

# Corporate Governance

The Company is committed to maintaining a high standard of corporate governance in order to protect the interest of its shareholders. For effective corporate governance, the following has been put in place:

## **Board Of Directors**

The Board of Directors consists of 7 directors. Except for the Managing Director, all the other members are non-executive directors.

The Board meets four times a year to review and approve the interim and annual announcement of results of the Group and the Company, the Group's key strategic and operational matters, major investments and funding decisions, financial performance and internal control as well as to ensure that the principal risks of the Group's business are identified and properly managed. The Board discharges its responsibilities either directly or indirectly through various Board committees such as the Audit Committee and Compensation Committee.

## **Audit Committee**

The Audit Committee comprises three members, the majority of whom, including its Chairman, are independent of management.

The Company has adopted a Code of Best Practices ("the Code"), in relation to the roles and responsibilities of the Audit Committee and has during the year complied with the Code.

The Audit Committee functions under the terms of

reference approved by the Board. Its role includes, inter alia, to assist the Board in fulfilling its fiduciary responsibilities pertaining to audit plan, accounting standards, internal control and reporting practices. In addition, it also reviews the interim and annual announcement of results of the Group and the Company as well as financial statements before they are submitted to the Board for approval.

Other functions of the Audit Committee include the recommendation of the appointment or re-appointment of external auditors and the review of audit fees. The Audit Committee also reviews interested person transactions as defined under Chapter 9A of the Listing Manual of the Singapore Exchange Limited ("SGX").

## **Compensation Committee**

The Compensation Committee comprises four members, three of whom hold non-executive positions. It reviews and approves the remuneration package and terms of employment of the executive director. The Committee also reviews the compensation schemes of the Company.

## **Securities Trading**

The Company has adopted an internal Compliance Code on Securities Transactions to govern the dealings in its shares by the directors and officers within the Group (including employees with access to price-sensitive information in relation to the Company's shares). The code of conduct is based on the Best Practices Guide of the SGX and has been disseminated to the directors, officers and key employees of the Group.

# Financial Report

NERA TELECOMMUNICATIONS LTD  
[ formerly known as Nera (SEA) Pte Ltd,  
incorporated in Singapore ]  
AND SUBSIDIARY COMPANIES



## Financial Report As At 31 December 1999

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# Directors' Report



## Directors' Report for the financial year ended 31 December 1999

The directors present their report to the members together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 1999.

### Directors

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

S Chandra Das	
Ang Seong Kang Samuel	
Bjorn Ove Skjeie	
Sverre Ording Fjeld	
Johan Fredrik Odfjell	(Appointed 20 April 1999)
Lau Ping Sum	(Appointed 29 April 1999)
Sitoh Yih Pin	(Appointed 29 April 1999)

### Principal Activities

The principal activities of the Company and its subsidiaries are to engage in the sales, distribution, design, engineering, servicing, installation and maintenance of telecommunication systems and products in transmission network and satellite communications, IT network and electronics contract manufacturing and services.

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

### Change of Company's Status and Name

At an Extraordinary General Meeting held on 27 May 1999, it was resolved that the Company be converted into a public company limited by shares and the name of the Company be changed from Nera (SEA) Pte Ltd to Nera Telecommunications Ltd. The Company was admitted to the official list of the Stock Exchange of Singapore Limited (now known as Singapore Exchange Securities Trading Limited) on 1 July 1999.

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

### Directors' Report

for the financial year ended 31 December 1999

#### Results for the Financial Year

	Group \$	Company \$
Profit for the financial year attributable to the members of Nera Telecommunications Ltd	6,880,799	3,946,675
Retained profits at the beginning of the financial year	3,599,970	686,927
Profits available for appropriation	10,480,769	4,633,602
Proposed dividends	(905,175)	(905,175)
Retained profits at the end of the financial year	9,575,594	3,728,427

#### Material Transfers to or/(from) Reserves and Provisions

Material transfers to or/(from) reserves during the financial year were as follows:

	Group \$	Company \$
(a) <b>Share premium account</b>		
Premium on issue of shares	20,864,739	20,864,739
Bonus shares issued	(9,481,383)	(9,481,383)
(b) <b>Foreign currency translation reserve</b>		
Net exchange differences arising on translation of financial statements of foreign subsidiaries	36,452	-

Movements in provisions are set out in the notes to the financial statements.

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

### Directors' Report

for the financial year ended 31 December 1999

#### Acquisition and Disposal of Subsidiaries

During the financial year, the Company acquired or incorporated the following subsidiaries:

	Previous Interest %	Interest acquired %	Consideration \$	Net tangible assets acquired \$
Nera Infocom Pte Ltd	-	100	2	2
Nera Infocom (M) Sdn Bhd	-	100	225,000	225,000

Nera Infocom Pte Ltd, a dormant company incorporated in Singapore, was acquired from Nera Norway ASA by the Company for a nominal consideration of \$2.00 on 30 April 1999.

Nera Infocom (M) Sdn Bhd was incorporated in Malaysia on 30 December 1999. It is intended the business of the information technology division of Nera (Malaysia) Sdn Bhd, an associated company to gradually be transferred to the subsidiary.

Except as disclosed above, the Company did not acquire any subsidiaries during the financial year.

There were no disposals of interests in subsidiaries during the financial year.

#### Issue of Shares and Debentures

##### (a) The Company

- (i) During the financial year, the authorised share capital of the Company was increased from \$2,875,000 comprising 2,875,000 ordinary shares of \$1.00 each to \$40,000,000 comprising 40,000,000 ordinary shares of \$1.00 each. Each of the ordinary share of \$1.00 each was then sub-divided into five ordinary shares of \$0.20 each resulting in an authorised share capital of 200,000,000 ordinary shares of \$0.20 each.
- (ii) During the financial year, the Company increased its issued ordinary share capital from \$2,875,000 divided into 2,875,000 shares of \$1.00 each to \$18,000,000 divided into 90,000,000 ordinary shares of \$0.20 each as a result of:
  - (l) The issue of 3,643,617 ordinary shares of \$1.00 each to Nera Networks AS at a premium of \$3.70 per share for cash as part of the restructuring exercise.

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

### Directors' Report

for the financial year ended 31 December 1999

#### Issue of Shares and Debentures (continued)

(II) The bonus issue of 9,481,383 ordinary shares of \$1.00 each in the capital of the Company credited as fully paid to the shareholders by way of capitalisation of \$9,481,383 standing to the credit of the share premium account ("Bonus Issue").

(III) The sub-division of the ordinary shares of \$1.00 each in the capital of the Company into five ordinary shares of \$0.20 each in the capital of the Company ("Share Split").

(IV) The issue of 10,000,000 ordinary shares of \$0.20 each at a premium of \$0.78 per share for cash pursuant to the Initial Public Offer ("IPO") of shares on 1 July 1999 to provide funds for business expansion and to increase investment in the Company's subsidiaries.

The newly issued shares rank pari passu in all respects with the previously issued shares.

(iii) Details of the issued and paid-up share capital of the Company since 31 December 1998, being the date of the last audited financial statements of the Company, are as follows:-

	No. of shares	\$
Issued and fully paid ordinary shares of \$1.00 each as at 31 December 1998	2,875,000	2,875,000
Issue of ordinary shares of \$1.00 each to Nera Networks AS	3,643,617	3,643,617
	6,518,617	6,518,617
Bonus issue	9,481,383	9,481,383
	16,000,000	16,000,000
Share split	80,000,000	16,000,000
Pre-IPO share capital	80,000,000	16,000,000
New shares issued for public subscription	10,000,000	2,000,000
Post-IPO share capital and as at 31 December 1999	90,000,000	18,000,000

#### (b) Subsidiary

During the financial year, shares were issued by the following subsidiary:

Name of subsidiary	Description of shares issued	Purpose of issue
Nera Philippines Inc.	200,000 ordinary shares of Peso 100 each at par for cash	To provide additional working capital

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

### Directors' Report

for the financial year ended 31 December 1999

#### Issue of Shares and Debentures (continued)

(c) The Company and its subsidiaries did not issue any debentures during the financial year.

