

NERA

ANNUAL REPORT 2001



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Our Driving Force

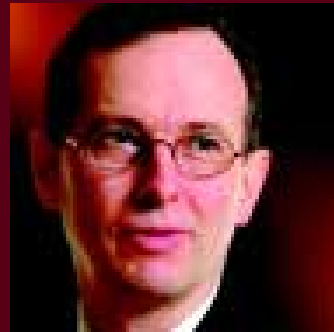
Board of Directors



S Chandra Das



Joban Fredrik Odjell



Bjorn Ove Skjeie



Ang Seong Kang Samuel



Sverre Ordning Fjeld



Sitob Yib Pin



Lau Ping Sum



Bjorn Olafsson

Corporate Information

Board Of Directors

S Chandra Das*
Chairman

Ang Seong Kang Samuel**
President & CEO

Bjorn Ove Skjeie

Johan Fredrik Odfjell

Sverre Ording Fjeld

Lau Ping Sum *

Sitoh Yih Pin *

Bjorn Olafsson

* *Independent Director*

** *Executive Director*

Audit Committee

Lau Ping Sum
Chairman

Sitoh Yih Pin

Sverre Ording Fjeld

Compensation Committee

S Chandra Das
Chairman

Bjorn Ove Skjeie

Sitoh Yih Pin

Company Secretaries

Yvonne Choo, FCIS

Linda Law, FCIS

Registered Office

10 Collyer Quay #19-08
Ocean Building
Singapore 049315

Registrar

Lim Associates (Pte) Ltd
10 Collyer Quay #19-08
Ocean Building
Singapore 049315
Tel: 6536 5355

Business Address

109 Defu Lane 10
Singapore 539225
Tel: 6281 3388

Auditors

Arthur Andersen
10 Hoe Chiang Road #18-00
Keppel Towers
Singapore 089315
Tel: 6220 4377
Partner-in-charge:
Ong Chew Chwee

Chairman's Statement



On behalf of the Board, I am pleased to report that Nera Telecommunications Group had a good year in 2001 despite the consolidations in the telecommunications, information technology and electronics contract manufacturing industries. The increasing demand for telecommunications and the continued outsourcing trend for electronics contract manufacturing had contributed to the record performance of the Group.

Despite the economic slowdown, turnover for the Group grew by 42.7% in FY2001. It exceeded the \$200 million mark for the first time to reach \$229.5 million. Net Profit rose to \$13.4 million, a 23.6% increase over the previous year's net profit of \$10.8 million. Earnings per share on a fully diluted basis were recorded at 3.72 cents in FY2001 compared to 3.01 cents in FY2000, an increase of 23.6%. The net tangible asset backing per ordinary share rose to 15.73 cents in FY2001 from 12.23 cents in FY2000, representing an increase of 28.6%.

The Board is pleased to recommend a first and final dividend of 10% or 0.5 cent per ordinary share less 22% tax (FY2000: 7.5% or 0.375 cent). The proposed dividend, if approved at the Annual General Meeting on 25 June 2002, will be paid on 12 July 2002.

Setting the Pace

At the Extraordinary General Meeting held on 24 May 2001, the shareholders had approved the Employee Share Option Scheme ("Nera Telecom ESOS" or the "Scheme"). The objective of the Scheme is to motivate and retain key employees of the Group.

On 6 February 2002, the Group announced its intention to list its wholly-owned electronics contract manufacturing subsidiary, Nera Electronics (S) Pte Ltd, through an initial public offering ("IPO") on the Singapore Exchange Securities Trading Ltd. This exercise will enable Nera Telecommunications to better channel its resources to its telecommunications and information technology businesses, and seek to increase value to its shareholders by growing and expanding these businesses. At the same time, the IPO will also enhance the growth prospects of Nera Electronics.

Further governmental initiatives to liberalise and deregulate the telecommunications and info-communication industries in the region will continue to offer good business opportunities for the Group.

In the new year, we will focus on developing new markets for the core business segments, namely, Telecommunications, Information Technology and

Electronics Contract Manufacturing. We will seek synergistic partnerships to widen our scope of businesses. To maintain our competitiveness, we will maintain a trim and nimble workforce and provide value-for-money and quality services to our customers. In addition, we will continue to upgrade the skills of our workforce to meet the increasingly challenging business environment.

