible for the overall leadership of the Board and engages the senior management regularly on pertinent issues. He approves the agendas for Board Meetings and promotes a culture of open and free discussion amongst the Directors. He also ensures that the Board receives timely and accurate information from management, and provides valuable insight, guidance and advice on corporate governance systems and processes.

PRINCIPLE 4: BOARD MEMBERSHIP

Guideline 4.1

NC Membership and Terms of Reference

The NC comprises three members, a majority of whom, including the Chairman, are Independent Directors. The composition of the NC is as follows:

Ms Wong Su-Yen (Chairman)* Mr Ashish Jaiprakash Shastry Mr Tan Lye Huat*

* Independent Director

The terms of reference for the NC had been amended to be in line with the recommendations of the Code. The principal functions of the NC are:

- a) To identify candidates, review nominations for both appointment and reappointment 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. The NC also reviews the Board's succession plans for the Directors;
- b) To make recommendations to the Board for the continuation of services by any Director who has reached the age of seventy years or otherwise;

- c) 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;
- d) To review the independence of each Director annually;
- e) To decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the Director has multiple Board representations; and
- f) To access the effectiveness of the Board and contribution of each director to the effectiveness of the Board.

Guideline 4.2

NC Responsibilities

New Directors are at present appointed by way of Board resolution or Board meeting based on the evaluation and recommendation made by the NC. Before making a recommendation to the Board for approval, extensive searches are conducted and the NC ensures that the potential candidate possesses the necessary skills, knowledge, qualifications, working experience and other relevant factors that could facilitate the Board in making sound and well considered decisions. The incoming Director will also be required to undertake an assessment of independence.

Each member of the NC abstains from voting on any resolution and making any recommendation and/or participating in respect of matters in which he/she is interested.

In accordance with the Company's Articles of Association, new Directors must submit themselves for re-election at the next Annual General Meeting of the Company and one third of the Directors (other than the CEO) must retire by rotation at each Annual General Meeting and they shall be available for re-election.

The NC has recommended the nomination of Directors retiring under Article 87 and Article 94 of Articles of Association of the Company, namely Mr Ashish Jaiprakash Shastry and Ms Wong Su-Yen, for re-election at the forthcoming Annual General Meeting.

Mr Ashish Jaiprakash Shastry and Ms Wong Su-Yen had duly abstained from making recommendations on their own nominations.

All Directors are also required to declare their Board Representations. The Board recommends that Independent Directors serve concurrently no more than five listed company Boards and that Executive Directors and Senior Management serve concurrently no more than two listed company Boards besides the Company.

Guideline 4.3

Determining Director Independence

Each Director completes a checklist to confirm his/her independence on an annual basis. The NC has reviewed the independence of the Directors as mentioned under guidelines 2.3 and 2.4 above.

Guideline 4.4

Multiple Board Representations

The Board also recommends a maximum tenure for all Independent Directors of two consecutive terms of three years each.

Guideline 4.5

Alternative Directors

There are currently no Alternative Directors on the Board.

Guideline 4.6

Process for the Selection and Appointment of New Directors

As mentioned in Guideline 2.5 above, the NC determines a suitable size and composition of the Board, and evaluates the balance of skills, knowledge and experience of members of the Board required to add value and facilitate effective decision-making, after taking into consideration the scope and nature of the operations of the Company.

A rigorous search process is then undertaken by the NC which evaluates the academic and professional qualifications, knowledge and experience in relation to the business of the Group, independence status and other directorships of the candidate(s). Subsequently, the NC makes a recommendation to the Board for approval of the new Director.

Guideline 4.7

Information on Directors

Key information of each member of the Board including directorships and chairmanships in other listed companies, other major appointments, academic/professional qualifications, membership/chairmanship in the Company's Board committees, date of first appointment and last re-election, etc. can all be found under the Directors' Profile section on pages 8 and 9.

PRINCIPLE 5: BOARD PERFORMANCE

Guideline 5.1

Board Performance

The Company has implemented a formal process to assess the Board as a whole and its committees in its ability to discharge their responsibilities in providing stewardship, corporate governance and oversight of Management's performance.

For the year under review, Directors participated in the evaluation by providing feedback to the NC in the form of completing a Board Performance Assessment. To ensure confidentiality, the evaluation returns completed by Directors were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review and discussion. The NC has reported to the Board on its review of the Board's performance for the year.

Guideline 5.2

Performance Criteria for Board Evaluation

The Board Performance Assessment is circulated and completed by each member of the Board annually. This involves scoring and an invitation for feedback on a number of key areas, including:

- (a) Board composition and size, including comparisons to industry peers;
- (b) Board access to timely and accurate information;
- (c) Board processes;
- (d) Internal controls and risk management;
- (e) Board accountability to the shareholders;
- (f) Performance of each Board Committee; and
- (g) Board interaction with CEO/Senior Management
- (h) Board's standards of conduct

Guideline 5.3

Evaluation of Individual Directors

The performance of Individual Directors is also evaluated annually by the NC. A peer review process is carried out, assessing each Director's contribution to the Board on a number of key areas, including the individual director's knowledge of the Group's business and operations, business acumen, knowledge of Corporate Governance and Committee work, contribution and engagement, communication and integrity, and any other special contributions made. The Company Secretary collates the results and submits them to the NC for review and subsequent presentation to the Board for further consultation and formulations of action plans.

Following the foregoing assessments, the Board is of the view that the Board and its Board Committees operate efficiently and that each director is contributing to the overall effectiveness of the Board.

PRINCIPLE 6: ACCESS TO INFORMATION

Guideline 6.1 and 6.2

Board's Access to information

Management places a high priority on providing timely and accurate information to the Board on an on-going basis, in order for the directors to discharge their duties efficiently and effectively. Board members receive quarterly management reports pertaining to the operational and financial performance of the Company, including updates on the Company's financials, cash flow positions and forecasts, budget variance reports, order in-take, order backlog and sales pipelines. The Board will also be updated on industry trends and developments. Board members will receive all Board papers not less than five days in advance of the meeting to enable them sufficient time to fully consider and deliberate issues to be considered at the meetings.

The Board has at all times separate and independent access to the Management and Company Secretary, and are entitled at all times to request for any additional information needed to make informed decisions. Similarly, key Management staff, the Company's auditors or external consultants are invited to attend Board and Board Committee meetings to update and provide independent professional advice on specific issues, where necessary.

Guideline 6.3

Board's Access to Company Secretary

Directors have separate and independent access to the Company Secretary through electronic mail, telephone and face-to-face meetings.

The role of the Company Secretary includes the responsibility for ensuring that Board procedures are followed and applicable rules and regulations are complied with. Further, the Company Secretary also assists in coordinating the flow of information within the Board and Board Committees as well as between the Management and the Board. He also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes.

Guideline 6.4

Appointment and Removal of Company Secretary

The appointment and removal of the Company Secretary are subject to the approval of the Board as stipulated in the Company's Terms of Reference of the Board.

Guideline 6.5

Board's Access to Independent Professional Advice

Where required, procedures are also in place for the Board and individual Board Committees to seek independent professional advice, paid for by the Company.

REMUNERATION MATTERS

Matters concerning remuneration of the Board, senior executives and employees who are related to the controlling shareholders and/or Directors (if any) are handled by the RC whose primary functions include development of formal and transparent policies on remuneration matters in the Company.

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Guideline 7.1

Remuneration Committee

The Remuneration Committee ("RC") comprises the following three Directors, all of whom are Non-Executive and the majority, including the Chairman, are independent:

Mr Lee Kwok Cheong (Chairman)*
Ms Wong Su-Yen*
Mr Tan Choon Hong

* Independent Director

The RC is guided by its written Terms of Reference, which set out its authority and duties.

During the year, the RC held two meetings attended by all members.

Guideline 7.2

Remuneration Framework

To attract, retain and motivate Directors and employees, the RC establishes appropriate remuneration frameworks for the Directors and key management personnel of the Company. Such frameworks are reviewed periodically to ensure that they remain relevant.

During the year, the RC considered and approved the CEO's remuneration package which included salary, bonus and benefits-in-kind. In addition, the RC reviewed the performance of the key management personnel and considered the CEO's recommendation for bonus and remuneration proposal for the key management personnel.

The framework for Non-Executive Directors' fees on per annum basis (unless otherwise indicated) is as follows:

	Chairman	Member	
	S\$	S\$	
Board of Directors	60,000	30,000	
Audit Committee	18,000	12,000	
Nominating Committee	12,000	6,000	
Remuneration Committee	12,000	6,000	

No member of the RC was involved in deciding his or her own remuneration.

Guideline 7.3

RC's Access to Advice on Remuneration Matters

The RC has access to the professional advice of external experts in the area of remuneration, where required. During the year, the Company appointed Freshwater Advisers Pte Ltd to conduct a review on the Non-Executive Directors' Fees. Freshwater Advisers Pte Ltd is an external professional firm with no relationship with the Company and hence, its independence and objectivity in the remuneration review has been maintained.

Guideline 7.4

Service Contract

The Executive Director has an employment contract with the Company which can be terminated by either party giving notice of resignation/termination. The appointment of such senior position is on a long term basis and no onerous removal clauses are contained in his letter of employment.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

Guideline 8.1

Remuneration of Executive Directors and Key Management Personnel

The Company's remuneration structure for its Executive Director and key management personnel comprised both fixed and variable components. The variable component is performance related and is linked to the Group/Company's performance as well as individual's performance. Such performance-related remuneration is designed to align with the interests of shareholders and promote long term success of the Group.

For the purpose of assessing the performance of the Executive Director and key management personnel, key performance indicators ("KPIs") are set out for each year.

Guideline 8.2

Long-term Incentive Scheme

Currently, the Company does not have any long-term incentive scheme involving the offer of shares or grant of option or any other forms of deferred remuneration.

To increase the Company's overall effectiveness in its continuing efforts to reward, retain and motivate employees whose contributions are essential to the well-being and prosperity of the Group, a long-term incentive scheme ("LTI") has been proposed, subject to shareholders' approval at the forthcoming Extraordinary General Meeting ("EGM") to be held on 29 April 2014. The adoption of the proposed LTI will enable the Group to promote an ownership mindset in the participant and provide further incentives to continue to strive for the long-term shareholder value. The LTI also serves as an additional motivational tool to recruit talented senior executives. Furthermore, the LTI will act as an enhancement to the Group's overall compensation packages, and will strengthen the Group's ability to attract and retain high performing talent.

Guideline 8.3

Remuneration of Non-Executive Directors

The Board concurred with the RC's proposal for Non-Executive Directors' fees for the financial year ended 31 December 2013. The RC and the Board are of the view that the remuneration of the Directors is appropriate and not excessive taking into account factors such as effort and time spent, and the increasingly onerous responsibilities of the Directors.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

Guideline 9.1

Remuneration Report

Details on the remuneration of Directors and key management personnel for the year under review are presented in the following page.

Guideline 9.2

Remuneration of Directors

The table below shows the breakdowns (in percentage and dollar terms) of the remuneration and fees of the Directors for the year ended 31 December 2013. Shareholders' approval will be sought at the Annual General Meeting ("AGM") for such payment to be made to the Directors.

Remuneration Bands/Name of Directors	Fees (S\$)	Salary ⁽¹⁾ %	Bonus ⁽¹⁾ %	Total %
S\$1,250,000 to S\$1,500,000 Remuneration paid to Executive Director Mr Ang Seong Kang Samuel ⁽¹⁾	_	52	48	100
Below \$\$250,000 Fees paid to Independent and Non-Executive Directors				
Mr Tan Lye Huat ⁽²⁾	80,608	_	_	100
Mr Lee Kwok Cheong ⁽³⁾	46,724	_	_	100
Mr Ashish Jaiprakash Shastry(4)	33,387	_	_	100
Mr Tan Choon Hong ⁽⁵⁾	44,516	_	_	100
Ms Wong Su-Yen ⁽⁶⁾	1,161	_	_	100

Notes:

CEO does not receive director's fee. His salary and bonus disclosed above include employer's CPF contribution.