#### 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 object was 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, other than as disclosed under 'Directors' Interests in Shares or Debentures' below.

#### Directors' Interests in Shares or Debentures

The interests of the directors holding office at the end of the financial year in the share capital of the Company, according to the register of directors' shareholdings, were as follows:

	Holdings registered in name of director or nominee	
	At 31 Dec 1999	At 1 Jan 1999 or later date of appointment
<b>The Company – Ordinary shares of \$0.20 each</b>		
S Chandra Das	550,000	-
Ang Seong Kang Samuel	605,000	-
Bjorn Ove Skjeie	20,000	-
Arnfinn Tveit (resigned 1 March 2000)	-	-
Sverre Ording Fjeld	-	-
Johan Fredrik Odfjell	100,000	-
Lau Ping Sum	100,000	-
Sitoh Yih Pin	100,000	-

The directors' interests in the share capital of the Company as at 21 January 2000 were the same as at 31 December 1999.

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

### Directors' Report

for the financial year ended 31 December 1999

#### Directors' Interests in Shares or Debentures (continued)

As part of the Initial Public Offer of the Company's shares, ordinary shares of \$0.20 each at a premium of \$0.78 per share were allotted to and subscribed by the directors as follows:

	No. of shares
<b>The Company – Ordinary shares of \$0.20 each</b>	
S Chandra Das	500,000
Ang Seong Kang Samuel	343,000
Bjorn Ove Skjeie	100,000
Arnfinn Tveit (resigned 1 March 2000)	10,000
Sverre Ording Fjeld	20,000
Johan Fredrik Odfjell	100,000
Lau Ping Sum	100,000
Sitoh Yih Pin	100,000

#### Dividends

Dividends paid, declared or recommended since the end of the Company's previous financial year were as follows:

	\$
An interim dividend of 387.12% less tax at 26% was paid on 11 May 1999 in respect of financial year ended 31 December 1998 as declared in the Directors' Report for that financial year	8,236,000
A proposed first and final dividend of 6.75% less tax at 25.5% was recommended by the directors in respect of the financial year ended 31 December 1999	905,175



## **NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES**

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### **Directors' Report**

for the financial year ended 31 December 1999

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#### **Bad and Doubtful Debts**

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Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and providing for doubtful debts of the Company and have satisfied themselves that all known bad debts of the Company, had been written off and that where necessary adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render any amounts written off for bad debts or provided for doubtful debts in the consolidated financial statements of the Group inadequate to any substantial extent.

#### **Current Assets**

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Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that current assets of the Company which are unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or that adequate provision has been made for the diminution in values of such current assets.

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report, which would render the values attributed to current assets in the consolidated financial statements of the Group misleading.

#### **Charges on Assets and Contingent Liabilities**

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At the date of this report, no charges have arisen since the end of the financial year on the assets of the Company or any corporation in the Group which secure the liability of any other person, nor have any contingent liability arisen since the end of the financial year in the Company or any other corporation in the Group.

#### **Ability to Meet Obligations**

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No contingent or other liability of the Company or any other corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

#### **Other Circumstances Affecting the Financial Statements**

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At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or consolidated financial statements which would render any amount stated in the financial statements of the Company and the consolidated financial statements of the Group misleading.

## **NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES**

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### **Directors' Report**

for the financial year ended 31 December 1999

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#### **Unusual Items**

In the opinion of the directors, the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

#### **Unusual Items after the Financial Year**

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

#### **Directors' Contractual Benefits**

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed in the consolidated financial statements and in this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

#### **Share Options**

There were no share options granted during the financial year to subscribe for unissued shares of the Company and its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company and its subsidiaries.

There were no unissued shares of the Company and its subsidiaries under option at 31 December 1999.

#### **Audit Committee**

The Audit Committee carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, including a review of the financial statements of the Company and of the Group for the financial year and the auditors' report thereon. The nature and extent of the functions performed by the Audit Committee are further described in the Annual Report under the heading "Corporate Governance".

The Company has been notified by a substantial shareholder of its intention to nominate Arthur Andersen for appointment as auditors at the forthcoming Annual General Meeting.

**NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES**

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**Directors' Report**

for the financial year ended 31 December 1999

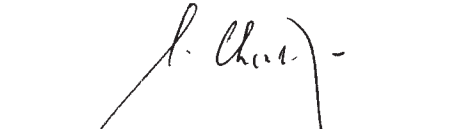
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**Auditors**

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PricewaterhouseCoopers will not be seeking re-appointment.

On behalf of the directors



S CHANDRA DAS  
Director



ANG SEONG KANG SAMUEL  
Director

Singapore, 5 May 2000

**NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES**

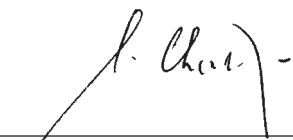
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**Statement by Directors**

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In the opinion of the directors, the financial statements set out on pages 27 to 51, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1999 and of the results of the business of the Company and of the Group and cash flows of the Group for the financial year then ended, and 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 directors

  
\_\_\_\_\_  
S CHANDRA DAS  
Director

  
\_\_\_\_\_  
ANG SEONG KANG SAMUEL  
Director

Singapore, 5 May 2000

# Auditors' Report



## Auditors' Report to the members of Nera Telecommunications Ltd [ formerly known as Nera (SEA) Pte Ltd ]

We have audited the financial statements of Nera Telecommunications Ltd ("Company") and the consolidated financial statements of the Group for the financial year ended 31 December 1999 set out on pages 27 to 51. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying financial statements of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
  - (i) the state of affairs of the Company and of the Group at 31 December 1999, the profit of the Company and of the Group, and the cash flows of the Group for the financial year ended on that date; and
  - (ii) the other matters required by section 201 of the Act to be dealt with in the financial statements of the Company and the consolidated financial statements of the Group; and

(b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of these subsidiaries are stated in note 4 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under section 207(3) of the Act.