Finally, on behalf of my fellow Directors, I would like to thank the management and staff for their dedication and contributions. I would also like to express my appreciation to our shareholders, particularly Nera ASA, customers and business partners for their confidence and continued support.



S Chandra Das

Singapore, 25 May 2002

President & CEO's Statement



Business Review

For FY2001, the Group reported strong growth in both turnover and net profit. Turnover grew by 42.7% to \$229.5 million compared to \$160.8 million in FY2000. Net profit increased to \$13.4 million from \$10.8 million in FY2000, representing an increase of 23.6%.

Despite the consolidation in the telecommunications and information technology industries, I am pleased to announce that all the three business segments of the Group recorded growth in turnover.

The Telecommunications business segment almost doubled its turnover in FY2001, registering a growth of 92.5% to reach a turnover of \$68 million compared to \$35 million for FY2000. Net profit also grew by 46.9% from \$2.1 million to \$3.1 million. The turnover and profit growth in the Telecommunications business segment was fuelled by two key factors, namely, the continued strong demand for microwave radio equipment in the region, especially in the Philippines, Malaysia and Thailand, and higher sales for satellite equipment.

Leading the Team

During the year, turnover from the Information Technology business segment also improved, registering a growth of 29.6% to reach \$71 million compared to \$55 million in FY2000. This was achieved on the back of increased sales of networking infrastructure equipment in Singapore and the delivery of digital mobile television network infrastructure equipment to TV Mobile Pte Ltd. However, net profit declined by 18.4% to \$1.7 million compared to \$2.1 million in FY2000. The lower net profit is attributed mainly to losses suffered by the Group's associated company, TV Mobile Pte Ltd, as well as sales mix, higher depreciation and tax.

The Electronics Contract Manufacturing business segment continued to enjoy strong demand from existing customers in Singapore, Europe and the USA. Turnover grew by 26.2% to \$98.2 million compared to \$78 million in FY2000. Net profit also recorded a growth of 29.4%, reaching \$8.5 million for the year compared to \$6.6 million over the previous year. The higher profit was attributed to higher turnover and lower tax provisions.

Business Outlook

Going forward, the Group intends to stay focus on its three core business segments, namely, Telecommunications, Information Technology and Electronics Contract Manufacturing. We will strive to enhance and extend our core businesses into new markets and develop synergistic alliances with leading partners to offer state of the art products and solutions to our existing and new customers.

The outlook in the telecommunications and information technology industries in the short term is uncertain and many players in the industries are going through a difficult period of consolidation. Thus, in the short term, it is unlikely to see the same level of growth we experienced in the past. However, we believe that the continued trend of governmental liberalisation and deregulation of the industries in many Asian countries will, in the longer term, offer growth opportunities for the Group.

President & CEO's Statement

In the Telecommunications business segment, the Group will concentrate on strengthening the wireless transmission infrastructure business with our current key customers, global system integrators and developing new customers, in particular, those who have secured 3G licenses. In the Satellite Communications business segment, the Group intends to maintain its stable growth in Inmarsat satellite gateways, terminals and service business. At the same time, we seek to widen the customer base for our non-Inmarsat satellite systems, especially in the field of broadband satellite systems.

In the Information Technology business segment, the Group will continue to position itself as a premier system integrator, providing info-communications network infrastructure and services to various telcos, ISPs, retail sectors, banking and financial institutions, governmental sectors, media and broadcasting industries and enterprises.

The electronics contract manufacturing industry is currently going through a period of consolidation. However, we expect, in longer term, the trend for global electronics contract manufacturing outsourcing by multi-national companies (MNCs) to grow as these MNCs focus on their core activities such as research and development.

The Electronics Contract Manufacturing business segment will continue to focus on offering low to medium volume but high value-added manufacturing services to multi-national corporations in the telecommunications, instrumentation and control, medical and bio-science industries.

On 6 February 2002, the Group had announced its intention to list its wholly-owned electronics contract manufacturing subsidiary, Nera Electronics (S) Pte Ltd, on the Singapore Exchange Securities Trading Ltd. The net proceeds raised from this exercise will be utilised for market expansion and working capital.