(2) Mr Tan Lye Huat will receive pro-rated director's fee from 28 January 2013 to 31 December 2013.

(3) Mr Lee Kwok Cheong will receive pro-rated director's fee from 8 March 2013 to 31 December 2013.

(4) Mr Ashish Jaiprakash Shastry will receive pro-rated director's fee from 28 January 2013 to 31 December 2013. (5)

Mr Tan Choon Hong will receive pro-rated director's fee from 28 January 2013 to 31 December 2013.

Ms Wong Su-Yen will receive pro-rated director's fee from 23 December 2013 to 31 December 2013.

No other directors, other than disclosed above, received directors' fees or remuneration during the period.

Guideline 9.3

Remuneration of Key Management Personnel

Top five highest paid key executives of the Company who received remuneration in the S\$250,000 to S\$500,000 band (in percentage terms) during the calendar year are as follows:

Remuneration Band/ Name and Position of Key Management Personnel	Salary ⁽¹⁾	Bonus ⁽¹⁾	Total %
S\$250,000 to S\$500,000 Mr Tay Kheng Seng Alvin ⁽²⁾ Senior Vice President, Satellite Communications	79	21	100
Odd Kare Fossmo Senior Vice President, Wireless Infrastructure Networks	75	25	100
Mr Chan Heng Chew Michael Senior Vice President, Contracts & Corporate Secretariat	71	29	100
Ms Chiang Hock Chin Jessie Senior Vice President, Corporate Affairs & Staff	68	32	100
Mr Mark Weng Kwai Financial Controller	71	29	100

Notes:

Salary and bonus include allowances and employer's CPF contribution.

⁽²⁾ Mr Tay Kheng Seng Alvin resigned from the Company on 1 December 2013.

The Code recommends the full disclosure of the remuneration of the CEO to the nearest thousand dollars, and the disclosure of total remuneration of the top five highest paid key management personnel in aggregate. The information can be found in the Financial Statements of the Company/Group under item 32(b) Compensation of the key management personnel.

To maintain competitive compensation packages, Mercer (Singapore) Pte Ltd was engaged to conduct the benchmarking exercise for the employees of the Company.

To comply with International Accounting Standard 19 ("IAS 19R"), Mercer (Thailand) Ltd was appointed to conduct the valuation of employee benefits for Nera (Thailand) Ltd.

Ms Wong Su-Yen, an Independent Director of the Company, is a Senior Partner of Mercer and she also serves as Chairman of Marsh & McLennan Companies, Inc in Singapore ("Marsh & McLennan"). Marsh & McLennan is the holding company of Mercer. Dealings with Mercer for these two assignments were done at arm's length, and that Ms Wong is not involved in these assignments.

Guideline 9.4

Employee Related to Directors/CEO

There is no employee who is an immediate family member of a Director or the CEO, whose remuneration exceeded \$\$50,000 during the year.

Guideline 9.5

Employee Share Scheme

The Company does not have an employee share scheme.

Guideline 9.6

Link Between Remuneration and Performance

In determining the remuneration of the Executive Director and key management personnel, the RC reviewed their respective KPIs achievement and assessed their performance for the year.

ACCOUNTABILITY AND AUDIT

The Board recognises the importance of providing accurate and relevant information on a timely basis. In this respect, the AC reviews all financial statements and recommends them to the Board for approval. In addition, the AC ensures that the Company maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets as well as to manage potential risks.

PRINCIPLE 10: PRESENTATION OF A BALANCED AND UNDERSTANDABLE ASSESSMENT OF THE COMPANY'S PERFORMANCE, POSITION AND PROSPECTS

Guideline 10.1

Accountability for Accurate Information

In discharging its responsibility, the Board ensures that the Group's financial results provide shareholders with a balanced and understandable assessment of the Group's performance, position and prospects and that the results are released in a timely manner.

The Company has adopted quarterly results reporting. News releases and quarterly results announcements are published through SGXNET. Results for the first three quarters are released within 45 days from the end of the quarter, and full-year results within 60 days from the financial year end. For the full financial year under review, the Board will provide shareholders reassurance that in their opinion, the financial statements presented give a true and fair view of the state of affairs of the Group and of the Company. For interim financial statements, the Board provides negative assurance confirmations to shareholders on the same in compliance with the stock exchange's listing rules.

Guideline 10.2

Compliance with Legislative and Regulatory Requirements

The Board works closely with professionals to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the Singapore Exchange Securities trading Limited.

Guideline 10.3

Management Accounts

The Management updates the Board on the Group's business activities and financial performance through quarterly reports. Such reports compare the Group's actual performance against the approved budget and results of the previous year and where appropriate, against forecast. They also highlight key business indicators and major issues that are relevant to the Group's performance from time to time, in order for the Board to make balanced and informed assessments of the Group's performance, position and prospects.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

Guideline 11.1

Risk Management and Internal Controls System

The Board recognises the importance of maintaining sound systems of risk management and internal controls to safeguard shareholders' interests and the Group's assets. The AC oversees and ensures that such system have been appropriately implemented and monitored.

A summary of the Company's risk management and internal controls system is appended below.

Risk Management

The Group has established a Risk Assessment Framework where a total of ten risk types have been identified and classified under two categories, namely Financial risk and Operational risk. In addition, the Group evaluates its risk exposure by adopting a Two-by-Two Matrix Model where risk types are assigned risk exposure ratings based on the likelihood and consequences of each risk identified. The risk exposure rating determines the extent of risk exposure and the corresponding risk treatment required.

The Group recognises risk management as a collective effort beginning with the individual subsidiaries and business units, followed by the operating segments and ultimately the Management and the Board, working as a team.

Internal Controls

An internal control system has been implemented to enhance the Group's internal control function in areas such as finance, operations, compliance and information technology. The internal control measures aim to ensure that the Group's assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and for publication is reliable.

Guideline 11.2

Adequacy and Effectiveness of Risk Management and Internal Control Systems

The risk management system has become an essential part of the Group's business planning and monitoring process. On an annual basis, Management reports to the Board on the Group's risk profile, evaluates results and counter-measures to mitigate or transfer identified potential risks so as to assure that the process is operating effectively as planned.

During the year, the AC also reviewed reports submitted by the internal auditors relating to the effectiveness of the Group's internal controls, including the adequacy of the Group's financial, operational, compliance and information technology controls.

Guideline 11.3

Board's Comment on Adequacy and Effectiveness of Internal Controls

While no explicit assurance was received from the CEO and the CFO on the adequacy and effectiveness of the risk management systems and internal controls, the Board is satisfied that the Company worked closely with external professionals to implement the recommended measures and procedures, and strived to achieve high standards in risk management and internal controls.

Based on the framework of risk management controls and internal controls established and maintained in the Company, the work performed by the internal auditors and the review undertaken by the external auditors as part of their statutory audit, the Board is of the view that the Group's risk management and internal control systems are effective.

The Board, with the concurrence of the AC, is satisfied that there are adequate and effective internal controls in place to address the risks relating to financial, operational, compliance and information technology controls for the financial year ended 31 December 2013.

Guideline 11.4

Risk Committee

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC with the assistance of the internal and external auditors. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

PRINCIPLE 12: ESTABLISHMENT OF AUDIT COMMITTEE WITH WRITTEN TERMS OF REFERENCE

Guideline 12.1

AC Membership

The AC comprises the following three Directors, all of whom are Non-Executive and the majority, including the Chairman, are independent:

Mr Tan Lye Huat, Chairman (Independent and Non-Executive)
Mr Lee Kwok Cheong (Independent and Non-Executive)
Mr Tan Choon Hong (Non-Independent and Non-Executive)

During the year, the AC held four scheduled meetings, which most members attended.

Guideline 12.2

Expertise of AC Members

The AC members bring with them invaluable professional expertise in the accounting and financial management domains. The Board has ensured that all the AC members are appropriately qualified to discharge their responsibilities.

Guidelines 12.3 and 12.4

Roles, Responsibilities and Authorities of AC

The AC is guided by its Terms of Reference which stipulate that its principal functions include, inter alia, reviewing the annual audit plans (internal and external), the system of internal controls and management of financial risks, the effectiveness and adequacy of the internal audit function which is outsourced to a professional services firm, regulatory compliance matters, the risk management framework, recommendation on the appointment/re-appointment/removal of external auditors and their remuneration.

During the year, the terms of reference for the AC were amended to be in line with the recommendations of the Code.

The key functions of the AC are:

- (a) Review the adequacy and effectiveness of financial, operational, compliance controls and risk management;
- (b) To consider the appointment and re-appointment of the external auditors, audit fee and matters relating to the removal of the auditors;
- (c) 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;
- (d) To review the quarterly 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) Going Concern statement
 - (vi) Compliance with accounting standards
 - (vii) Compliance with statutory and regulatory requirements
- (e) 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 Group's operating results or financial position;

- (f) To review Interested Party Transactions;
- (g) To review the scope and results of the internal audit procedures; and
- (h) To review the assistance given by the Management to the auditors.

On a quarterly basis, the AC reviews the Interested Person Transactions and the financial results announcements of the Company before their submission to the Board for approval.

The AC has explicit authority to investigate any matter within its Terms of Reference. It has full access to, and has had the full co-operation of the Management and staff. It also has full discretion to invite any Director or any member of the Management to attend its meetings.

Guideline 12.5

Meeting with External and Internal Auditors

During the year, the Company's internal and external auditors were invited to attend the AC meetings and make presentations as appropriate. They also met separately with the AC without the presence of Management.

Guideline 12.6

Independence of External Auditors

The AC has reviewed the non-audit services provided by the external auditors as part of the AC's assessment of the external auditors' independence. A breakdown of the fees paid to the external auditors for audit and non-audit services can be found in the Notes to the Financial Statements in this Annual Report. The AC is of the view that the non-audit services (namely as Tax returns compliance services) provided by the external auditors in 2013 did not prejudice their objectivity and independence.

The Company has complied with Rule 712 and 716 of the Listing Manual issued by the Singapore Exchange Securities Limited in the appointment of its auditors.

Guideline 12.7

Whistle-blowing Policy

To encourage proper work ethics and eradicate any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and/or criminal activities in the Group, the Company has implemented a Whistle-blowing Policy. The policy provides mechanism by which concerns about plausible improprieties in matters of financial reporting, etc, may be raised. A Whistle-blowing Committee ("WBC") had been established for this purpose. In addition, e-mail addresses are provided for the whistle-blowers to contact the WBC and the AC directly.

The Company's Whistle-blowing Policy allows not just employees but also external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle-blowing in good faith.

Assisted by the WBC, the AC addresses issues/concerns raised and arranges for investigation and/or follow-up of appropriate action. The AC reports to the Board any issues/concerns received by it and the WBC, at the ensuing Board meeting. Should the AC or WBC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action.

Whistle-blowing Committee ("WBC")

The WBC consists of:

- CEO
- CFO
- Senior Vice President for Corporate Affairs & Staff

The WBC is empowered to:

- look into all issues/concerns relating to the Group (except for those directed specifically to or affecting any member of the WBC which are dealt with by the AC);
- make the necessary reports and recommendations to the AC or the Board for their review and further action,
 if deemed required by them; and
- access the appropriate external advice where necessary and, where appropriate or required, report to the relevant governmental authorities for further investigation/action.