PricewaterhouseCoopers  
Certified Public Accountants

Singapore, 5 May 2000

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

### Balance Sheets as at 31 December 1999

	Notes	Group		Company	
		1999	1998	1999	1998
		\$	\$	\$	\$
<b>Non-current assets</b>					
Property, plant and equipment	3	7,181,668	7,613,686	5,377,718	5,169,683
Subsidiaries	4	-	-	8,353,225	7,288,000
Associate	5	2,593,971	1,998,828	199,205	199,205
Deposits		-	52,564	-	-
Total non-current assets		9,775,639	9,665,078	13,930,148	12,656,888
<b>Current assets</b>					
Inventories	6	19,726,078	21,211,595	5,612,288	8,464,741
Trade debtors	7	14,898,549	9,902,462	10,228,007	7,960,467
Other debtors	8	587,599	848,141	1,511,095	325,154
Due by associate - trade		756,182	2,668,490	755,500	2,668,490
Due by associate - non trade		1,647,527	-	1,647,527	-
Due by related parties - trade	9	1,056,497	-	54,414	-
Due by related corporations - trade	9	-	1,537,788	-	56,466
Due by subsidiaries - trade		-	-	90,346	-
Due by subsidiaries - non trade		-	-	1,399,843	137,625
Bank and cash balances		19,561,815	7,891,038	16,490,805	3,712,765
Total current assets		58,234,247	44,059,514	37,789,825	23,325,708
<b>Less: Current liabilities</b>					
Trade creditors		18,672,514	16,632,652	9,120,095	9,660,438
Due to holding corporation - trade	9	-	757,698	-	757,698
Due to holding corporation - non trade	9	-	15,783,371	-	6,400,371
Due to related parties - trade	9	4,073,779	-	3,820,533	-
Due to related corporations - trade	9	-	1,896,495	-	1,893,159
Due to subsidiaries - trade		-	-	-	1,198,915
Other creditors	10	7,845,112	7,003,636	3,869,449	3,621,829
Obligation under finance leases	11	-	287,432	-	-
Taxation		2,458,788	1,593,222	892,938	652,259
Proposed dividend		905,175	8,236,000	905,175	8,236,000
Total current liabilities		33,955,368	52,190,506	18,608,190	32,420,669
<b>Net current assets/(liabilities)</b>		<b>24,278,879</b>	<b>(8,130,992)</b>	<b>19,181,635</b>	<b>(9,094,961)</b>
<b>Net assets</b>		<b>34,054,518</b>	<b>1,534,086</b>	<b>33,111,783</b>	<b>3,561,927</b>
<b>Capital and reserve</b>					
Share capital	12	18,000,000	2,875,000	18,000,000	2,875,000
Non-distributable reserves	13	10,701,992	(717,816)	11,383,356	-
Retained profits		9,575,594	3,599,970	3,728,427	686,927
		38,277,586	5,757,154	33,111,783	3,561,927
Goodwill write off reserve	14	(4,223,068)	(4,223,068)	-	-
		34,054,518	1,534,086	33,111,783	3,561,927

The accompanying notes form an integral part of these financial statements.  
Auditors' Report - Pages 25 to 26

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

### Profit and Loss Accounts for the Financial Year Ended 31 December 1999

	Notes	Group		Company	
		1999 \$	1998 \$	1999 \$	1998 \$
Turnover	15	118,941,343	70,670,320	66,683,470	70,029,239
Operating profit before tax	16	8,986,198	3,564,531	5,333,675	2,806,304
Share of results of associate		556,273	430,922	-	-
<b>Profit before tax</b>		<b>9,542,471</b>	<b>3,995,453</b>	<b>5,333,675</b>	<b>2,806,304</b>
Tax	17	(2,661,672)	(927,664)	(1,387,000)	(792,784)
Profit after tax and attributable to members of the Company		6,880,799	3,067,789	3,946,675	2,013,520
Retained profits at the beginning of the financial year		3,599,970	8,768,181	686,927	6,909,407
Profits available for appropriation		10,480,769	11,835,970	4,633,602	8,922,927
Dividends	18	(905,175)	(8,236,000)	(905,175)	(8,236,000)
Retained profits at the end of the financial year		9,575,594	3,599,970	3,728,427	686,927
Earnings per share (in cents) - Basic and Diluted	19	9.82	8.64		

The accompanying notes form an integral part of these financial statements.  
Auditors' Report - Pages 25 to 26



**NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES**

**Consolidated Cash Flow Statement for the Financial Year Ended 31 December 1999**

	1999 \$	1998 \$
<b>Cash flows from operating activities</b>		
Profit before taxation	9,542,471	3,995,453
Adjustments for:		
Depreciation	1,940,328	788,346
(Gain)/loss from sale of fixed assets	(14,294)	1,450
Exchange difference on consolidation	6,744	(87,011)
Interest expense	6,910	222,044
Interest income	(244,172)	(105,785)
Share of profits of associate not received as dividends	(558,809)	(430,922)
Operating profit before working capital changes	10,679,178	4,383,575
Changes in working capital:		
Trade and other debtors	(4,682,981)	10,376,638
Inventories	1,485,517	8,784,560
Related corporations	(16,634,995)	(8,393,311)
Related parties	3,017,282	-
Trade and other creditors	2,593,906	(5,383,026)
Cash (used in)/generated from operations	(3,542,093)	9,768,436
Income taxes paid	(1,796,106)	(898,046)
Net cash (outflow)/inflow from operating activities	(5,338,199)	8,870,390
<b>Cash flows from investing activities</b>		
Cash acquired on acquisition of subsidiary	-	4,049,375
Proceeds from disposal of fixed assets	20,060	200
Purchase of fixed assets	(1,520,702)	(244,736)
Interest income	244,172	105,785
Net cash (outflow)/inflow from investing activities	(1,256,470)	3,910,624
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	26,508,356	-
Interest expense	(6,910)	(222,044)
Dividends paid	(8,236,000)	-
Net cash inflow/(outflow) from financing activities	18,265,446	(222,044)
<b>Net increase in cash and cash equivalents</b>	<b>11,670,777</b>	<b>12,558,970</b>
<b>Cash and cash equivalents at 1 January</b>	<b>7,891,038</b>	<b>(4,667,932)</b>
<b>Cash and cash equivalents at 31 December [see note]</b>	<b>19,561,815</b>	<b>7,891,038</b>

**Note**

**Cash and cash equivalents**

Cash and cash equivalents are represented by bank and cash balances in the balance sheet.

The accompanying notes form an integral part of these financial statements.  
Auditors' Report - Pages 25 to 26

## **NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES**

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### **Notes to the Financial Statements for the Financial Year Ended 31 December 1999**

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These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

#### **1. General**

The Company is incorporated in Singapore and the financial statements are expressed in Singapore dollars.

At an Extraordinary General Meeting held on 27 May 1999, it was resolved that the Company be converted into a public company limited by shares and the name of the Company be changed from Nera (SEA) Pte Ltd to Nera Telecommunications Ltd. The Company was admitted to the official list of the Stock Exchange of Singapore Limited (now known as Singapore Exchange Securities Trading Limited) on 1 July 1999.

The principal activities of the Company are to engage in the sales, distribution, design, engineering, servicing, installation and maintenance of telecommunication systems and products in transmission network and satellite communications and IT networks. The principal activities of the subsidiaries are listed in note 4.

#### **2. Significant Accounting Policies**

##### **(a) Basis of Accounting**

The financial statements are prepared in accordance with the historical cost convention. The accounting policies adopted are consistent with those of the preceding financial year.

##### **(b) Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the consolidated profit and loss account from the date of their acquisition or disposal. Intercompany balances and transactions and resulting unrealised profits are eliminated in full on consolidation. Unrealised losses resulting from intercompany transactions are also eliminated unless cost cannot be recovered.

##### **(c) Foreign Currencies**

Transactions in foreign currencies during the financial year are converted to Singapore dollars at the rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. Exchange differences arising are taken to the profit and loss account.

For the purpose of consolidation of subsidiaries and the equity accounting of associates in respect of foreign subsidiaries and associates whose operations are not integral to the Company's operations, the balance sheets are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date, and the results are translated using the weighted average exchange rates for the financial year. The exchange differences arising are taken directly to the foreign currency translation reserve.

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

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### Notes to the Financial Statements for the Financial Year Ended 31 December 1999

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#### 2. Significant Accounting Policies (continued)

##### (d) Bad and Doubtful Debts

Bad debts are written off and specific provisions are made for those debts considered to be doubtful. General provisions are made on the balance of trade debtors to cover any unexpected losses which have not been specifically identified.

##### (e) Inventories

Inventories (other than contract work-in-progress) are stated at the lower of cost and net realisable value. Cost is primarily determined on the weighted average cost basis and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation and where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolete, slow-moving and defective inventories.

##### (f) 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.

Revenue and profit is recognised on an individual contract basis using the percentage of completion method, when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and the total contract revenue to be received and costs to complete can be reliably estimated.

The percentage of completion is measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

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.

##### (g) Investments

Investments, including investments in subsidiaries and associates, that are intended to be held for the long term are stated in the financial statements at cost less provision made in recognition of a decline in the value of the investment which is other than temporary, determined on an individual investment basis.