In the last three years, the Group had managed to achieve continuous growth in turnover for its businesses outside Singapore. Turnover from outside Singapore grew by 68.8% in FY2000 and 55.6% in FY2001. In dollar term, the turnover grew from \$55.2 million in FY1999 to \$93.2 million in FY2000 and \$145 million in FY2001. Going forward, the Group will continue to develop its market expansion strategy and be less reliant on one single market.

To serve the customers better and to facilitate the expansion of businesses, two wholly-owned subsidiaries were set up during the year, one in Indonesia and the other in Taiwan.

In addition to the existing Distribution Agreement, the Group had executed a General Representation Agreement with Nera Networks AS Norway, a wholly-owned subsidiary of our parent company Nera ASA, Norway, giving the Group exclusive distribution rights for Nera brand wireless infrastructure products to five more territories, namely, China, India, Bangladesh, Mongolia and Sri Lanka. This brings the number of countries under our distribution rights from twelve to seventeen, namely, the five countries mentioned above, the ten ASEAN countries, Taiwan and Korea. To stay competitive, we will strive to improve our productivity, business processes and customer service quality. This will enable us to seize opportunities that may arise when the industries turn around. With a good track record and an established strong customer base built over the years, combined with a dedicated and competent workforce with extensive knowledge of products, systems and services, we are confident of riding out this economic slowdown.

Owing to the economic slowdown coupled with the provision made for the impairment loss incurred by TV Mobile Pte Ltd (a 20%-held associated company), the profitability for FY2002 is expected to be substantially lower than that achieved in FY2001.

Lastly, I would like to extend our gratitude and thanks to our customers, business associates and staff who had given us their support and commitment over the years. We look forward to your continued support as we strive to maintain Nera Telecommunications Ltd as one of the premier telecommunications network infrastructure providers in Asia.



Samuel Ang

President & CEO

Singapore, 25 May 2002

The year 2001 saw some significant events occurring during the middle and second half of the year.



Communic & Broadcast Asia 2001

In June last year, Nera Telecommunications participated in CommunicAsia 2001 - the 13th Asian International Communications and Information Technology Exhibition and Conference as well as Broadcast Asia 2001 held concurrently at the Singapore Expo. Both exhibitions were well attended and many new contacts and business opportunities were developed by delegates attending both shows from all over Asia.



New Corporate Logo

To reflect and represent its strategies and business direction going forward, Nera Telecommunications unveiled its new Corporate Logo in October 2001. To celebrate and commemorate this inception, the launch was held at the Goodwood Park Hotel.

ASEAN SEAFDEC Exhibition

Nera Telecommunications Ltd had a booth at the ASEAN SEAFDEC Exhibition held in Bangkok, Thailand on the 21 - 24 Nov 2001. During this Millenium Fisheries Exhibition, a couple of products such as the Nera World Communicator and the Nera WorldPhone were displayed.



Training



Building of Nera Telecommunications Ltd

Laying the Foundations



Printing and Multimedia Workshop

Part of Nera Telecommunications' ("the Company") strategies includes the constant upgrading of useful and complementary skills of its staff.

Through its commitment in the training programmes, the Company believes it is ready to meet the challenges it expects of the industries for the coming years.

The Company supports its staff through the Skills Development Fund for courses, which are tailored to the required skills. On-job training, programmes (both local and overseas) are also in place to cater to the various skills required for the various jobs within the organisation.

Business Segment

Telecommunications



Telecommunications

In 2001, new **Microwave Radio** solutions for trunk networking environments had been developed. These solutions have enjoyed a high measure of success due to the related cost efficiencies, flexibility and adaptability as well as the ease of planning, installation and implementation. Utilizing the latest generation electronics, Nera Interlink solutions also come in a compact and versatile modular system with multiple applications. The transmission by Nera's automatic radio protective switching systems, which enable the solutions to effectively surpass the high international standards for such communications, making it extremely reliable.

The **Satellite Communications** boasts a complete range of communications facilities using various technologies. Built on the excellent reputation of Inmarsat, our satellite communications products form the celestial extension to terrestrial communications networks in providing high bandwidth, multimedia solutions virtually anywhere in the world.