The Group takes concerns with the integrity and honesty of its employees very seriously. A copy of the Whistle-blowing Policy has been disseminated to all staff to encourage the report of any behavior or action that anyone reasonably believes might be suspicious, against any rules/regulations/accounting standards as well as internal policies. Whistle-blowers can also email to the AC directly and in confidence.

Guideline 12.8

AC to Keep Abreast of Changes to Accounting Standards

In addition to the activities undertaken to fulfill its responsibilities, the AC is kept up to date by the Management, external and internal auditors on changes to accounting standards, stock exchange rules and other codes and regulations which can have an impact on the Group's business and financial statements.

Guideline 12.9

Cooling-off Period for Partners or Directors of the Company's Auditing Firm

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

PRINCIPLE 13: INDEPENDENT INTERNAL AUDIT FUNCTION

Guidelines 13.1 & 13.2

Internal Auditors

The AC's responsibilities over the Group's internal controls and risk management are complemented by the work of the internal auditors ("IA").

The Company has outsourced its internal audit function to Grant Thornton Advisory Services Pte Ltd. ("GT"). The Board has approved the recommendation of the AC to re-engage GT as IA of the Company. The IA has unrestricted access to all the Company's documents, records, properties and personnel, including access to the AC. The IA's primary line of reporting is to the Chairman of the AC.

Guidelines 13.3 & 13.4

Internal Audit Function

The Company's internal audit function is independent of the activities it audits. The IA, GT, is a corporate member of the Institute of Internal Auditors Singapore and staffed with professionals with relevant qualifications and experience. The internal audit is performed in accordance with the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

At the beginning of each year, an annual internal audit plan which entails the review of the selected functions or business units of the Group is developed and agreed by the AC. The AC is satisfied that the Company's internal audit function is adequately resourced to perform the job for the Group.

Guideline 13.5

Adequacy and Effectiveness of Internal Audit Function

The AC reviews the adequacy of the internal audit function to ensure that internal audits are conducted effectively and that Management provides the necessary co-operation to enable the IA to perform its function. The AC also reviews the IA's reports and remedial actions implemented by Management to address any internal control inadequacies identified.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

The Company believes in treating all shareholders fairly and equitably by recognising, protecting and facilitating the exercise of shareholders' rights and continually reviewing and updating such governance arrangements. In addition, the Company embraces effective as well as fair communication with its shareholders and encourages shareholders to participate at general meeting(s).

PRINCIPLE 14: SHAREHOLDER RIGHTS

Guideline 14.1

Sufficient Information to Shareholders

The Company believes in providing sufficient and regular information to its shareholders. In this respect, the Board adopts a comprehensive policy to provide clear, timely and fair disclosure of information about the Company's business developments and financial performance that may have a material impact on the price or value of its shares.

Guideline 14.2

Providing Opportunity for Shareholders to Participate and Vote at General Meetings

Shareholders are informed of general meetings through notices published in the newspaper and the Company's announcements via SGXNET as well as through the Company's official website and the reports/circulars sent to all shareholders. Resolutions tabled at general meetings are passed through a process of voting by show of hands at such general meetings.

Guideline 14.3

Proxies for Nominee Companies

The Company's Articles of Association provide that no limit shall be imposed on the number of proxies for nominee companies. This is to facilitate shareholders holding shares through nominee companies to attend any general meeting as proxies.

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

Guideline 15.1

Communication with Shareholders

In line with the continuous disclosure obligations under the listing rules of the SGX-ST and the Singapore Companies Act, Cap. 50, the Board informs shareholders promptly of all major developments that may have material impact on the Group.

The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests. Material information on the Group is being released to the public through the Company's announcements via the SGXNET.

Guideline 15.2

Timely Information to Shareholders

The Company communicates with its shareholders and the investment community through the timely release of announcements to the SGX-ST via SGXNET. Financial results of the Group are released within 45 days from the end of each quarter and within 60 days from the financial year end. In addition, Annual Reports are distributed to shareholders at least 14 days before each AGM.

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 provides regular briefings to analysts on its quarterly, interim and full year results.

Guideline 15.3

Regular Dialogue with Shareholders

General Meetings have been and are still the principal forum for dialogue with shareholders. The Company also communicates with its shareholders, both institutional and retail, on a regular basis. Annual Reports and Notices of Annual General Meetings are forwarded to all shareholders of the Company. Notices of Annual General Meetings are also advertised in the newspaper. All Directors, including chairpersons of the AC, NC and RC are encouraged to be present at the Annual General Meeting. At the Annual General Meeting, shareholders are given the opportunity to engage the Board and Management on the Group's business activities, financial performance and other business-related matters. To further enhance its communication with investors, the Company maintains a corporate website which includes a dedicated Investor Relations section. (http://www.neratel.com.sg/) The Company's website also contains the latest and past annual reports, quarterly results and results' presentation slides as presented to analysts. The Company's Investor Relations contact is also reflected on the website, to enable shareholders to contact the Company, if required.

Guideline 15.4

Soliciting and Understanding Views of Shareholders

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate during the Company's General Meetings. These meetings provide excellent opportunities for the Company to obtain shareholders' views on value creation.

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

Guideline 16.1

Effective Shareholders' Participation

To facilitate shareholders' effective participation at General Meetings, the Company holds its General Meetings at its premises which is considered convenient and accessible to shareholders.

Guideline 16.2

Separate Resolutions at General Meetings

The Board ensures that separate resolutions are proposed for approval on each distinct issue at General Meetings. Shareholders can vote either in person or through proxies.

Guideline 16.3

Attendees at General Meetings

The Chairman of the Board and its committees attend all General Meetings to address issues raised by shareholders. The Company's external auditors and its legal advisers are also present to address any relevant queries from shareholders.

Guideline 16.4

Minutes of General Meetings

The minutes of General Meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders upon written request.

OTHER CORPORATE GOVERNANCE MATTERS

The Company has in place internal codes of conduct and practices for its Board members and employees on securities transactions while in possession of price-sensitive information and their conduct of business activities.

Dealings in Securities - listing Manual Rule 1207(19)

The Company has adopted a policy on securities dealing by Directors and officers of the Company and its subsidiaries (comprising directors and key personnel) in the form of a Code of Best Practices on Security Dealings (the "Code") to govern and regulate transactions relating to securities in the Company. The Code is based on the best practices on dealings in securities issued by SGX-ST and has been circulated to all relevant parties.

The Company issues circulars informing them that they, while in possession of price-sensitive information, 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. They are also informed not to deal in the Company's securities on short-term considerations.

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.

Pursuant to Rule 1207.8 of the Listing Manual issued by Singapore Exchange Securities Trading Limited, no material contract had been entered to by the Company or its subsidiaries involving the interests of the CEO, each Director or Controlling Shareholder.

Interested Party Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported to the AC and 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 2013.

CODE OF CONDUCT AND PRACTICES

The Group recognises the importance of integrity, professionalism on the conduct of its business activities. Employees are expected to embrace, practice and adopt these values while performing their duties and always to act in the best interest of the Group and avoid situations that may create conflicts of interest.

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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 2013.

Directors

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

Tan Lye Huat (Chairman)

Ang Seong Kang Samuel (President and Chief Executive Officer)

Ashish Jaiprakash Shastry

Tan Choon Hong Lee Kwok Cheong

Wong Su-Yen (Appointed on 23 December 2013)

Arrangements to enable directors to acquire shares and debentures

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:

	Direct interest		Deemed	nterest	
	At the beginning of financial year		At the beginning of financial year		
Name of directors	or date of appointment	At the end of financial year	or date of appointment	At the end of financial year	
Ordinary shares of the Company					
Ang Seong Kang Samuel	1,040,000	_	25,000**	25,000**	
Ashish Jaiprakash Shastry	-	_	193,173,439***	193,173,439***	
Ordinary shares of the immediate holding company					
Ashish Jaiprakash Shastry	-	_	10****	11****	
Ordinary shares of the ultimate holding company					
Ashish Jaiprakash Shastry	1	1	_	_	

- Ashish Jaiprakash Shastry was appointed as a director of the Company on 23 January 2013.
- Shares are held by the spouse of Ang Seong Kang Samuel.
- "Shares are held through the immediate holding company where Ashish Jaiprakash Shastry has 33.3% interest.
- Shares are held through the ultimate holding company where Ashish Jaiprakash Shastry has 33.3% interest.

Directors' interests in shares and debentures (Continued)

	Direct in At the beginning	nterest	Deemed At the beginning of financial year	interest	
Name of directors	of financial year or date of appointment	At the end of financial year	or date of appointment	At the end of financial year	
Subsidiaries Nera Infocom Pte Ltd Ordinary shares Ashish Jaiprakash Shastry	-	-	2	2	
Nera Networks (S) Pte Ltd Ordinary shares Ashish Jaiprakash Shastry	-	_	1,000,000	1,000,000	
Nera (Thailand) Ltd Ordinary shares of BHT 100 Ashish Jaiprakash Shastry	-	_	102,900	102,900	
Nera Telecommunications (Australia) Pty Ltd Ordinary shares of AUD 1 each Ashish Jaiprakash Shastry	_	_	500,000	500,000	
Nera (Malaysia) Sdn Bhd Ordinary shares of RM 1 each Ashish Jaiprakash Shastry	-	-	30,000	100,000	
Nera Infocom (M) Sdn Bhd Ordinary shares of RM 1 each Ang Seong Kang Samuel Ashish Jaiprakash Shastry	1****	1****	_ 500,000	- 500,000	
Nera (Philippines) Inc. Ordinary shares of Peso 100 each Ang Seong Kang Samuel Ashish Jaiprakash Shastry	1**** -	1**** _	_ 252,500	_ 252,500	
P.T. Nera Indonesia Ordinary shares of US\$2,000 each Ang Seong Kang Samuel Ashish Jaiprakash Shastry	1****	1**** -	_ 100	_ 100	
Nera Telecommunications (Taiwan) Co., Ltd Ordinary shares of NT\$10 each Ang Seong Kang Samuel Ashish Jaiprakash Shastry	1****	1****	_ 1,000,000	_ 1,000,000	
Nera Telecommunications (India) Pvt Ltd Ordinary shares of 10 Rupees each			1,000,000	1,000,000	
Ang Seong Kang Samuel Ashish Jaiprakash Shastry	5,000***** -	5,000*****	1,500,000	1,500,000	

^{*****} Shares are held in trust for the Company

Directors' interests in shares and debentures (Continued)

Ang Seong Kang Samuel has a minority stake in Canopus Asia Systems, L.P., the sole shareholder of the immediate holding company, Asia Systems Ltd.

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 2014.

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 date of appointment if later, or at the end of the financial year or on 21 January 2014.

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

There were no options granted during the financial year.

Audit Committee

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

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

Audit Committee (Continued)

- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate, and
- Reviewed 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.

Auditor

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

On behalf of the board of directors,

Tan Lye Huat

Director

Ang Seong Kang Samuel

Director

Singapore 28 March 2014

STATEMENT BY DIRECTORS

We, Tan Lye Huat 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 2013 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,

Tan Lye Huat

Director

Ang Seong Kang Samuel

Director

Singapore 28 March 2014

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2013

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 49 to 115, which comprise the balance sheets of the Group and the Company as at 31 December 2013, 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.