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

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### Notes to the Financial Statements for the Financial Year Ended 31 December 1999

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#### 2. Significant Accounting Policies (continued)

##### (h) Associates

The Group treats as associates those companies in which a long term equity interest of between 20 and 50 percent is held and over whose financial and operating policy decisions it exercises significant influence.

Associates are accounted for under the equity method whereby the Group's share of profits less losses of associates is included in the consolidated profit and loss account, and the Group's share of post-acquisition retained profits, or losses, and reserves is adjusted against the cost of the investments in the consolidated balance sheet. These amounts are taken from the latest audited financial statements of the companies concerned, made up to dates not more than six months prior to the end of the financial year of the Group. Where the accounting policies of associated companies do not conform with those of the Group, adjustments are made on consolidation where the amounts involved are considered significant to the Group.

##### (i) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated on a straight line basis to write off the net cost of property, plant and equipment including those held under finance leases over the expected useful lives. The estimated useful lives are:

Building	18 years
Leasehold improvements	10 years
Plant and other equipment	5 - 7 years
Furniture and fittings	10 years
Motor vehicles	5 years

##### (j) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Assets purchased under finance leases are capitalised. Leased assets and liabilities are established at the present value of minimum lease payments. The excess of lease payments over the recorded lease obligations is treated as finance charges, which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Operating lease payments are charged to the profit and loss account in the periods in which they are incurred.

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

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### Notes to the Financial Statements for the Financial Year Ended 31 December 1999

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#### 2. Significant Accounting Policies (continued)

(k) **Goodwill**

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets of subsidiaries and associates when acquired.

The Group eliminates goodwill arising on consolidation from the consolidated financial statements by immediate write off against reserves.

(l) **Revenue Recognition**

Revenue earned from the sale of the Group's products is recognised upon passage of title to the customer, which generally coincides with their delivery and acceptance.

Dividend income is recorded gross in the profit and loss accounts in the accounting period in which a dividend is declared payable by the investee company or, in the case of subsidiaries, in respect of which it is proposed.

Contract revenue is recognised on an individual contract basis using the percentage of completion method.

Other revenue includes interest from bank deposits and is recognised on an accrued basis.

(m) **Taxation**

Tax expense is determined on the basis of tax effect accounting using the liability method. Deferred taxation, is provided on significant timing differences arising from the different treatments in the accounting and taxation of relevant items except where it can be demonstrated with reasonable probability that the tax deferral will continue for the foreseeable future. In accounting for timing differences, deferred tax debits are not accounted for unless there is reasonable expectation of their realisation.

(n) **Warranties for Products and Contracts**

Provision is made for the estimated liability on all products and contracts still under warranty, including claims already received.

**NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES**

**Notes to the Financial Statements for the Financial Year Ended 31 December 1999**

**3. Property, Plant and Equipment**

The Group	Building \$	Leasehold Improvements \$	Plant & Other Equipment \$	Furniture & Fittings \$	Motor Vehicles \$	Total \$
<b>Cost</b>						
At 1.1.1999	5,150,000	1,484,533	8,988,105	689,884	1,813,028	18,125,550
Exchange rate adjustment	-	(130)	(9,658)	(1,426)	(1,912)	(13,126)
Additions	-	60,550	575,089	64,219	820,844	1,520,702
Disposals	-	-	(43,591)	(5,278)	(584,557)	(633,426)
At 31.12.1999	5,150,000	1,544,953	9,509,945	747,399	2,047,403	18,999,700
<b>Depreciation</b>						
At 1.1.1999	1,072,800	954,873	6,786,936	377,816	1,319,439	10,511,864
Exchange rate adjustment	-	(130)	(4,254)	(401)	(1,178)	(5,963)
Charge for the year	286,080	90,663	1,205,722	61,857	296,006	1,940,328
Disposals	-	-	(40,096)	(3,544)	(584,557)	(628,197)
At 31.12.1999	1,358,880	1,045,406	7,948,308	435,728	1,029,710	11,818,032
<b>Net book value</b>						
At 31.12.1999	3,791,120	499,547	1,561,637	311,671	1,017,693	7,181,668
<b>Net book value</b>						
At 31.12.1998	4,077,200	529,660	2,201,169	312,068	493,589	7,613,686

At the balance sheet date, the net book value of fixed assets under finance lease agreements, included in motor vehicles in the Group, amounted to \$Nil (1998: \$420,426).

**NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES**

**Notes to the Financial Statements for the Financial Year Ended 31 December 1999**

**3. Property, Plant and Equipment (continued)**

The Company	Building \$	Leasehold Improvements \$	Plant & Other Equipment \$	Furniture & Fittings \$	Motor Vehicles \$	Total \$
<b>Cost</b>						
At 1.1.1999	5,150,000	652,464	562,346	237,590	1,570,288	8,172,688
Additions	-	60,550	21,397	33,804	769,515	885,266
Disposals	-	-	(36,981)	(2,350)	(558,745)	(598,076)
At 31.12.1999	5,150,000	713,014	546,762	269,044	1,781,058	8,459,878
<b>Depreciation</b>						
At 1.1.1999	1,072,800	244,202	404,335	89,080	1,192,588	3,003,005
Charge for the year	286,080	65,832	47,773	24,085	253,461	677,231
Disposals	-	-	(36,981)	(2,350)	(558,745)	(598,076)
At 31.12.1999	1,358,880	310,034	415,127	110,815	887,304	3,082,160
<b>Net book value</b>						
At 31.12.1999	3,791,120	402,980	131,635	158,229	893,754	5,377,718
<b>Net book value</b>						
At 31.12.1998	4,077,200	408,262	158,011	148,510	377,700	5,169,683

**NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES**

**Notes to the Financial Statements for the Financial Year Ended 31 December 1999**

**4. Subsidiaries**

(a)

	Company	
	1999	1998
	\$	\$
Investments in subsidiaries, at cost	8,416,225	7,351,000
Due by a subsidiary - trade	735,763	735,763
Provision	(63,000)	(798,763)
	9,088,988	7,288,000
Reclassify the amount due by a subsidiary as current assets	(735,763)	-
	8,353,225	7,288,000

Movements in provision are as follows:

Balance at the beginning of the financial year	798,763	-
Provision for amount due by a subsidiary	-	735,763
Provision for investment in a subsidiary	-	63,000
Writeback of provision for amount due by a subsidiary	(735,763)	-
Balance at the end of the financial year	63,000	798,763



## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

### Notes to the Financial Statements for the Financial Year Ended 31 December 1999

#### 4. Subsidiaries (continued)

(b) Investments in subsidiaries are as follows:

Name of Subsidiary	Principal Activities	Country of Incorporation/ Business	Equity Holding		Cost of Investment	
			1999 %	1998 %	1999 \$	1998 \$
Nera Infocom Pte Ltd	(1) Dormant	Singapore	100	-	2	-
Nera Electronics (S) Pte Ltd	To provide electronics contract manufacturing services of printed circuit boards, microwave radios and completed products	Singapore	100	100	7,000,000	7,000,000
Nera (Thailand) Ltd	(2) Sales and distribution design, engineering, servicing, installation and maintenance of transmission network and satellite communications and IT networks	Thailand	100	100	63,000	63,000
Nera Philippines Inc.	(2) Sales and distribution design, engineering, servicing, installation and maintenance of transmission network and satellite communications and IT networks	Philippines	100	100	1,128,223	288,000
Nera Infocom (M) Sdn Bhd	(3) Sales and distribution design, engineering, servicing, installation and maintenance of info-communications products and solutions	Malaysia	100	-	225,000	-
					<b>8,416,225</b>	<b>7,351,000</b>

(1) Nera Infocom Pte Ltd, a dormant company incorporated in Singapore, was purchased from Nera ASA by the Company for a nominal consideration of \$2.00 on 30 April 1999.