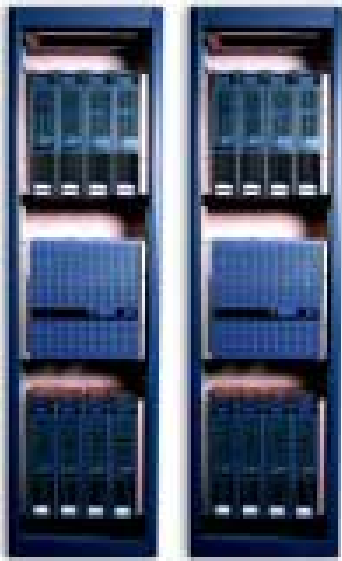


Nera CityLink

Nera WorldCommunicator and Nera WorldPhone satellite terminals are utilised in many different environments across the world ranging from campus to semi-fixed sites for companies in sectors such as construction, energy or merchant shipping, to mobile solutions in sectors such as finance and media.

Our new product, Nera F77 Terminal uses the world's first global maritime Mobile Packet Data Service (MPDS). This gives the vessels on line access to a whole range of applications like the internet and e-mail. It provides the vessels at sea with the necessary communications tools associated with everyday business on land.

The **Wireless Broadband** solutions provides wireless-networking access to many different sized organizations. It also provides a mobile backhaul base terminal station for GSM/GPRS requirements. Building on proprietary technology and strengths, Nera's wireless broadband solutions are focused on solving 'last mile bottlenecks' for its clients, meeting the high access speeds demanded by the latest technologies in the Internet, digital TV and online interactive services. The Group offers its solutions to satellite operators, broadcasters as well as Internet and telecommunications service providers and it has, to date, successfully deployed its solutions to South East Asia, the latest being deployment for a Telecom operator in Indonesia and an ISP in the Philippines.



Nera InterLink

Business Segment

Information Technology





IT Broadcasting Unit

Information Technology

The **Network Solutions** currently provide value-added solutions to customers in both telecommunications and enterprise networking. The core competencies center on medium to large-scale ATM, Gigabit Ethernet and IP networks for Telco ISPs, IDC's and Enterprise infrastructure network deployment. We strive to provide quality network solutions with a high degree of service excellence.

The **Optical Networks** have pioneered the adoption of two core technologies especially catered to 'last mile' access networking. Free space optics is a point-to-point digital transmission technology that utilizes near Infra-Red spectral range light as the data representation and free space as the media. Multi Service Provisioning Platform is an edge device used by telecommunications carriers to rapidly deploy new and existing services from a single access platform. Both these solutions provide users with a cost effective networking solution that is easy to install and provides a high level of security.

The advent of high technology communications has created its associated insecurities which in turn fuelled the increasing demand for a high level of secured access. As premier providers of **Security Solutions**, we integrate best of breed products with highly skilled network expertise to ensure that customers get the best solutions in keeping their systems secured.

The **Internet Appliances** employ an array of Internet Traffic Management (ITM) solutions. We offer ITM consulting for LAN and WAN using Radware's Web Server Director, Fireproof, Cache Server Director and the award-winning Linkproof. Cacheflow solutions such as Client and Server Accelerator are also used for Internet Access Acceleration. During the year, the latest "SynApp" architecture of Radware's suite of solutions and the content distribution solutions of Cacheflow were introduced.

The i2POS Data Centre of **Retail Systems** has the capability of supporting multiple applications such

as debit, credit and smart card functionality. It also caters to other value-added facilities such as electronic receipt capture, customized advertising messages, email, loyalty programmes and even Internet access on a single integrated device. Our latest product, the wireless payment terminal, enables mobile payment functions easily and conveniently .

The **Cables and Cabling Solutions** business provides cables and cabling solutions to the commercial and residential markets. Our air blown fibre are also being used to wire commercial buildings in the central business district.

The **Broadcasting** business comprises the broadcast centre, transmission systems, MATV and Digital TV infrastructure and the provision of integrated receiving decoders. This business area has developed the next generation of mobile receivers catering to the car market. The video software management solutions has also been developed to address the digital video market including streaming, acquisition and viewing of high quality digital video over IP and DVB-T networks.



Business Segment

Electronics Contract Manufacturing



New product introduction review meeting

Electronics Contract Manufacturing

The increase in demand for outsourcing of electronics contract manufacturing has seen many developments in this business segment. The re-layout of the production floor and improved lighting have increased the workflow efficiency and overall productivity.