Auditor's 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 2013 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 Chartered Accountants Singapore 28 March 2014

BALANCE **SHEET**

As at 31 December 2013

		Group		Company	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Non-current assets		· · · · · · · · · · · · · · · · · · ·	·	· · · · · · · · · · · · · · · · · · ·	·
Property, plant and equipment	4	14,585	8,671	4,162	3,643
Intangible assets	5	1,138	1,160	1,096	1,160
Investment in subsidiaries	6	, _	, <u> </u>	5,037	4,602
Investment in an associate	7	_	2,896	, <u> </u>	199
Finance lease receivable	8	_	95	_	_
Deferred tax assets	26	1,531	1,800	36	282
		17,254	14,622	10,331	9,886
Current assets		•	, , , , , , , , , , , , , , , , , , , ,	,	•
Stocks	9	2,521	5,916	1,642	4,990
Contract work-in-progress	10	23,978	18,750	12,351	7,171
Trade receivables	11	51,929	56,101	20,130	20,316
Finance lease receivable	8	148	276	20,100	20,010
Other receivables, deposits and	O	140	270	_	_
prepayments	12	2,991	2,951	277	734
Amounts due from subsidiaries	12	2,991	2,901	211	704
- trade	13			23,024	26,275
- non-trade	13	_	_		514
Amount due from an associate	10	_	_	1,965	314
- trade	13		1,160		1 160
Fixed deposits	29	17,153	26,300	15,100	1,160 26,300
Cash at bank balances	29 29		1		
Casii at Dailk Daidiices	29	22,117	17,440	7,880	8,498
Current liabilities		120,837	128,894	82,369	95,958
Trade payables	14	44,010	48,955	24,454	31,902
Other payables and accruals	15	19,101	19,038	11,877	12,846
Amounts due to subsidiaries					
(non-trade)	13	-		333	382
Amount due to an associate (trade)	13	-	162	-	_
Amount due to an associate (non-trade)	13		240		
Provision for taxation		3,251	3,762	1,804	2,878
Provision for warranty	16	5,534	5,484	2,376	2,454
Obligations under finance leases	17	_	7		_
		71,896	77,648	40,844	50,462
Net current assets		48,941	51,246	41,525	45,496
Non-current liability					
Deferred tax liability	26	(22)	_	_	_
Net assets		66,173	65,868	51,856	55,382
Equity attributable to equity holders					
of the Company					
Share capital	18	29,909	29,909	29,909	29,909
Revenue reserve		40,503	38,749	21,947	25,473
Translation reserve	19	(4,239)	(2,790)	_	-
	-	66,173	65,868	51,856	55,382
		50,170	55,555	01,000	55,552

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2013

	Note	2013 \$'000	2012 \$'000
Turnover	20	178,217	178,839
Cost of sales		(117,586)	(122,932)
Gross profit		60,631	55,907
Other operating income	21	1,122	3,739
Negative goodwill on acquisition of a subsidiary	6	7,051	_
Distribution and selling expenses		(27,943)	(25,390)
Administrative expenses		(11,544)	(10,433)
Other operating expenses		(1,916)	(867)
Profit from operating activities	22	27,401	22,956
Financial income	24	196	163
Financial expenses	25	(256)	(328)
		27,341	22,791
Share of results of an associate		159	851
Profit before tax		27,500	23,642
Tax	26	(4,032)	(4,245)
Profit for the year attributable to shareholders		23,468	19,397
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation of financial statements of foreign operations		(1,449)	(299)
Total comprehensive income for the year		22,019	19,098
Earnings per share (cents per share)			
Basic	27	6.48	5.36
Diluted	27	6.48	5.36

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

	Attributable to equity holders of the Company			
	Share capital (Note 18)	Revenue reserve	Translation reserve (Note 19)	Total equity
	\$'000	\$'000	\$'000	\$'000
Group				
At 1 January 2013	29,909	38,749	(2,790)	65,868
Profit for the year	_	23,468	_	23,468
Other comprehensive income for the year	_	_	(1,449)	(1,449)
Total comprehensive income for the year Contributions by and distributions to owners	_	23,468	(1,449)	22,019
Dividends paid (Note 28)	_	(21,714)	_	(21,714)
Total contributions by and distributions		(= : , : : :)		(= : , : : : /
to owners	_	(21,714)		(21,714)
At 31 December 2013	29,909	40,503	(4,239)	66,173
At 1 January 2012	29,909	33,828	(2,491)	61,246
Profit for the year	_	19,397	_	19,397
Other comprehensive income for the year	_		(299)	(299)
Total comprehensive income for the year Contributions by and distributions to owners	_	19,397	(299)	19,098
Dividends paid (Note 28)	_	(14,476)	_	(14,476)
Total contributions by and distributions to owners	_	(14,476)	_	(14,476)
At 31 December 2012	29,909	38,749	(2,790)	65,868
Company	·			
At 1 January 2013	29,909	25,473	-	55,382
Profit for the year	_	18,188	_	18,188
Total comprehensive income for the year Contributions by and distributions to owners	-	18,188	-	18,188
Dividends paid (Note 28)	_	(21,714)	_	(21,714)
Total contributions by and distributions				·
to owners	_	(21,714)		(21,714)
At 31 December 2013	29,909	21,947	_	51,856
At 1 January 2012	29,909	28,118	_	58,027
Profit for the year	_	11,831		11,831
Total comprehensive income for the year Contributions by and distributions to owners		11,831		11,831
Dividends paid (Note 28)	_	(14,476)	_	(14,476)
Total contributions by and distributions				
to owners	_	(14,476)	_	(14,476)
At 31 December 2012	29,909	25,473	_	55,382

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2013

	Note	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Profit before tax		27,500	23,642
Adjustments for:			
Amortisation of intangible assets	5	185	65
Depreciation of property, plant and equipment	4	4,879	3,332
Net (gain)/loss on disposal/write-off of property, plant and equipment		(14)	5
Allowance for stock obsolescence	9	259	51
Allowance/(writeback) for doubtful trade debts	11	209	(214)
Provision for warranty	16	645	992
Negative goodwill on acquisition of a subsidiary	6	(7,051)	_
Loss on remeasurement of previously held interest	0	0	
in a subsidiary acquired	6 25	6	3
Interest expense Interest income	25	– (196)	
Share of results of an associate		(159)	(163) (851)
	_		
Operating profit before working capital changes		26,263	26,862
(Increase)/decrease in : Stocks		0.170	(0.715)
Contract work-in-progress		3,172 (1,479)	(2,715) 1,791
Trade receivables		10,687	387
Finance lease receivable		223	238
Other receivables, deposits and prepayments		106	(662)
Changes in associate balances		1,573	(279)
(Decrease)/increase in :		,	(- /
Trade payables		(10,772)	(5,092)
Other payables and accruals		(513)	(73)
Provision for warranty		(661)	(1,298)
Cash generated from operations		28,599	19,159
Income tax paid		(4,551)	(3,021)
Interest paid	_		(3)
Net cash flows from operating activities	_	24,048	16,135
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		65	75
Net cash inflow on acquisition of a subsidiary	6	5,335	_
Purchase of property, plant and equipment	4	(11,808)	(4,348)
Interest received		196	163
Withdrawal of deposit pledged	_	1	
Net cash flows used in investing activities	_	(6,211)	(4,110)
Cash flows from financing activities			
Dividends paid to shareholders of the Company	28	(21,714)	(14,476)
Repayment of hire purchase obligations		(7)	(28)
Net cash flows used in financing activities		(21,721)	(14,504)
Net decrease in cash and cash equivalents		(3,884)	(2,479)
Effect of exchange rate changes		(585)	(316)
Cash and cash equivalents at beginning of year		43,710	46,505
Cash and cash equivalents at end of year	29	39,241	43,710

31 December 2013

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 PGA Partners Ltd, acting solely in its capacity as general partner of Canopus Asia Systems, L.P. The immediate holding company is Asia Systems Ltd, a wholly owned subsidiary of Canopus Asia Systems, L.P., Asia Systems Ltd, PGA Partners Ltd and Canopus Asia Systems, L.P. are domiciled in Cayman Islands.

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 that are effective for annual periods beginning on or after 1 January 2013. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

Accordingly to the transition provisions of FRS 113 Fair Value Measurement, FRS 113 has been applied prospectively by the Group on 1 January 2013.

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2. Summary of significant accounting policies (Continued)

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
Revised FRS 27 Separate Financial Statements	1 January 2014
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
FRS 110 Consolidated Financial Statements	1 January 2014
FRS 111 Joint Arrangements	1 January 2014
FRS 112 Disclosure of Interests in Other Entities	1 January 2014
Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 36 Recoverable Amount Disclosures for	1 January 2014
Non-Financial Assets	

Except for the Amendments to 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 112 is described below.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014.

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 2014.

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2. Summary of significant accounting policies (Continued)

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 control 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.

31 December 2013

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

(a) Basis of consolidation (Continued)

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.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share
 of net asset value at the date control was lost. The carrying value of such investments as at 1
 January 2010 have not been restated.

(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 remeasured until it is finally settled within equity.

31 December 2013

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

(b) Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

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), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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.

Business combinations prior to 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.

31 December 2013

2. Summary of significant accounting policies (Continued)

2.5 Foreign currency

The 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 measured.

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.

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.

31 December 2013

2. Summary of significant accounting policies (Continued)

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 the profit attributable to equity holders of the associate and, therefore is the 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.

31 December 2013

2. Summary of significant accounting policies (Continued)

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).

31 December 2013

2. Summary of significant accounting policies (Continued)

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. The 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.

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.

Freehold land and buildings measured at fair value less accumulated depreciation on buildings and impairment losses recognized after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold and buildings at the end of the reporting period.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation of property, plant and equipment begins when it is available for use and is computed on a straightline 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.

31 December 2013

2. Summary of significant accounting policies (Continued)

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.

(a) Brand name

Nera brand name which was acquired, was capitalised and amortised on a straight-line basis over a useful life of 20 years. The 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.

(b) Order backlog

Order backlog was acquired separately and is amortised on a straight line basis over the period that the order backlog will likely to be invoiced.

31 December 2013

2. Summary of significant accounting policies (Continued)

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 of disposal 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. In determining fair value less costs of disposal, recent market transactions are taken into account if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

For assets excluding goodwill, 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.

31 December 2013

2. Summary of significant accounting policies (Continued)

2.12 Financial assets (Continued)

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. 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 measured at fair value with changes in fair value recognised in 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.

31 December 2013

2. Summary of significant accounting policies (Continued)

2.12 Financial assets (Continued)

Subsequent measurement (Continued)

(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.

Regular way purchase or sale of a financial asset

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.

31 December 2013

2. Summary of significant accounting policies (Continued)

2.13 Impairment of financial assets

The Group assesses at each reporting date 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.

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

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the 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.

31 December 2013

2. Summary of significant accounting policies (Continued)

2.13 Impairment of financial assets (Continued)

(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.

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.

31 December 2013

2. Summary of significant accounting policies (Continued)

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**

General

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.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

31 December 2013

2. Summary of significant accounting policies (Continued)

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:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading. 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.

(b) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest 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.

31 December 2013

2. Summary of significant accounting policies (Continued)

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 and Malaysian companies in the Group make contributions to the Central Provident Fund and Employees Provident Fund schemes respectively, which are defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

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

(c) Employee share option plans

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

Equity-settled transactions

The cost of equity-settled share-based payment transactions with employees for awards granted after 22 November 2002 is measured by reference to the fair value of the options at the date which the options are granted which takes into account market conditions and vesting conditions.

The cost of equity-settled transactions is recognised in profit or loss 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 and is recognised in employee benefits expense.

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

31 December 2013

2. Summary of significant accounting policies (Continued)

2.19 Employee benefits (Continued)

(c) Employee share option plans (Continued)

The employee share option reserve is transferred to retained earning upon expiry of the share option.

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. An additional 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 the employee share option plan is cancelled, it is treated as if it vested on the date of cancellation, and any expense that otherwise would have been recognised for services received over the remaining vesting period is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. 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. All cancellations of equity-settled transaction awards are treated equally.

The employee share option reserve is transferred to retained earning upon expiry of the share option.

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.

31 December 2013

2. Summary of significant accounting policies (Continued)

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.

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 2.21(e). Contingent rents are recognised as revenue in the period in which they are earned.