(2) Audited by another member of the PricewaterhouseCoopers global organisation.

(3) Nera Infocom (M) Sdn Bhd was incorporated on 30 December 1999 and has not commenced operation as at 31 December 1999.

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

### Notes to the Financial Statements for the Financial Year Ended 31 December 1999

#### 5. Associate

(a) The associate is Nera (Malaysia) Sdn Bhd, incorporated in Malaysia. The principal activities of the associate are the sale, installation and maintenance of telecommunications equipment. It carried out its business in Malaysia.

(b)

	Group		Company		% of paid-up capital held	
	1999	1998	1999	1998	1999	1998
	\$	\$	\$	\$	%	%
30,000 ordinary shares of RM\$1.00 each			12,450	12,450	30	30
1,000,000 8% cumulative redeemable preference shares of RM\$1.00 each			186,755	186,755	100	100
<b>Unquoted shares, at cost</b>			<b>199,205</b>	<b>199,205</b>		
Represented by:						
Net tangible assets acquired	199,205	199,205				
Share of post acquisition retained profits	3,089,141	2,532,868				
Exchange adjustments	(694,375)	(733,245)				
	<b>2,593,971</b>	<b>1,998,828</b>				

Cumulative preferred dividends net of taxation as at 31 December 1999 amounting to \$25,000 (1998: \$24,721) have not been accounted for in the financial statements.

**NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES**

**Notes to the Financial Statements for the Financial Year Ended 31 December 1999**

**6. Inventories**

	Group		Company	
	1999 \$	1998 \$	1999 \$	1998 \$
Finished goods - cost	5,805,750	9,201,972	5,345,910	6,880,456
Less: Provision for inventory obsolescence	(1,187,929)	(935,076)	(240,385)	(628,495)
	4,617,821	8,266,896	5,105,525	6,251,961
Contract work-in-progress				
Cost incurred plus recognised profits and less losses	30,722,655	27,387,030	30,481,070	27,387,030
Less: Progress billings	(29,974,307)	(25,174,250)	(29,974,307)	(25,174,250)
	748,348	2,212,780	506,763	2,212,780
Work-in-progress - cost	7,741,737	5,551,629	-	-
Raw materials - cost	6,618,172	5,180,290	-	-
Total inventories	19,726,078	21,211,595	5,612,288	8,464,741

**Movements in provision for inventory obsolescence are as follows:**

Balance at the beginning of the financial year	935,076	770,456	628,495	770,456
Arising on acquisition of subsidiary	-	624,141	-	-
Provision made during the financial year	1,346,161	1,650,582	703,570	662,662
Obsolete inventories written off against provision	(1,093,308)	(2,110,103)	(1,091,680)	(804,623)
Balance at the end of the financial year	1,187,929	935,076	240,385	628,495

**Movement in provision for loss on contract work-in-progress is as follows:**

Provision made during the financial year and balance at the end of the financial year	2,050,279	-	2,050,279	-
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## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

### Notes to the Financial Statements for the Financial Year Ended 31 December 1999

#### 7. Trade Debtors

	Group		Company	
	1999 \$	1998 \$	1999 \$	1998 \$
Trade debtors	16,150,757	11,198,220	11,367,414	9,142,385
Less: Provision for doubtful debts	(1,252,208)	(1,295,758)	(1,139,407)	(1,181,918)
	14,898,549	9,902,462	10,228,007	7,960,467

#### Movements in provision for doubtful debts are as follows:

Balance at the beginning of the financial year	1,295,758	1,940,525	1,181,918	1,940,525
Arising on acquisition of subsidiary	-	106,312	-	-
Provision made during the financial year	796,928	357,988	796,928	350,460
Writeback of provision during the financial year	(839,439)	(1,086,000)	(839,439)	(1,086,000)
Bad debts written off against provision	(1,039)	(23,067)	-	(23,067)
Balance at the end of the financial year	1,252,208	1,295,758	1,139,407	1,181,918

#### 8. Other Debtors

	Group		Company	
	1999 \$	1998 \$	1999 \$	1998 \$
Prepayments	84,926	174,852	24,638	19,897
Prepayments to suppliers	257,201	192,204	179,334	171,180
Deposits	202,854	152,059	160,005	120,546
Staff advances	17,618	13,531	16,118	13,531
Dividend receivable	25,000	-	1,131,000	-
Other	-	315,495	-	-
	587,599	848,141	1,511,095	325,154

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

### Notes to the Financial Statements for the Financial Year Ended 31 December 1999

#### 9. Holding Corporations, Related Corporations and Related Parties

The immediate and ultimate holding corporation as at 31 December 1998 was Nera ASA, incorporated in Norway. After the issue of 3,643,617 ordinary shares of \$1.00 each on 27 April 1999, Nera Networks AS (incorporated in Norway), a wholly-owned subsidiary of Nera ASA, became the immediate holding corporation while Nera ASA remained the ultimate holding corporation. The holding corporation referred to in the balance sheet is Nera ASA.

After the Initial Public Offer on 1 July 1999, Nera Networks AS and Nera ASA held a combined 47.3% interest in the issued share capital of the Company and neither continued to be the immediate holding or ultimate holding corporation. Consequently, subsidiaries of Nera ASA were no longer related corporations from that date; but Nera ASA and its subsidiaries are considered related parties to Nera Telecommunications Ltd.

#### 10. Other Creditors

	Group		Company	
	1999 \$	1998 \$	1999 \$	1998 \$
Accrued operating expenses	4,224,014	3,557,735	2,828,182	2,102,578
Customer advances	538,200	58,172	441,267	58,172
Warranty provision	3,082,898	3,387,729	600,000	1,461,079
	7,845,112	7,003,636	3,869,449	3,621,829

#### Movements in warranty provision are as follows:

Balance at the beginning of the financial year	3,387,729	1,825,080	1,461,079	1,825,080
On acquisition of subsidiary	-	1,926,650	-	-
Provision made during the financial year	3,345,488	1,882,205	1,783,488	1,882,205
Writeback during the financial year	(3,181,050)	(1,523,000)	(2,199,050)	(1,523,000)
Utilised during the financial year	(469,269)	(723,206)	(445,517)	(723,206)
Balance at the end of the financial year	3,082,898	3,387,729	600,000	1,461,079

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

### Notes to the Financial Statements for the Financial Year Ended 31 December 1999

#### 11. Obligation under Finance Leases (Secured)

	Group	
	1999	1998
	\$	\$
Minimum lease payments payable:		
Within one financial year	-	291,483
Later than one financial year but not later than five financial years	-	-
Minimum lease payments	-	291,483
Less: Finance charges allocated to future periods	-	(4,051)
	-	287,432
<b>Included in:</b>		
Current liabilities	-	287,432
Non-current liabilities	-	-
	-	287,432

#### 12. Share Capital of the Company

	Company	
	1999	1998
	\$	\$
<b>Authorised</b>		
200,000,000 ordinary shares of \$0.20 each	40,000,000	-
2,875,000 ordinary shares of \$1.00 each	-	2,875,000
<b>Issued and fully paid</b>		
90,000,000 ordinary shares of \$0.20 each	18,000,000	-
2,875,000 ordinary shares of \$1.00 each	-	2,875,000

During the financial year, the authorised share capital of the Company was increased to \$40,000,000 by the creation of 37,125,000 ordinary shares of \$1.00 each. Each of the ordinary share of \$1.00 each was then sub-divided into five ordinary shares of \$0.20 each resulting in an authorised share capital of 200,000,000 ordinary shares of \$0.20 each.