During the year, many quality control processes were also implemented to maintain the high standard of quality. These include the upgrading of QMS certification to ISO 9001 as well as the pursuit of environmental ISO 14001 standards.

Six Sigma quality training and implementation were also effected in

addition to the introduction of a software package to enhance the efficiency of overall quality management system. The upgrading of ERP system was also carried out to conform to the latest industry standards.

Three major customers were secured last year in addition to the delivery of set-top boxes for private cars. A configuration centre was set up for key customers in Singapore to provide further value-added services.

Currently, a new product development is underway involving the re-design of a cost effective In-Door-Unit for Compact Link.



PCBA Functional Testing

Scaling New Heights with NeraTel

The Singapore Xixabangma Expedition



The Singapore Xixabangma team

“We really strived to embody the spirit of adventure and in the process, helped raise the standard of mountaineering in Singapore,” said Ms Lulin Reutens, a team member of the recently completed Singapore Xixabangma Expedition which took place from March to May 2002.

Having already been part of the Everest team in 1998 (Edwin Siew was the first in the team to summit Everest) and having taken on

Antarctica expeditions to the South Pole and Mount Vinson, the team had planned to set new standards in mountaineering by scaling Mount Xixabangma, the 14th highest mountain in the world located entirely in Tibet.

This they did. At 1:35pm Singapore time on May 16th 2002, team members Edwin Siew and Robert Goh reached the summit of the mountain. At a height of 8027 meters, the mountain peak is just above the Death Zone, which in mountaineering terminology, refers to altitudes above 8000 meters. The zone is so aptly named, because life is not sustainable at this altitude where the thin air is 42% less dense than at sea level, affecting the

climber both physically and mentally. (Of the hundred and fifty or so climbers who have scaled this mountain, 21 have perished)

Said Reutens: “What made this climb all the more challenging was that the 4-member team had planned to make the ascent using the alpine style and in the process become the first ever South East Asian team to do this at a height of above 8000m. We were all carrying rucksacks weighing about 35 kgs each, containing food, fuel, tents, stoves, clothes, and equipment. In the end, both Edwin and Robert made the final summit bid entirely on their own, without sherpas, pre-built camps, pre-fixed ropes and more importantly, no supplementary oxygen.



Nera WorldPhone

Interview

“All the previous mountaineering expeditions from Singapore had only scaled about 7400 meters while relying on such support to lighten their loads. We have set a new milestone in the annals of Singapore mountaineering.

“We trained hard for this expedition. Because the climb was expected to be very strenuous, we had to be in tip-top shape or else we would have endangered our team members and ourselves. We jogged regularly to raise our fitness level as well as underwent a tough training schedule to raise our overall strength and stamina.

“Everyone in the team was very well prepared, both physically and mentally. We are all very passionate about mountaineering and were committed, as a team, to achieving this milestone. We also motivated each other and knew that we had to try our best so as not to let our team members down.

“One of the most critical pieces of equipment that we carried was Nera WorldPhone/Communicator. We were climbing alpine style, which effectively cut us off from the rest of the world. Should there have been any emergencies, especially if there was a need to evacuate, quick and



efficient communications would have made the difference between life and death. As it was, thankfully nothing critical happened, and it allowed us to stay in touch with the rest of the world, especially with loved ones who were anxious to know how we were doing.

“Not only did the Nera World Communicator allow us to send and receive emails, we were also able to call home to our families. Our expedition lasted almost three months and it gave us peace of mind to know that our loved ones were only a call away. We also got plenty of moral support in being able to speak to our loved ones. This spurred us on in our quest to reach the summit. Despite the cloudy weather, we had excellent satellite connection and the Nera World Phone provided us the crystal clear reception that we have come to expect from it.

“The Nera WorldCommunicator also allowed us to send back still pictures of our expedition. This enabled our sponsors, the media as well as the community at large to keep track of our progress visually in addition to the reports that we were dispatching regularly. Through the complete documentation of our climb, we were able to capture our the efforts and showcase this momentous.

Reaching the summit of Mount Xixabangma is only one of the many goals we achieved. We also sent a strong message that you can achieve almost anything if you set your heart and mind to it. Teamwork is also a critical factor because as a group we achieved more than had we undertaken this effort as individuals.”