31 December 2013

2. Summary of significant accounting policies (Continued)

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 regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. 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 the Group's right to receive payment is established.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Rental income

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

2.22 Government grants

Government grants are recognised when 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 may be presented as a credit in profit or loss, either separately or under a general heading such as "Other Income". Alternatively, they are deducted in reporting the related expenses.

31 December 2013

2. Summary of significant accounting policies (Continued)

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 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 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.

31 December 2013

2. Summary of significant accounting policies (Continued)

2.23 Income taxes (Continued)

(b) Deferred tax (Continued)

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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(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.

31 December 2013

2. Summary of significant accounting policies (Continued)

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.

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 33, 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.

31 December 2013

2. Summary of significant accounting policies (Continued)

2.27 Contingencies

A contingent liability is:

- 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.

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 period. 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 2013 are \$3,251,000 (2012: \$3,762,000) and \$1,509,000 (2012: \$1,800,000) respectively.

31 December 2013

3. Significant accounting judgments and estimates (Continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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 2013 was \$13,478,000 (2012: \$7,639,000). 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. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 1% (2012: 1%) variance in the Group's profit for the year.

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 2013 was \$1,096,000 (2012: \$1,160,000). 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. A 5% difference in the expected useful lives of the brand from management's estimates will not have a significant impact to the Group's profit for the year.

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 arising at the end of each reporting period are disclosed in Note 10 to the financial statements.

Provision for warranty costs

The Group recognises provision for warranty when the product is sold or services provided. Initial recognition is based on past experience of the level of repairs and returns. Assumptions used to calculate the provision for warranty was based on current sales level and current information available about the utilisation trend. The Group's provision for warranty at 31 December 2013 was \$5,534,000 (2012: \$5,484,000). The warranty provision will be reversed if not utilised upon expiry of warranty period.

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4. Property, plant and equipment

Group	Leasehold land and building \$'000	Leasehold improvements \$'000	Plant and other equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Equipment held for leasing \$'000	Total \$'000
Cost							
At 1 January 2012	5,150	1,001	5,260	877	1,315	16,176	29,779
Additions	_	2	336	5	583	3,422	4,348
Disposals/written off	_	(7)	(20)	(88)	(41)	(1,700)	(1,856)
Reclassification	_	_	1	(1)	-	_	_
Currency realignment		(6)	(61)	(21)	(19)	(174)	(281)
At 31 December 2012 and							
1 January 2013	5,150	990	5,516	772	1,838	17,724	31,990
Additions	_	3	770	149	280	10,606	11,808
Disposals/written off	_	(5)	(20)	(81)	(313)	(1,041)	(1,460)
Acquisition of a subsidiary							
(Note 6)	-	5	38	20	25	_	88
Currency realignment		(6)	(175)	(55)	(35)	(1,598)	(1,869)
At 31 December 2013	5,150	987	6,129	805	1,795	25,691	40,557
Accumulated depreciation							
At 1 January 2012	4,792	870	4,134	660	793	10,742	21,991
Charge for the year	358	51	626	51	264	1,982	3,332
Disposals/written off	_	(5)	(20)	(70)	(7)	(1,674)	(1,776)
Currency realignment		(4)	(54)	(17)	(18)	(135)	(228)
At 31 December 2012 and							
1 January 2013	5,150	912	4,686	624	1,032	10,915	23,319
Charge for the year	-	24	442	67	300	4,046	4,879
Disposals/written off	_	(5)	(18)	(81)	(313)	(992)	(1,409)
Currency realignment		(6)	(165)	(40)	(34)	(572)	(817)
At 31 December 2012	5,150	925	4,945	570	985	13,397	25,972
Net carrying amount		<u> </u>					<u> </u>
At 31 December 2012	_	78	830	148	806	6,809	8,671
At 31 December 2013		62	1,184	235	810	12,294	14,585

31 December 2013

4. Property, plant and equipment (Continued)

	Leasehold		Plant and	Furniture		Equipment	
	land and	Leasehold	other	and	Motor	held for	
Company	building	improvements	equipment	fittings	vehicles	leasing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
At 1 January 2012	5,150	745	2,263	357	810	9,215	18,540
Additions	-	2	197	-	266	1,061	1,526
Disposals/written off	_	(7)	(10)	(88)	_	(1,286)	(1,391)
At 31 December 2012 and							
1 January 2013	5,150	740	2,450	269	1,076	8,990	18,675
Additions	-	3	541	19	275	1,123	1,961
Disposals/written off		(4)	(8)	(4)	(313)	(452)	(781)
At 31 December 2013	5,150	739	2,983	284	1,038	9,661	19,855
Accumulated depreciation							
At 1 January 2012	4,792	693	1,516	259	460	6,854	14,574
Charge for the year	358	10	430	20	137	859	1,814
Disposals/written off		(5)	(10)	(70)	_	(1,271)	(1,356)
At 31 December 2012 and							
1 January 2013	5,150	698	1,936	209	597	6,442	15,032
Charge for the year	-	9	257	18	203	935	1,422
Disposals/written off		(4)	(5)	(4)	(313)	(435)	(761)
At 31 December 2013	5,150	703	2,188	223	487	6,942	15,693
Net carrying amount							
At 31 December 2012	_	42	514	60	479	2,548	3,643
At 31 December 2013		36	795	61	551	2,719	4,162

As at 31 December 2013, the leasehold land and building of the Group and the Company consists of the following:

			Approximate	
		Approximate	gross	
Location	Purpose	land area	floor area	Tenure of lease
109 Defu Lane 10,	Office, workshop	3,875	3,246	30 years expiring
Singapore 539225	cum warehouse	sq. metre	sq. metre	30 September 2042

The carrying amount of motor vehicles held under finance leases at the balance sheet date is \$Nil (2012: \$7,000).

31 December 2013

5. Intangible assets

	Group			Company
	Brand \$'000	Others \$'000	Total \$'000	Brand \$'000
Cost				
At 1 January 2012, 31 December 2012				
and 1 January 2013	1,289	_	1,289	1,289
Addition:				
Acquisition of a subsidiary (Note 6)		163	163	_
At 31 December 2013	1,289	163	1,452	1,289
Accumulated amortisation				
At 1 January 2012	64	_	64	64
Amortisation	65		65	65
At 31 December 2012 and				
1 January 2013	129	_	129	129
Amortisation	64	121	185	64
At 31 December 2013	193	121	314	193
Net carrying amount				
At 31 December 2012	1,160	_	1,160	1,160
At 31 December 2013	1,096	42	1,138	1,096

Brand relates to the 'NERA' brand and the useful life is estimated to be 20 years.

Others relate to the fair value of the order backlog acquired as a result of the acquisition of a subsidiary. It is amortised over the period that the order backlog will likely to be invoiced and the remaining useful life is until August 2014.

The amortisation expense is incurred in 'Other operating expenses' line item in profit and loss.

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6. Investment in subsidiaries

	Cor	npany
	2013 \$'000	2012 \$'000
Unquoted shares, at cost	5,814	5,379
Impairment loss	(777)	(777)
Carrying amount after impairment loss	5,037	4,602

The details and the principal activities of the subsidiaries are :

Name of company	Principal activity	Country of incorporation and place of business	Percen equity i 2013 %	tage of nterest 2012 %		st of tment 2012 \$'000
Nera Infocom Pte Ltd (ß)	Dormant	Singapore	100	100	٨	٨
Nera Networks (S) Pte Ltd (β)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communication and information technology networks	Singapore	100	100	1,000	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
Nera Infocom (M) Sdn Bhd (*)	Sales, installation and maintenance of information technology equipment	Malaysia	100	100	225	225

31 December 2013

6. Investment in subsidiaries (Continued)

Name of company	Principal activity	Country of incorporation and place of business	equity 2013	itage of interest 2012	Inves 2013	st of tment 2012
Nera Telecom- munications (Taiwan) Co., Ltd (#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Taiwan	100	100	\$'000 545	\$'000 545
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
Nera Telecom- munications (Australia) Pty Ltd (#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Australia	100	100	589	589
Nera Telecom- munications (India) Pvt Ltd (*)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	India	100	100	570	570
Nera (Malaysia) Sdn Bhd (*)	Sales, installation and maintenance of communications equipment	Malaysia	100	30	404	-
Nera Telecom- munications (Myanmar) Co Ltd (#)	Dormant	Myanmar	100	-	31	-
OU LIU (#)					5,814	5,379

31 December 2013

6. Investment in subsidiaries (Continued)

Name of company	Principal activity	Country of incorporation and place of business	equity i 2013	tage of interest 2012	Inves 2013	st of tment 2012
Held through Ner	a Networks (S) Pte Ltd		%	%	\$'000	\$'000
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	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	100	-	-
Nera Telecom- munications (Pakistan) (Private) Ltd (#) (i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Pakistan	100	100	-	-
Nera Telecom- munications FZ-LLC (**)(i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	United Arab Emirates	100	100	-	-
Nera Networks Nigeria Limited (#) (i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Nigeria	100	-	-	-

31 December 2013

6. Investment in subsidiaries (Continued)

- (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.
- (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 \$Nil (2012: \$Nil) and \$Nil (2012: \$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 three-year period. The pre-tax discount rate applied to the cash flow projection is 5.58% (2012: 6.53%).

31 December 2013

6. Investment in subsidiaries (Continued)

Impairment testing of investment in subsidiaries (Continued)

Acquisition of subsidiary

On 26 April 2013, the Group acquired the remaining 70% equity interest in the originally 30%-owned associate, Nera (Malaysia) Sdn Bhd ("NMSB"). Upon the acquisition, NMSB became a wholly-owned subsidiary of the Group.

The fair value of the identifiable assets and liabilities of NMSB as at the date of acquisition were:

	31.3.2013 \$'000
Property, plant and equipment	88
Intangible asset	163
Deferred tax asset	68
Stock	15
Contract work-in-progress	3,749
Trade receivables	6,721
Other receivables	146
Due from related parties	852
Cash and cash equivalent	5,540
Trade payables	(5,827)
Other payables	(576)
Due to related parties	(37)
Provision for warranty	(396)
Provision for taxation	(141)_
Total identifiable net assets acquired	10,365
Less: Negative goodwill	(7,051)
	3,314
Consideration transferred for the acquisition of NMSB	
Cash consideration	205
Fair value of equity interest in NMSB held by the Group	
immediately before the acquisition	3,109_
	3,314
Effect of the acquisition of NMSB on cash flow	
Total consideration for 70% equity interest acquired	205
Less: Cash and cash equivalents of subsidiary acquired	(5,540)
Net cash inflow on acquisition	(5,335)

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6. Investment in subsidiaries (Continued)

Impairment testing of investment in subsidiaries (Continued)

Loss on remeasuring previously held equity interest in NMSB to fair value at acquisition date

The Group recognised a loss of \$6,000 as a result of remeasuring at fair value its 30% equity interest in NMSB held before the business combination. The loss is included in "other operating expenses" line item in the Group's profit or loss for the year ended 31 December 2013.

Impact of the acquisition on profit or loss

From the acquisition date, NMSB has contributed \$11,240,000 of revenue and \$2,226,000 to the Group's profit for the year. If the business combination had taken place at the beginning of the year, the Group's revenue and profit after tax would have been \$181,829,000 and \$23,838,000 respectively.