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

### Notes to the Financial Statements for the Financial Year Ended 31 December 1999

#### 12. Share Capital of the Company (continued)

During the financial year the Company increased its issued ordinary share capital from \$2,875,000 divided into 2,875,000 ordinary shares of \$1.00 each to \$18,000,000 divided into 90,000,000 ordinary shares of \$0.20 each as a result of:-

- (a) the issue of 3,643,617 ordinary shares of \$1.00 each at a premium of \$3.70 per share for cash to Nera Networks AS as part of a Restructuring Exercise in connection with the Initial Public Offer.
- (b) the bonus issue of 9,481,383 ordinary shares of \$1.00 each in the capital of the Company credited as fully paid to the shareholders by way of capitalisation of \$9,481,383 standing to the credit of the Share Premium Account ("Bonus Issue").
- (c) the sub-division of the ordinary shares of \$1.00 each in the capital of the Company into five ordinary shares of \$0.20 each in the capital of the Company ("Share Split").
- (d) the issue of 10,000,000 ordinary shares of \$0.20 each at a premium of \$0.78 per share for cash pursuant to the Initial Public Offer ("IPO") of shares on 1 July 1999 to provide funds for business expansion and to increase investment in the Company's subsidiaries.

Movements in the issued and paid-up share capital of the Company during the financial year are as follows:-

	No. of Shares	\$
Issued and fully paid ordinary shares of \$1.00 each as at 31 December 1998	2,875,000	2,875,000
Issue of ordinary shares of \$1.00 each to Nera Networks AS at a premium of \$3.70 per share for cash	3,643,617	3,643,617
Bonus issue	9,481,383	9,481,383
	16,000,000	16,000,000
Share split	80,000,000	16,000,000
Pre-IPO share capital	80,000,000	16,000,000
New shares of \$0.20 each issued for public subscription at a premium of \$0.78 per share for cash	10,000,000	2,000,000
Post-IPO share capital	90,000,000	18,000,000

The newly issued shares rank pari passu in all respects with the previously issued shares.

**NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES**

**Notes to the Financial Statements for the Financial Year Ended 31 December 1999**

**13. Non-distributable Reserves**

	Group		Company	
	1999 \$	1998 \$	1999 \$	1998 \$
<b>Share premium account</b>				
Premium on 3,643,617 shares issued	13,481,383	-	13,481,383	-
Bonus shares issued	(9,481,383)	-	(9,481,383)	-
	4,000,000	-	4,000,000	-
Premium on issue of ordinary shares in connection with the Initial Public Offer	7,800,000	-	7,800,000	-
Expenses in connection with the Initial Public Offer	(416,644)	-	(416,644)	-
Balance at end of the financial year	11,383,356	-	11,383,356	-
<b>Foreign currency translation reserve</b>				
Balance at the beginning of the financial year	(717,816)	(658,383)	-	-
Net translation differences arising during the financial year	36,452	(59,453)	-	-
Balance at the end of the financial year	(681,364)	(717,816)	-	-
<b>Total non-distributable reserves</b>	<b>10,701,992</b>	<b>(717,816)</b>	<b>11,383,356</b>	<b>-</b>



**NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES**

**Notes to the Financial Statements for the Financial Year Ended 31 December 1999**

**14. Goodwill Write Off Reserve**

This represents goodwill arising on acquisition of a subsidiary written off on consolidation:

	Group	
	1999 \$	1998 \$
Balance at the beginning of the financial year	4,223,068	-
Goodwill arising on acquisition of subsidiary written off during the financial year	-	4,223,068
Balance at the end of the financial year	4,223,068	4,223,068

**15. Turnover**

	Group		Company	
	1999 \$	1998 \$	1999 \$	1998 \$
Sales of goods	99,265,343	50,140,320	47,007,470	49,499,239
Services rendered	19,676,000	20,530,000	19,676,000	20,530,000
	118,941,343	70,670,320	66,683,470	70,029,239
<b>Other revenue</b>				
Dividends	35,000	444,080	1,520,000	444,080
Interest income	244,172	105,785	243,833	93,852
	119,220,515	71,220,185	68,447,303	70,567,171

Turnover in the Group's profit and loss account excludes sales between group companies and represents sales of goods and services at invoiced value less goods and services tax and sales discounts.

**NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES**

**Notes to the Financial Statements for the Financial Year Ended 31 December 1999**

**16. Operating Profit Before Tax**

	Group		Company	
	1999	1998	1999	1998
	\$	\$	\$	\$
Operating profit is stated after charging:				
<b>Depreciation of</b>				
Building	286,080	286,080	286,080	286,080
Leasehold improvements	90,663	75,228	65,832	65,246
Plant and other equipment	1,205,722	142,620	47,773	52,610
Furniture and fittings	61,857	31,348	24,085	22,635
Motor vehicles	296,006	253,070	253,461	231,642
	1,940,328	788,346	677,231	658,213
<b>Auditors' remuneration</b>				
Auditors of the Company	100,400	62,300	62,000	62,300
Other auditors	13,404	16,229	-	-
<b>Interest expense</b>				
- Short term loan	3,991	214,576	-	214,576
- Overdraft	2,919	3,500	1,403	2,661
- Advances from related company	-	3,968	-	3,968
Directors' remuneration	372,817	155,949	211,409	153,949
Fees paid to a firm of which a director is a member	-	10,000	-	10,000
Provision for doubtful trade debts	796,928	357,988	796,928	350,460
Provision for inventory obsolescence	1,346,161	1,650,582	703,570	662,662
Provision for loss on contract work-in-progress	2,050,279	-	2,050,279	-
Provision for warranty	3,345,488	1,882,205	1,783,488	1,882,205
Provision for amount due from a subsidiary	-	-	-	735,763
Provision for writedown of investment in subsidiary	-	-	-	63,000
Loss from sale of property, plant and equipment	-	1,450	-	1,450
<b>And after crediting:</b>				
Gain from sale of property, plant and equipment	14,294	-	8,991	-
Dividend income - associate (unquoted)	35,000	444,080	35,000	444,080
Dividend income - a subsidiary (unquoted)	-	-	1,485,000	-
Net foreign exchange gain	896,986	373,377	490,902	328,657
Writeback of provision for doubtful trade debts	839,439	1,086,000	839,439	1,086,000
Writeback of provision for warranty	3,181,050	1,523,000	2,199,050	1,523,000
Writeback of provision for amount due from a subsidiary	-	-	735,763	-
<b>Interest income from</b>				
- Subsidiary	-	-	89,384	-
- Associate	44,803	-	44,803	-
- Bank	199,369	105,785	109,646	93,852

**NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES**

**Notes to the Financial Statements for the Financial Year Ended 31 December 1999**

**17. Tax**

The charge for taxation is made up as follows:

	Group		Company	
	1999 \$	1998 \$	1999 \$	1998 \$
<b>On the profit for the financial year:</b>				
Singapore income tax	2,630,464	668,442	1,377,000	668,442
Overseas taxation	28,672	116,440	10,000	124,342
On the share of profits of associate	2,536	142,782	-	-
	<b>2,661,672</b>	<b>927,664</b>	<b>1,387,000</b>	<b>792,784</b>

The income tax expense on the results of the Group for the financial year is higher than the amount of income tax determined by applying the Singapore standard rate of income tax to profit before taxation due to certain expenses not being deductible for tax purposes.

A subsidiary has been granted pioneer status under provisions of the Economic Expansion Incentives (Relief from Income Tax) Act, Cap 86, under which, subject to certain conditions, the operating profits from the manufacture of qualifying communications equipment are subject to tax at the rate of 10%.