An interview with Ms Lulin Reutens, Team member

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance 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 eight directors. Except for the President and CEO, 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 business strategies, major investments and funding plans, financial performance and internal controls.

The Board also ensures 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 non executive directors.

The Company has adopted the Best Practices Guide as set out in the Listing Manual of The Singapore Exchange Securities Trading Ltd ("SGX-ST) in relation to the roles and responsibilities of the Audit Committee and had during the year complied with the Best Practices Guide.

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 controls and reporting practices. In addition, the Audit Committee meets four times a year to review the interim and annual results of the Group and Company as well as the financial statements before they are submitted to the Board for approval.

Other functions of the Audit Committee include the recommendation of the appointment or reappointment of external auditors and the review of audit fees. Audit Committee also reviews the Interested Person Transactions in relation to Chapter 9A of the Listing Manual of the SGX-ST.

The Audit Committee had reviewed and approved the nomination from Nera ASA, a major shareholder of the Company, to appoint Messrs Ernst & Young as Auditors of the Company in place of Messrs Arthur Andersen at the forthcoming Annual General Meeting.

COMPENSATION COMMITTEE

The Compensation Committee comprises three members, two of whom, including the Chairman, are independent non-executive directors.

The Compensation Committee is responsible for matters relating to the compensation of the executive director and the administration of the Employee Share Option Scheme (“Nera Telecom ESOS”).

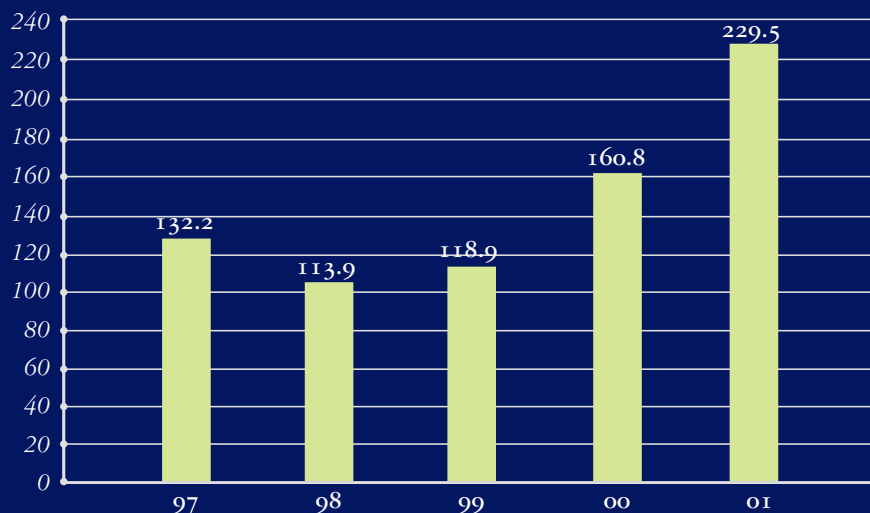
SECURITIES TRADING

The Company has adopted an internal Compliance Code on Securities Transactions to govern the dealings in its shares by the directors and key employees 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 as set out in the Listing Manual of the SGX-ST and has been disseminated to the directors and key employees of the Group.

Financial Highlights

Turnover (\$m)

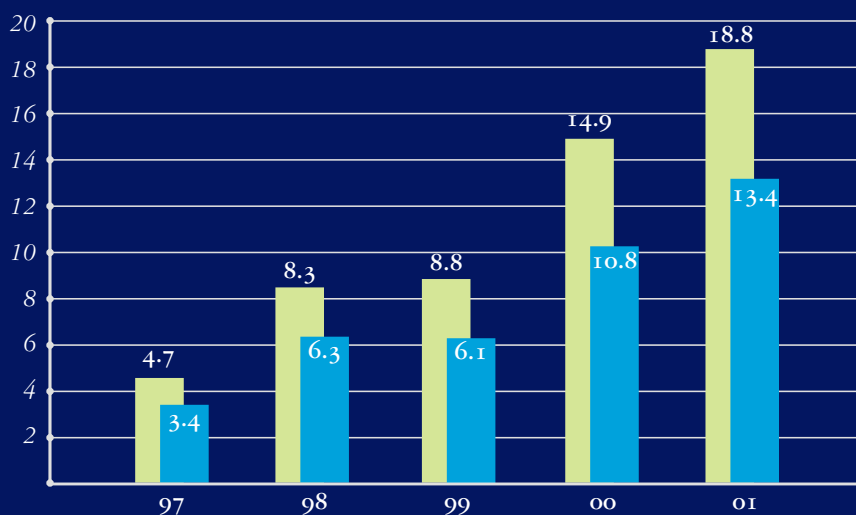
Turnover in FY2001 was \$229.5 million, compared to \$160.8 million in FY2000, an increase of 42.7%