7. Investment in an associate

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Unquoted equity shares, at cost	_	199	_	199
Share of post-acquisition :-				
Revenue reserve	_	3,448	_	_
Translation reserve		(751)		
Carrying amount of investment		2,896		199

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

Name of company	Principal activity	Country of incorporation and place of business	Effective equity interest held by the Group		
			2013	2012	
			%	%	
Nera (Malaysia) Sdn Bhd*	Sale, installation and maintenance of communications equipment	Malaysia	_	30	

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

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7. Investment in an associate (Continued)

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:-

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	2012 \$'000
Assets and liabilities	\$ 000
Current assets	16,718
Non-current assets	199
Total assets	16,917
Current liabilities	7,184
Results:-	
Revenue	14,545
Profit for the year	2,836

During the financial year, the Group acquired the remaining 70% equity interest in the associate. Upon the acquisition, the associate became a wholly-owned subsidiary of the Group.

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 5 months (2012: 17 months). Future minimum lease rental receivable under non-cancellable operating lease as at 31 December are as follows:

	Group				
	20	13	2012		
	Gross lease receivable \$'000	Present value of receivable \$'000	Gross lease receivable \$'000	Present value of receivable \$'000	
Not later than one year	149	148	290	276	
Later than one year but within five years			97	95	
Less: Unearned finance income	149 (1)	148 -	387 (16)	371 	
	148	148	371	371	

The implicit interest rate for the lease is 7.07% (2012: 7.07%) per annum.

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9. Stocks

	Group		Company	
	2013			
	\$'000	\$'000	\$'000	\$'000
Balance sheet				
Finished goods, at cost	189	_	_	_
Finished goods, at net realisable value	2,332	5,916	1,642	4,990
	2,521	5,916	1,642	4,990

At 31 December 2013, trading stocks recognised as an expense in the consolidated statement of comprehensive income under line item "Cost of sales" for the Group amounted to \$27,329,000 (2012: \$42,434,000) inclusive of trading stocks written-down of \$259,000 (2012: written-down of \$51,000).

10. Contract work-in-progress

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Contract work in progress comprise:-				
Cost incurred to date	146,644	141,310	71,041	93,874
Profits recognised to date	36,443	35,824	16,452	28,846
	183,087	177,134	87,493	122,720
Progress billings	(159,109)	(158,384)	(75,142)	(115,549)
	23,978	18,750	12,351	7,171
Gross amount due from customers				
for contract work	23,978	18,750	12,351	7,171

11. Trade receivables

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Trade receivables Less: Allowance for impairment	52,400	56,379	20,553	20,534
of trade receivables	(471)	(278)	(423)	(218)
Total trade receivables Add:	51,929	56,101	20,130	20,316
Other receivables and deposits				
(excluding prepayments) (Note 12)	2,426	2,663	178	623
Cash and cash equivalents (Note 29)	39,241	43,710	22,980	34,798
Deposit pledged (Note 29)	29	30	_	_
Amounts due from subsidiaries	_	_	24,989	26,789
Amount due from an associate		1,160		1,160
Total loans and receivables	93,625	103,664	68,277	83,686

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11. Trade receivables (Continued)

Trade receivables

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

Included in trade receivables is a fair value gain on forward currency contracts amounting to \$37,000 (2012: \$6,000) 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 \$1,172,000 and \$1,047,000 (2012: \$1,531,000 and \$1,524,000) respectively.

At the balance sheet date, trade receivables for the Group and the Company arising from export sales amounting to \$771,000 (2012: \$2,317,000) 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 the trade receivables for the Group and the Company:-

	Group		Company		
	2013	2012	2013	2012 2013 20	2012
	\$'000	\$'000	\$'000	\$'000	
US Dollar	9,721	19,284	3,321	3,880	
Euro	11,339	13,139	1	70	
Others	282	430	_	92	

Allowance for impairment of trade receivables

For the year ended 31 December 2013, the Group and the Company have provided net allowance of \$209,000 and \$205,000 (2012: net write-back \$214,000 and \$185,000) 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 2013.

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

Not past due and not impaired	34,621	41,250	11,534	11,926
Past due but not impaired	17,308	14,851	8,596	8,390
Impaired	471	278	423	218
	52,400	56,379	20,553	20,534
Less: Allowance for impairment	(471)	(278)	(423)	(218)
	51,929	56,101	20,130	20,316

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11. Trade receivables (Continued)

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to \$17,308,000 (2012: \$14,851,000) and \$8,596,000 (2012: \$8,390,000) 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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Trade receivables past due but not impaired :				
Less than 3 months	10,656	8,894	5,358	3,649
More than 3 months but less than 6 months	5,310	2,853	2,737	2,375
More than 6 months but less than 12 months	1,004	2,902	501	2,167
More than 12 months	338	202	_	199
_	17,308	14,851	8,596	8,390

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	63	83	15	34
Pending for acceptance certification	383	26	383	26
Incomplete documentation	25	169	25	158
	471	278	423	218
Less: Allowance for impairment	(471)	(278)	(423)	(218)
	_	_	_	_
Movements in the allowance for impairment of tra	ade receivables are	as follows:		
Movements in the allowance for impairment of transfer and 1 January	ade receivables are	as follows : 509	218	403
·			218 394	403 260
At 1 January	278	509		
At 1 January Charge for the year	278 548	509 385	394	260
At 1 January Charge for the year Written back	278 548 (339)	509 385 (599)	394	260

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12. Other receivables, deposits and prepayments

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Advances to suppliers	357	808	138	550
Deposits	659	492	33	30
Prepayments	565	288	99	111
Staff advances	102	143	1	2
Tax recoverable	1,239	1,085	_	_
Other debtors	69	135	6	41
	2,991	2,951	277	734

Staff advances are unsecured and non-interest bearing.

13. Amounts due from/(to) subsidiaries (trade and non-trade)/Amount due from/(to) an associate (trade and non-trade)

The non-trade balances are unsecured, repayable on demand and are to be settled in cash. The balances due from/due to subsidiaries and an associate for the Group and the Company do not bear any interest.

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 \$386,000 (2012: \$193,000) which has been recognised in profit or loss as at 31 December 2013.

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	
	2013 \$'000	2012	2013	2012
		\$'000	\$'000	\$'000
US Dollar	9,395	11,558	7,930	10,660
Euro	1,364	5,084	663	66
Norwegian Krone	310	228	42	78
Other currencies	239	199	2	6

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15. Other payables and accruals

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Accrued payroll and staff expenses	10,402	10,470	7,575	7,829
Customer advances	6,645	5,953	3,363	3,789
Other accrued operating expenses	1,338	1,565	939	1,222
Other creditors	716	1,050		6
Total other payables and accruals Add:	19,101	19,038	11,877	12,846
Trade payables	44,010	48,955	24,454	31,902
Amounts due to subsidiaries	_	_	333	382
Amount due to an associate	_	402	_	_
Obligations under finance leases		7		
Total financial liabilities carried				
at amortised cost	63,111	68,402	36,664	45,130

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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
At 1 January	5,484	5,934	2,454	2,448
Acquisition of a subsidiary	396	_	_	_
Provision for the year	2,579	3,118	1,436	1,762
Write-back of provision	(1,934)	(2,126)	(1,008)	(1,307)
Utilised during the year	(661)	(1,301)	(506)	(449)
Currency realignment	(330)	(141)		_
At 31 December	5,534	5,484	2,376	2,454

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17. Obligations under finance leases

The Group has no obligations under finance leases during the financial year. In prior year, 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			
	2013		20	12
	\$'(000	\$'000	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Not later than one year Later than one year but not later than five years		-	7	7
Total minimum lease payments Less: Amounts representing finance charges		_ _	7 -	7
Present value of minimum lease payments	_	_	7	7

These obligations was 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				
			Numbe	r of shares	
	2013 \$'000			2013	2012
			'000	'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.

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

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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	
	2013 \$'000	2012 \$'000
At 1 January Net effect of exchange differences	(2,790) (1,449)	(2,491) (299)
At 31 December	(4,239)	(2,790)
Net effect of exchange differences arises from :- Translation of financial statements of foreign operations	(1,449)	(299)

20. Turnover

	G	Group	
	2013 \$'000	2012 \$'000	
Sales of goods (including goods supplied to contracts)	122,894	132,866	
Services rendered	46,171	38,414	
Rental income	9,152	7,559	
	178,217	178,839	

21. Other operating income

	Group	
	2013	2012
	\$'000	\$'000
Trade receivables collection fee	533	2,930
Use of trademark	340	_
Commission income	50	43
Net gain on disposal/write-off of property, plant and equipment	14	_
Others	185	766
	1,122	3,739

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22. Profit from operating activities

The following items have been included in arriving at profit from operating activities:

	Group	
	2013	2012
	\$'000	\$'000
Audit fees paid to :-		
Auditors of the Company	93	89
Other auditors	86	60
Non-audit fees paid to :-		
Auditors of the Company	34	85
Other auditors	16	16
Ex-gratia payment to ex-directors of the Company	325	_
Foreign exchange loss, net – forward currency contracts	368	192
Foreign exchange loss, net - others	1,300	608
Loss on remeasurement of previously held interest in		
a subsidiary acquired	6	_
Net loss on disposal/write-off of property, plant and equipment	-	5
Bad debts recovered	(64)	_

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23. Personnel expenses and employee benefits

	Gr	Group	
	2013 \$'000	2012 \$'000	
Wages, salaries and bonuses	21,839	20,359	
Pension contributions	2,744	2,270	
Termination benefits	311	_	
Other personnel benefits	2,422	2,310	
	27,316	24,939	

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

24. Financial income

	Group	
	2013	2012 \$'000
	\$'000	
Interest income from :-		
Bank deposits	179	133
Others	17	30
	196	163

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25. Financial expenses

		Group
	2013	2012
	\$'000	\$'000
Bank charges	(256	(325)
Interest expense		- (3)
	(256	(328)

26. Tax

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

	Group	
	2013	2012
	\$'000	\$'000
Current tax :-		
Current year	2,166	3,041
Foreign tax	1,718	610
Underprovision in respect of prior years	15	105
Deferred tax :-		
Current year	133	637
Overprovision in respect of prior year		(148)
Income tax expense	4,032	4,245

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	27,500	23,642
Tax at 17%	4,675	4,019
Tax effect of expenses that are not deductible in		
determining taxable profit	303	404
Additional tax deductions	(29)	(24)
Realisation of deferred tax assets previously not recognised	_	(149)
Tax exemption	(52)	(52)
Net under/(over) provision in respect of prior years	15	(43)
Difference in tax rates applicable to subsidiaries and associate	301	317
Deferred tax assets not recognised by subsidiaries	292	148
Share of results of an associate	(27)	(145)
Tax effect of income not subject to tax	(1,292)	(112)
Tax effect on benefits arising from Productivity and		
Innovation Credit	(68)	(137)
Recognition of deferred tax asset not recognised previously	(108)	_
Others	22	19
Income tax expense	4,032	4,245

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26. Tax (Continued)

Deferred tax assets and liability

The following amounts determined after offsetting, are shown in the consolidated balance sheet:

	Group		Company	
	2013 \$'000	2012	2013	2012
		\$'000	\$'000	\$'000
Deferred tax assets	1,531	1,800	36	282
Deferred tax liability	(22)	_		
	1,509	1,800	36	282

Deferred tax as at 31 December related to the following:

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Deferred tax liability:- Differences in depreciation of property,				
plant and equipment for tax purposes	(809)	(721)	(647)	(577)
	(809)	(721)	(647)	(577)
Deferred tax assets :-				
General provisions	2,120	2,170	618	680
Difference in amortisation of intangible asset	54	179	65	179
Tax loss	105	41	_	_
Unutilised capital allowances	39	131		
Net deferred tax assets	1,509	1,800	36	282

Changes in corporate tax rate are as follows:

- Pakistan: reduced from 35% to 34% for financial year 2013 onwards

- Norway : will be reduced from 28% to 27% for financial year 2014 onwards

Unrecognised tax losses

The Group has tax losses and unutilised capital allowances of approximately \$2,514,000 (2012: \$1,772,000) 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.