**18. Dividends**

	Company	
	1999 \$	1998 \$
Interim dividend of NIL (1998 : 387.12%) declared net of tax at 26%	-	8,236,000
Proposed first and final dividend of 6.75% (1998 : NIL) net of tax at 25.5%	905,175	-
	<b>905,175</b>	<b>8,236,000</b>

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

### Notes to the Financial Statements for the Financial Year Ended 31 December 1999

#### 19. Earnings Per Share

The calculation of earnings per share is based on the Group's profit attributable to members of the Company, of \$6,880,799 (1998: \$3,067,789) divided by the weighted average number of shares in issue of 70,090,703 (1998: 35,493,827).

For the financial year ended 31 December 1999, the weighted average number of shares was 70,090,703 ordinary shares of \$0.20 each after adjusting for the bonus issue, sub-division of shares and issue of new shares.

For comparative purposes, the earnings per ordinary share for the financial year ended 31 December 1998 have been arrived at after adjusting for the bonus issue and sub-division of shares.

#### 20. Related Party Transactions

During the financial year, there were the following significant transactions with related corporations and related parties on terms agreed between the relevant parties:

	Group		Company	
	1999 \$	1998 \$	1999 \$	1998 \$
Sales to holding corporation	-	361,418	-	361,418
Sales to related corporations	3,657,086	258,971	79,757	258,971
Sales to related parties	3,174,791	-	93,341	-
Sales to subsidiaries	-	-	957,718	979,180
Sales to associate	3,145,674	8,660,534	3,145,674	8,660,534
Purchases from holding corporation	-	2,987,899	-	2,987,899
Purchases from related corporations	4,897,560	5,576,405	3,877,257	5,576,405
Purchases from a related company	-	2,324,074	-	2,324,074
Purchases from related parties	6,570,231	-	6,278,452	-
Other income from holding corporation	-	109,195	-	109,195
Other income from related corporation	-	30,695	-	30,695
Other income from related parties	49,163	-	24,949	-
Financing fees charged by a related company	-	365,148	-	365,148
Interest charged by a related company	-	3,968	-	3,968

See note 9 on the changes to holding corporations and related corporations during the financial year.

**NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES**

**Notes to the Financial Statements for the Financial Year Ended 31 December 1999**

**21. Commitments for Expenditure**

**Lease Commitments**

Commitments under non-cancellable operating leases for land, factory and office premises are as follows:

	Group		Company	
	1999 \$	1998 \$	1999 \$	1998 \$
Within one financial year	888,032	840,000	333,000	325,000
Later than one financial year but not later than five financial years	2,810,531	1,509,000	1,488,000	1,486,000
Later than five financial years	2,976,000	3,279,000	2,976,000	3,256,000
	6,674,563	5,628,000	4,797,000	5,067,000

**Investment Commitments**

	Company	
	1999 \$	1998 \$
Investment expenditure approved by the board of directors but not recognised in the financial statements in respect of:		
Commitment to inject new funds to a subsidiary	1,000,000	-

**Other Commitments**

	Group		Company	
	1999 \$	1998 \$	1999 \$	1998 \$
Forward contracts to purchase foreign currencies	455,483	3,471,007	455,483	1,655,197

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

Notes to the Financial Statements for the Financial Year Ended 31 December 1999

### 22. Directors' Remuneration

Number of directors in each remuneration bands

	Group & Company 1999			Group & Company 1998		
	Executive Director	Non-executive Director	Total	Executive Director	Non-executive Director	Total
\$500,000 and above	-	-	-	-	-	-
\$250,000 to \$499,999	1	-	1	1	-	1
\$NIL to \$249,999	-	7	7	-	5	5
Total	1	7	8	1	5	6

### 23. Segmental Information

(a) By Activities

	Telecommu- nications	Information Technology	Contract Manufacturing	Inter-segment Elimination	Consolidated Total
	\$	\$	\$	\$	\$
<b>1999</b>					
Turnover	19,171,000	49,074,019	52,056,553	(1,360,229)	118,941,343
Profit before tax	2,125,000	2,434,021	4,983,450	-	9,542,471
<b>1998</b>					
Turnover	25,070,000	46,148,320	-	(548,000)	70,670,320
Profit before tax	1,475,000	2,520,453	-	-	3,995,453

## NERA TELECOMMUNICATIONS LTD AND ITS SUBSIDIARIES

Notes to the Financial Statements for the Financial Year Ended 31 December 1999

### 23. Segmental Information (continued)

#### (b) By Geographical Markets

	Singapore	Overseas	Inter-segment Elimination	Consolidated Total
	\$	\$	\$	\$
<b>1999</b>				
Turnover	65,084,000	55,217,572	(1,360,229)	118,941,343
Profit before tax	4,624,000	4,918,471	-	9,542,471
<b>1998</b>				
Turnover	45,603,000	25,615,320	(548,000)	70,670,320
Profit before tax	2,873,000	1,122,453	-	3,995,453

Overseas market includes customers from Asia, Europe and USA.

#### Note:

Assets of the Group are located principally in Singapore and support the entire geographical markets and business segments. An analysis of assets of the Group by geographical markets and business segments has therefore not been included.

### 24. Post Balance Sheet Events

After the financial year end, the directors of the Company are seeking the approval of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the shareholders of the Company for a proposed sub-division of the par value of \$0.20 of each ordinary share of the Company into four ordinary shares of \$0.05 each.

### 25. Comparative Figures

Certain comparative figures have been reclassified to conform with the current financial year's presentation.

## As at 2 May 2000 | Statistics of Shareholdings

Authorised share capital	:	\$40,000,000
Issued and fully paid-up capital	:	\$18,000,000
Classes of shares	:	Ordinary share of \$0.20 each
Voting rights	:	One vote for each share

### Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 1,000	1,684	49.03	1,684,000	1.87
1,001 - 10,000	1,562	45.47	5,547,000	6.16
10,001 - 1,000,000	178	5.18	10,001,000	11.11
1,000,001 and above	11	0.32	72,768,000	80.86
<b>Total</b>	<b>3,435</b>	<b>100.00</b>	<b>90,000,000</b>	<b>100.00</b>



#### Twenty Largest Shareholders

No.	Name	No.of Shares	%
1.	Nera ASA	35,283,560	39.20
2.	Nera Networks AS	7,323,440	8.14
3.	DBS Nominees Pte Ltd	6,016,000	6.68
4.	Raffles Nominees Pte Ltd	5,513,000	6.13
5.	HSBC (Singapore) Nominees Pte Ltd	3,883,000	4.31
6.	Citibank Nominees Singapore Pte Ltd	3,824,000	4.25
7.	United Overseas Bank Nominees Pte Ltd	3,329,000	3.70
8.	NTUC Income Insurance Co-operative Limited	2,733,000	3.04
9.	Oversea-Chinese Bank Nominees Pte Ltd	2,049,000	2.28
10.	First Capital Investment Ltd	1,628,000	1.81
11.	First Capital Insurance Limited-Insurance Fund A/C	1,186,000	1.32
12.	Ang Seong Kang Samuel	595,000	0.66
13.	J M Sassoon & Co (Pte) Ltd	587,000	0.65
14.	S Chandra Das	550,000	0.61
15.	Phillip Securities Pte Ltd	547,000	0.61
16.	Overseas Union Bank Nominees Pte Ltd	487,000	0.54
17.	DBS Securities Singapore Pte Ltd	354,000	0.39
18.	DB Nominees (Singapore) Pte Ltd	289,000	0.32
19.	G K Goh Stockbrokers Pte Ltd	251,000	0.28
20.	Chan Lai Yoke	209,000	0.23
	<b>Total</b>	<b>76,637,000</b>	<b>85.15</b>

#### Substantial Shareholders as at 2 May 2000 as recorded in the Register of Substantial Shareholders

	Direct Interest	%	Deemed Interest	%
Nera ASA	35,283,560	39.2	7,323,440	8.1
Nera Networks AS	7,323,440	8.1		

**Note:**

Nera ASA is deemed interested in the shares held by Nera Networks AS by virtue of Section 7 of the Companies Act, Chapter 50.

# 2000 | Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 109 Defu Lane 10, Singapore 539225 on 15 June 2000 at 11.00am for the following purposes:

## As Ordinary Business

1. To receive and adopt the Directors' Report and Accounts of the Company and the Group for the financial year ended 31 December 1999.  
**(Resolution 1)**
2. To declare a first and final dividend of 6.75% (or 1.35 cents per share) less tax at 25.5% for the financial year ended 31 December 1999.  
**(Resolution 2)**
3. To re-elect the following Directors retiring by rotation pursuant to Article 87 of the Company's Articles of Association:  
Mr S Chandra Das (*Retiring under Article 87*)  
**(Resolution 3)**  
Mr Sverre Ording Fjeld (*Retiring under Article 87*)  
**(Resolution 4)**  
*Mr Sverre Ording Fjeld will, upon re-election as a Director of the Company, remain a member of the Audit Committee and will be considered non-independent of management.*
4. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:  
"That Arthur Andersen be and are hereby appointed Auditors of the Company for the ensuing year, in place of PricewaterhouseCoopers who resign, pursuant to Section 205(15) of the Companies Act, Chapter 50 and that the Directors be authorised to fix their remuneration."  
*[See Explanatory Note (i)]*  
**(Resolution 5)**
5. To transact any other business that may be transacted at an Annual General Meeting.

## As Special Business

6. To approve the payment of Directors' fees of \$40,000 for the financial year ended 31 December 1999.  
**(Resolution 6)**
7. To consider and, if thought fit, to pass the following resolutions

as Ordinary Resolutions, with or without modifications:

- (a) "That pursuant to Section 161 of the Companies Act, Chapter 50 and Clause 941(3)(b) of the Listing Manual of the Singapore Exchange Limited, the Directors be empowered to allot and issue new shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the Company's next Annual General Meeting."  
*[See Explanatory Note (ii)]*  
**(Resolution 7)**
- (b) "That approval be given for the purposes of Chapter 9A of the Listing Manual of the Singapore Exchange Limited for the Company, its subsidiaries and target associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions particulars of which are as set out on pages 47 to 48 (inclusive) of the Company's Prospectus dated 23 June 1999 with the Interested Persons described in the Prospectus and that such approval shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting."  
*[See Explanatory Note (iii)]*  
**(Resolution 8)**
- (c) "That authority be given to the Directors to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to Resolution 8 above as they may think fit."  
*[See Explanatory Note (iv)]*  
**(Resolution 9)**

By Order of the Board  
Yvonne Choo  
Secretary

Singapore, 23 May 2000

### Explanatory Notes

- (i) Notice to nominate Arthur Andersen as Auditors in place of PricewaterhouseCoopers was received from a shareholder, Nera ASA. A copy of the nomination letter is enclosed. PricewaterhouseCoopers have indicated that they will not seek re-appointment.
- (ii) The Ordinary Resolution proposed in item 7(a) above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares in the Company. The number of shares which the Directors may allot and issue under this Resolution would not exceed fifty per centum (50%) of the issued share capital of the Company for the time being. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be allotted and issued shall not exceed twenty per centum (20%) of the existing issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
- (iii) The Ordinary Resolution proposed in item 7(b) above, if passed, will authorise the Interested Person Transactions as described in the Prospectus and recurring in the year. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.
- (iv) The Ordinary Resolution proposed in item 7(c) above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting of the Company to do all acts necessary to give effect to the Ordinary Resolution proposed in item 7(b) above.

### Notes

- 1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies (not more than two) to attend and vote on his/her behalf. A proxy need not be a member of the Company.
- 2. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her 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 Common Seal or by its attorney duly authorised.
- 3. The instrument appointing a proxy or proxies must be deposited at 109 Defu Lane 10, Singapore 539225 at least 48 hours before the time fixed for the Meeting.

**NERA**

TELECOMMUNICATIONS

**Nera ASA**

*Postal Address*

P.O.Box 7090, N-5020 BERGEN, Norway.

*Office Address*

Kokstadveien 23, BERGEN, Norway.

Tel.No.: +47 55 22 51 00

Fax.No.: +47 55 22 52 99

*Head Office*

Nera ASA, 5020 BERGEN

Register of Business Enterprises

NO 944 536 949 MVA

The Company Secretary  
Nera Telecommunications Ltd.  
10 Collyer Quay #19-08  
Ocean Building  
SINGAPORE 049315

Your Ref.

Your Date

Our Ref.

BOS/CM000175

Our Date

6 April 2000

Dear Madam,

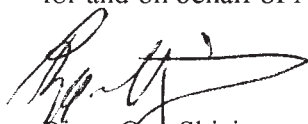
**NOMINATION OF AUDITORS**

This is to notify you that we are nominating Arthur Andersen as the Auditors of Nera Telecommunications Ltd. ("the Company") in place of PricewaterhouseCoopers at the forthcoming Annual General Meeting.

For your information, we hold 35 283 560 shares in the Company.

Kindly include this matter in the Notice of the Annual General Meeting.

Yours faithfully,  
for and on behalf of **Nera ASA**

  
Bjørn Øve Skjeie  
President & CEO

**Nera Telecommunications Ltd**  
 Incorporated in the Republic of Singapore

**Proxy Form**

I/We \_\_\_\_\_  
 of \_\_\_\_\_  
 being a member/members of Nera Telecommunications Ltd, hereby appoint \_\_\_\_\_  
 of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of  
 \_\_\_\_\_ or failing him/her the Chairman of the Meeting as my/our proxy to vote  
 for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 15 June 2000 at 11.00am  
 and at any adjournment thereof. I/We direct my/our proxy to vote for or against the Resolutions to be proposed at  
 the Meeting as hereunder indicated.

No.	Resolutions Relating To:	For	Against
1	Directors' Report and Accounts for the financial year ended 31 December 1999	<input type="checkbox"/>	<input type="checkbox"/>
2	Payment of a proposed first and final dividend	<input type="checkbox"/>	<input type="checkbox"/>
3	Re-election of Mr S Chandra Das as a Director	<input type="checkbox"/>	<input type="checkbox"/>
4	Re-election of Mr Sverre Ording Fjeld as a Director	<input type="checkbox"/>	<input type="checkbox"/>
5	Appointment of Arthur Andersen as the Company's Auditors in place of PricewaterhouseCoopers	<input type="checkbox"/>	<input type="checkbox"/>
6	Approval of payment of Directors' fees of \$40,000	<input type="checkbox"/>	<input type="checkbox"/>
7	Authority to allot and issue new shares	<input type="checkbox"/>	<input type="checkbox"/>
8	Approval of Shareholders' Mandate for Interested Person Transactions	<input type="checkbox"/>	<input type="checkbox"/>
9	Authority for Directors to take action in relation to Interested Person Transactions	<input type="checkbox"/>	<input type="checkbox"/>

(Please indicate with a [ X ] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting. In the absence of specific directions, your proxy may vote or abstain as he/she thinks fit.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2000

Total Number of Shares in:	No. of Shares
a. CDP Register	<input type="text"/>
b. Register of Members	<input type="text"/>

\_\_\_\_\_  
 Signature of Shareholder(s)  
 or Common Seal

To be valid, this form must be lodged at 109 Defu Lane 10, Singapore 539225 not less than 48 hours before the time appointed for the Annual General Meeting.



**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 a proxy or proxies (not more than two) to attend and vote on his/her behalf. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at 109 Defu Lane 10, Singapore 539225, not less than 48 hours before the time appointed for the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her 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 Common Seal or by its attorney duly authorised.
6. A corporation which is a member may authorise by resolution of its directors or other governing body appoint such person as it thinks fit to act as its representative at the Annual General 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/her name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.