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26. Tax (Continued)

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting year, no deferred tax liability (2012: nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to \$5,229,000 (2012: \$4,542,000). The deferred tax liability is estimated to be \$578,000 (2012: \$509,000).

Tax consequences of proposed dividends

There are no income tax consequences (2012: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 28).

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).

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		
	2013	2012		
	\$'000	\$'000		
Net profit attributable to ordinary equity holders of the				
Company for basic and diluted earnings per share	23,468	19,397		
Weighted average number of ordinary shares				
for basic and diluted earnings per share computation	361,897,000	361,897,000		

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.

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28. Dividends

	Group an	Group and Company		
	2013	2012		
	\$'000	\$'000		
An interim exempt (one-tier) dividend paid in respect of the				
current financial year of 2 cents (2012: 4 cents) per share	7,238	14,476		
A final exempt (one-tier) dividend paid in respect of the				
previous financial year of 4 cents (2012 : Nil cents) per share	14,476			
	21,714	14,476		

The directors proposed a final dividend of 4 cents (2012: 4 cents) per share one-tier tax exempt dividend amounting to \$14,476,000 (2012: \$14,476,000) in respect of the year ended 31 December 2013. The proposed final dividend is subject to the approval by shareholders at the Annual General Meeting of the Company. The proposed dividend has not been recognised as liabilities as at year end in accordance with FRS 10, Events after the balance sheet date.

29. Cash and cash equivalents

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Fixed deposits	17,153	26,300	15,100	26,300
Cash and bank balances	22,117	17,440	7,880	8,498
Deposit pledged	(29)	(30)		
	39,241	43,710	22,980	34,798

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.3% to 6.5% (2012:0.1% to 2.1%) per annum. Included in cash and bank balances is an amount of \$28,600 (2012:\$29,800) pledged in accordance to a contractual arrangement.

Fixed deposits of the Group and the Company were made for varying periods between 1 month to 3 months (2012: 1 month to 3 months) depending on the immediate cash requirements of the Group and the Company, and earned interests at the respective fixed deposit rates. The effective interest rates of fixed deposits were 0.30% to 3.29% (2012: 0.27% to 0.38%) per annum.

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30. Commitments

(a) Capital commitments

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

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Capital commitments in respect of property,				
plant and equipment		156		156

(b) Non-cancellable operating lease commitments

As at 31 December 2013, the Group has commitments under operating leases for equipment, office and factory premises. The leases have remaining tenure of between 1 and 29 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 \$1,886,000 (2012: \$1,474,000).

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

	Gr	Group		
	2013 \$'000	2012 \$'000		
Not later than one year	1,181	949		
Later than one year but not later than five years	2,067	1,216		
Later than five years	6,831	6,330		
	10,079	8,495		

31. Contingent liabilities

Guarantees

	Group		Company			
	2013		2013 \$'000	2012	2013 \$'000	2012
	\$ 000	\$'000	\$ 000	\$'000		
Bankers' guarantees issued						
by banks on behalf of:			0.040	0.750		
Subsidiaries		_	3,842	2,753		

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32. Related party disclosures

(a) Related party transactions

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

	Gr	oup
	2013 \$'000	2012 \$'000
Income:-		
Sales to an associate	187	3,775
Expenses :-		
Purchase of goods from related companies		135
Compensation of key management personnel		
Directors of the Company:-		
Directors' fees	228	208
Directors' remuneration	1,312	1,090
Defined contribution benefits	9	8
Directors of the subsidiaries :-		
Directors' fees	12	10
Directors' remuneration	714	472
Defined contribution benefits	61	17
Key management :-		
Key management's remuneration	1,457	1,305
Defined contribution benefits	57	57

33. Segment information

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

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

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

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33. Segment information (Continued)

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.

	Telecom-				
2013	munications \$'000	Infocomm \$'000	Adjustments \$'000	Notes	Total \$'000
Turnover	70,368	107,849			178,217
Cost of sales	(45,311)	(72,275)	_		(117,586)
Gross profit	25,057	35,574			60,631
Other operating income	1,035	87			1,122
Distribution and selling expenses	(10,784)	(17, 159)			(27,943)
Administrative expenses	(3,590)	(7,954)			(11,544)
Other operating expenses	(774)	(1,142)	_		(1,916)
	10,944	9,406			20,350
Negative goodwill on acquisition of a subsidiary					7,051
·					
Profit from operating activities Financial income					27,401 196
Financial expenses					(256)
Titatiolal expenses					
Chara of regults of an appoint					27,341
Share of results of an associate Tax					159 (4,032)
Net profit for the year					23,468
Other information					
Segment assets	36,568	57,731	43,792	Α	138,091
Segment liabilities	29,229	21,731	20,958	В	71,918
Capital expenditure	730	11,078			11,808
Depreciation and amortisation	441	4,623			5,064
Other non-cash expenses	96	953			1,049

31 December 2013

33. Segment information (Continued)

Allocation basis and transfer pricing (Continued)

	Telecom-				
2012	munications	Infocomm	Adjustments	Notes	Total
	\$'000	\$'000	\$'000		\$'000
Turnover	69,288	109,551			178,839
Cost of sales	(52,029)	(70,903)	_		(122,932)
Gross profit	17,259	38,648			55,907
Other operating income	3,428	311			3,739
Distribution and selling expenses	(10,338)	(15,052)			(25,390)
Administrative expenses	(2,594)	(7,839)			(10,433)
Other operating expenses	(308)	(559)	_		(867)
Profit from operating activities	7,447	15,509			22,956
Financial income					163
Financial expenses					(328)
					22,791
Share of results of an associate					851
Tax					(4,245)
Net profit for the year					19,397
Other information					
Segment assets	40,397	51,732	51,387	Α	143,516
Segment liabilities	31,657	24,678	21,313	В	77,648
Capital expenditure	466	3,882			4,348
Depreciation and amortisation	356	3,041			3,397
Other non-cash expenses	579	250			829

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

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

	2013 \$'000	2012 \$'000
Investment in an associate	_	2,896
Deferred tax assets	1,531	1,800
Other receivables, deposits and prepayments	2,991	2,951
Cash and cash equivalents	39,241	43,710
Deposit pledged	29	30
	43,792	51,387

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

	2013 \$'000	2012 \$'000
Deferred tax liability	22	_
Other payables and accruals	17,685	17,544
Obligations under finance leases	_	7
Provision for taxation	3,251	3,762
	20,958	21,313

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33. Segment information (Continued)

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	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Singapore	61,406	72,042	5,258	4,803
Thailand	22,614	14,195	1,566	1,244
Morocco	21,516	15,688	84	91
Malaysia	18,075	10,265	731	549
Indonesia	17,204	21,341	4,748	240
Philippines	12,221	9,200	3,059	2,727
Pakistan	11,955	5,509	130	183
Afghanistan	3,514	16,336	_	_
Other Asian countries	4,861	5,123	28	36
Other Middle East countries	3,977	3,231	46	49
Others	874	5,909	73	4
	178,217	178,839	15,723	9,926

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 \$23,330,000 (2012: \$39,270,000), arising from sales by the Telecommunications and Infocomm segments.

34. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The board of directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks, excepts as disclosed below.

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34. Financial risk management objectives and policies (Continued)

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 and Norwegian Krone. Approximately 37% (2012: 43%) of the Group's sales and 81% (2012: 87%) of the Group's purchases are denominated in foreign currencies.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances amount to \$8,058,000 (2012: \$8,699,000) and \$2,331,000 (2012: \$3,446,000) 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 and Euro exchange rates (against SGD), with all other variables held constant, of the Group's and the Company's profit net of tax.

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
US dollar -				
Strengthened 3% (2012 : 3%)	(148)	(62)	10	(61)
- Weakened 3% (2012 : 3%)	148	62	(10)	61
Euro -				
Strengthened 5% (2012 : 5%)	397	(128)	(45)	2
- Weakened 5% (2012 : 5%)	(397)	128	45	(2)

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.

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.

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34. Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

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 with all other variables held constant, of the Group's and the Company's profit net of tax.

	Gro	up	Company		
	Increase/ (decrease) basis points	Effect on profit, net of tax \$'000	Increase/ (decrease) basis points	Effect on profit, net of tax \$'000	
2013					
Singapore dollar bank placements	(100)	(72)	(100)	(65)	
US dollar bank placements	(100)	_	(100)	_	
RM bank placements	(100)	(30)	(100)	-	
Singapore dollar bank placements	100	190	100	171	
US dollar bank placements	100	21	100	9	
RM bank placements	100	30	100	_	
Euro bank placement	100	36	100	_	
2012					
Singapore dollar bank placements	(100)	(100)	(100)	(99)	
US dollar bank placements	(100)	_	(100)	-	
Singapore dollar bank placements	100	264	100	260	
US dollar bank placements	100	57	100	24	

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.

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34. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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.

	2013				2012			
	1 year 1-5 > 5			1 year	-			
	or less \$'000	years \$'000	years \$'000	Total \$'000	or less \$'000	years \$'000	years \$'000	Total \$'000
Group								
Financial assets:								
Trade receivables	51,892	_	_	51,892	56,096	_	_	56,096
Finance lease receivable	148	_	_	148	276	95	_	371
Other receivables and deposits (excluding								
prepayments)	2,426	_	_	2,426	2,663	_	_	2,663
Amount due from								
an associate	_	_	_	_	1,160	_	_	1,160
Cash and cash equivalents	39,241	_	_	39,241	43,710	_	_	43,710
Deposit pledged	29	_	_	29	30	_	_	30
Derivative financial								
instruments								
 Forward currency 								
contracts	27,536	_	_	27,536	30,040		_	30,040
Total undiscounted								
financial assets	121,272	_	_	121,272	133,975	95	_	134,070
Financial liabilities:								
Trade payables	43,624	_	_	43,624	48,762	_	_	48,762
Other payables and	-,-			- , -	-, -			-, -
accruals	19,101	_	_	19,101	19,038	_	_	19,038
Amount due to an	,			,	,			,
associate	_	_	_	_	402	_	_	402
Obligations under								
finance leases	_	_	_	_	7	_	_	7
Derivative financial instruments								
Forward currency								
contracts	27,187	_	_	27,187	29,842	_	_	29,842
			- _	21,101	20,042			20,042
Total undiscounted	00.010			00.010	00.051			00.051
financial liabilities	89,912			89,912	98,051			98,051
Total net undiscounted								
financial assets	31,360			31,360	35,924	95		36,019

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34. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	2013				2012			
	1 year	1-5	> 5		1 year	1-5	> 5	
	or less \$'000	years \$'000	years \$'000	Total \$'000	or less \$'000	years \$'000	years \$'000	Total \$'000
Company Financial assets:								
Trade receivables Other receivables, deposits and prepayments	20,093	_	-	20,093	20,316	_	-	20,316
(excluding prepayments) Amounts due from	178	-	-	178	623	-	-	623
subsidiaries Amount due from	24,989	_	_	24,989	26,789	_	-	26,789
an associate	_	_	_	_	1,160	_	_	1,160
Cash and cash equivalents Derivative financial instruments - Forward currency	22,980	_	_	22,980	34,798	_	_	34,798
contracts	8,073	_	_	8,073	7,546		_	7,546
Total undiscounted financial assets	76,313			76,313	91,232			91,232
Financial liabilities: Trade payables Other payables and	24,454	-	-	24,454	31,902	-	-	31,902
Accruals Amounts due to	11,877	-	-	11,877	12,846	-	-	12,846
Subsidiaries Derivative financial instruments - Forward currency	333	-	-	333	382	-	-	382
contracts	8,111		_	8,111	7,546		_	7,546
Total undiscounted financial liabilities	44,775			44,775	52,676			52,676
Total net undiscounted financial assets	31,538	_	_	31,538	38,556	_	_	38,556

31 December 2013

34. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

	2013				2012			
	1 year or less \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000	1 year or less \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000
Company Financial guarantees	2,052	1,790	_	3,842	1,393	1,360	_	2,753

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

	Gre	oup	Company		
	2013	2012	2013	2012	
% of total trade receivables					
≥25	Singapore	Singapore	Singapore	Singapore	
>10 and <25	Malaysia and Morocco	Afghanistan and Morocco	-	-	
≤10	Philippines, Afghanistan, Thailand and others	Indonesia, Philippines, Pakistan and others	Philippines, Indonesia and others	Philippines, Vietnam and others	

31 December 2013

34. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Customers' profile (Continued)

By Industry Sectors

	Group				Company			
	20	13	20	12	20	2013		12
		% of		% of		% of		% of
	\$'000	total	\$'000	total	\$'000	total	\$'000	total
Telecommunication	42,241	81	48,185	86	15,606	78	16,153	80
Financial institutions	3,178	6	2,931	5	1,696	8	997	5
Government agencies	3,185	6	1,605	3	1,158	6	617	3
Multi industry								
conglomerates	1,554	3	1,390	2	1,275	6	1,260	6
Media and								
broadcasting	648	1	1,085	2	39	-	891	4
Others	1,123	3	905	2	358	2	398	2
	51,929	100	56,101	100	20,132	100	20,316	100

At the balance date,

- 60% (2012 : 74%) of the Group's trade receivables in Singapore (2012 : Singapore) are due from a reputable telecommunication service provider; and
- 42% (2012 : 51%) of the Group's 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.

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35. Financial instruments

(a) Fair values

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

Derivatives

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

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

	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant other observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
At 31 December 2013 Financial liabilities Derivatives – Forward currency contracts		349	_	349
At 31 December 2012 Financial liabilities Derivatives – Forward currency contracts	-	187	-	187

Fair value hierarchy

The Group categories fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 - Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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35. Financial instruments (Continued)

(a) Fair values (Continued)

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:

2013	Within 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	More than 5 years \$'000	Total \$'000
Group Floating rate Cash and bank balances	22,117	_	_	_	_	_	22,117
Fixed rate Fixed deposits Finance lease receivable	17,153 148	-	-	-	-	-	17,153 148
Company Floating rate Cash and bank balances	7,880	_	_	_	_	_	7,880
Fixed rate Fixed deposits	15,100	_	_	_	_	_	15,100

31 December 2013

35. Financial instruments (Continued)

(b) Interest rate risk (Continued)

2012	Within 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	More than 5 years \$'000	Total \$'000
Group Floating rate Cash and bank balances	17,440	- - -	_	_	_	_	17,440
Fixed rate Fixed deposits Finance lease	26,300	-	-	_	_	_	26,300
receivable Obligations under finance leases	276 (7)	95	-	-	-	-	371 (7)
Company Floating rate Cash and bank balances	8,498	_	_	_	_	_	8,498
Fixed rate Fixed deposits	26,300	_	_	_	_	_	26,300

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							
		2013			2012			
		\$'000			\$'000			
	Contract/ notional			Contract/ notional				
	amount	Assets	Liabilities	amount	Assets	Liabilities		
Forward currency contracts – gross receipts	24,569	_	366	28,998		193		
Forward currency contracts – gross payments	2,495	17	_	843	6	_		

Forward currency contracts are mainly used to hedge the Group's sales and purchases denominated in US dollar, Euro and Norwegian Krone, against SGD for which firm commitments existed at the balance sheet date, extending to November 2014 (2012: May 2013).

The Group does not apply hedge accounting.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

36. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

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

	Group		
	2013 \$'000	2012 \$'000	
Cash and cash equivalents (Note 29)	39,241	43,710	
Deposit pledged	29	30	
Less: Obligations under finance leases (Note 17)		(7)	
Net cash and cash equivalent	39,270	43,733	
Capital:			
Equity attributable to equity holders of the Company	66,173	65,868	
Capital and net debt	66,173	65,868	
Gearing ratio	0%	0%	

37. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 28 March 2014.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2014

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

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	9	0.20	2,479	0.00
1,000 - 10,000	2,582	59.25	15,267,916	4.22
10,001 - 1,000,000	1,747	40.09	93,062,166	25.71
1,000,001 and above	20	0.46	253,564,439	70.07
Total:	4,358	100.00	361,897,000	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	RAFFLES NOMINEES (PTE) LIMITED	194,367,439	53.71
2.	HSBC (SINGAPORE) NOMINEES PTE LTD	17,141,000	4.74
3.	CITIBANK NOMINEES SINGAPORE PTE LTD	6,765,000	1.87
4.	DBS NOMINEES (PRIVATE) LIMITED	5,794,000	1.60
5.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	5,214,000	1.44
6.	POH KHENG MUI (FU QINGMEI)	2,918,000	0.81
7.	TAN BOON KHAK HOLDINGS PTE LTD	2,820,000	0.78
8.	UOB KAY HIAN PRIVATE LIMITED	2,693,000	0.74
9.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,253,000	0.62
10.	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	1,881,000	0.52
11.	EST OF MRS LIM NANCY NEE TAN NANCY, DEC'D	1,500,000	0.41
12.	LIM GECK CHIN MAVIS	1,500,000	0.41
13.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,302,000	0.36
14.	DB NOMINEES (SINGAPORE) PTE LTD	1,192,000	0.33
15.	LEE SIENG MENG	1,084,000	0.30
16.	TAN ENG YAM @TAN ENG ANN	1,067,000	0.29
17.	TAN ENG YAM HOLDINGS PTE LTD	1,046,000	0.29
18.	OCBC SECURITIES PRIVATE LIMITED	1,017,000	0.28
19.	TAN TZE YIM	1,008,000	0.28
20.	KIM LENG TEE INVESTMENTS PTE LTD	1,002,000	0.28
	Total:	253,564,439	70.06

Substantial Shareholders

	Direct Interest	%	Deemed Interest	%
Asia Systems Ltd	193,173,439	53.38	_	_
Canopus Asia Systems, L.P.(1)	_	_	193,173,439	53.38
PGA Partners Ltd ⁽²⁾	_	_	193,173,439	53.38

⁽¹⁾ Canopus Asia Systems, L.P. owns 100% of Asia Systems Ltd. Mr Ang Seong Kang Samuel, the Chief Executive Officer of the Company has a minority interest in Canopus Asia Systems, L.P.

Percentage of Shareholdings In Hands Of The Public

46.62% 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.

⁽²⁾ PGA Partners Ltd is the general partner of and controls Canopus Asia Systems, L.P. Mr Sugito Walujo, Mr Glenn Timothy Sugita and Mr Ashish Jaiprakash Shastry are the holders of all the issued share capital of PGA Partners Ltd. Each of them holds one-third of the shareholdings interests in PGA Partners Ltd.

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 Tuesday, 29 April 2014 at 10.30 a.m. for the following purposes:

As Ordinary Business

- 1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2013 together with the Auditors' Report thereon. (Resolution 1)
- 2. To declare a final one-tier tax exempt dividend of 4 cents per share for the year ended 31 December 2013.

(Resolution 2)

3. To re-elect the following Directors of the Company retiring pursuant to Articles 87 and 94 of the Articles of Association of the Company:

Mr Ashish Jaiprakash Shastry Ms Wong Su-Yen [See Explanatory Note (i)] (Retiring under Article 87) (Retiring under Article 94) (Resolution 3) (Resolution 4)

- 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

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

6. To approve the payment of Directors' fees of S\$206,396 for the year ended 31 December 2013 (2012: S\$208,072)

(Resolution 6)

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,

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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 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 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 shall be based on the total number of issued 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
- 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 (ii)] (Resolution 7)

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATES

NOTICE IS ALSO HEREBY GIVEN THAT the Share Transfer Books and Register of Members of the Company will be closed on 8 May 2014 to determine shareholders' entitlements to the final one-tier tax exempt dividend of 4 cents per share for the year ended 31 December 2013 ("Proposed Dividend") to be proposed at the AGM of the Company to be held on 29 April 2014.

Duly completed registrable transfers received by the Company's Share Registrars, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 7 May 2014 will be registered to determine shareholders' entitlements to the Proposed Dividend. Shareholders whose securities accounts with the Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 7 May 2014 will be entitled to the Proposed Dividend.

The Proposed Dividend, if so approved by shareholders, will be paid on 20 May 2014.

By Order of the Board

Tan Cher Liang

Company Secretary Singapore, 11 April 2014

NOTICE OF **ANNUAL GENERAL MEETING**

Nera Telecommunications Ltd

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

Explanatory Notes:

- (i) Mr Ashish Jaiprakash Shastry is a Non-Executive Director and a member of the Nominating Committee. If re-elected, he will remain as a member of the Nominating Committee. Ms Wong Su-Yen is an Independent Director, Chairman of the Nominating Committee and member of the Remuneration Committee. If elected, she will remain as Chairman of the Nominating Committee and member of the Remuneration Committee.
- (ii) 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 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 will be calculated based on the total number of issued 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.

Notes:

- 1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies 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.



Nera Telecommunications Ltd

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

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

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

	Proportion of Shareholdings	
. of Shares	%	
-	of Shares	

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 on 29 April 2014 at 10.30 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 Financial Statements for the year ended 31 December 2013		
2	Payment of proposed final dividend		
3	Re-election of Mr Ashish Jaiprakash Shastry as a Director		
4	Re-election of Ms Wong Su-Yen as a Director		
5	Re-appointment of Messrs Ernst & Young LLP as Auditors		
6	Payment of Directors' fees for the year ended 31 December 2013		
7	Authority to issue shares		

Dated this day of 2014

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	



Nera Telecommunications Ltd

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

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. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
- 5. The instrument appointing a proxy or proxies must be deposited at 109 Defu Lane 10, Singapore 539225, not less than 48 hours before the time appointed for the Meeting.
- 6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
- 7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

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





CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Tan Lye Huat, Chairman*

Mr Ang Seong Kang Samuel, President & CEO**

Mr Lee Kwok Cheong*

Ms Wong Su-Yen* (appointed on 23 December 2013)

Mr Ashish Jaiprakash Shastry***

Mr Tan Choon Hong***

AUDIT COMMITTEE

Mr Tan Lye Huat, Chairman Mr Tan Choon Hong

Mr Lee Kwok Cheong

NOMINATING COMMITTEE

Ms Wong Su-Yen, Chairman Mr Ashish Jaiprakash Shastry

Mr Tan Lye Huat

REMUNERATION COMMITTEE

Mr Lee Kwok Cheong, Chairman Mr Tan Choon Hong

Ms Wong Su-Yen

COMPANY SECRETARY

Mr Tan Cher Liang

BUSINESS ADDRESS

109 Defu Lane 10

Singapore 539225

Tel: (65) 6281 3388

Fax: (65) 6383 9566/6383 9577

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) 6536 1360

AUDITORS

Ernst & Young

One Raffles Quay

North Tower, Level 18

Singapore 048583

Partner-in-charge: Mr Philip Ling Soon Hwa

(appointed with effect from FY2010)

PRINCIPAL BANKERS

DBS Bank Ltd

12 Marina Boulevard

DBS Asia Central

@ Marina Bay Financial Centre Tower 3

Singapore 018982

The Hong Kong and Shanghai Banking Corporation Limited

21 Collyer Quay #04-01

HSBC Building

Singapore 049320

Skandinaviska Enskilda Banken AB (publ), Singapore Branch (SEB)

50 Collyer Quay, #12-03

OUE Bayfront

Singapore 049321



^{*} Independent and Non-Executive Director

^{**} Executive Director

^{***} Non-Executive Director