Profit (\$m)

Profit before tax in FY2001 was \$18.8 million, compared to \$14.9 million in FY2000, an increase of 26.5%

Profit after tax in FY2001 was \$13.4 million, compared to \$10.8 million, an increase of 23.6%



Profit Before Tax
Profit After Tax

FY1997 and FY1998 are based on the Performa Group's results.

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Directors' Report

For The Year Ended 31 December 2001 (Amounts In Singapore Dollars Unless Otherwise Stated)

The directors are pleased to present their report to the members together with the audited financial statements of the Company and consolidated financial statements of the Company and its subsidiaries (the Group) for the financial year ended 31 December 2001.

Directors

The directors of the Company 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
Lau Ping Sum
Sitoh Yih Pin
Bjorn Olafsson (appointed on 28 January 2002)

Principal Activities

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 IT networks. The principal activities of the subsidiaries are as shown in Note 6 to the financial statements.

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

Employees

The total number of employees in the Company and the Group at the end of the financial year was 139 and 387 respectively (2000: 127 and 358 respectively).

Results for the financial Year

	<i>Group</i>	<i>Company</i>
	\$	\$
Profit after taxation	13,403,428	6,809,735

Material Transfers to or from Reserves or Provisions

Except as shown in the financial statements, there were no material transfers to or from reserves or provisions during the financial year.

Directors' Report

For The Year Ended 31 December 2001 (Amounts In Singapore Dollars Unless Otherwise Stated)

Acquisition and Disposal of Subsidiaries

During the financial year, the company incorporated the following subsidiaries:

	<i>Interest %</i>
<hr/>	
<i>Incorporated</i>	
Nera Telecommunications (Taiwan) Co., Ltd	100
PT Nera Indonesia	100

There were no acquisitions or disposals of subsidiaries during the financial year.

Issue of Shares or Debentures

During the financial year, the two subsidiaries issued the following shares upon incorporation:

	<i>Shares issued and consideration</i>
<hr/>	
Nera Telecommunications (Taiwan) Co., Ltd	1,000,000 ordinary shares of NT\$10 each
PT Nera Indonesia	100 ordinary shares of US\$2,000 each

No other shares or debentures were issued by any company in the Group during the financial year.

Arrangements to Enable Directors to Acquire Shares or 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 in or debentures of the Company or any other body corporate.

Directors' Report

For The Year Ended 31 December 2001 (Amounts In Singapore Dollars Unless Otherwise Stated)

Directors' Interests in Shares or Debentures

According to the Register of Directors' Shareholdings required to be kept under Section 164 of the Companies Act, the interests of the directors who held office at the end of the financial year in the shares or debentures of the Company and related corporations were as follows:

	Held by director as at			Other shareholdings in which the director is deemed to have an interest as at		
	1 January 2001 or date of appointment, if later	31 December 2001	21 January 2002	1 January 2001 or date of appointment, if later	31 December 2001	21 January 2002
Ultimate Holding Company						
Nera ASA						
Ordinary shares of NOK2.00 each						
S Chandra Das	11,500	11,500	11,500	-	-	-
Ang Seong Kang Samuel*	20,000	20,000	20,000	-	-	-
Bjorn Ove Skjeie	37,225	90,225	90,225	-	-	-
Johan Fredrik Odfjell	628	628	628	109,690	109,690	109,690
Sverre Ording Fjeld	-	2,000	2,000	-	-	-
The Company						
Ordinary shares of \$0.05 each						
S Chandra Das	2,500,000	2,500,000	2,500,000	-	-	-
Ang Seong Kang Samuel*	2,420,000	2,420,000	2,420,000	-	-	-
Bjorn Ove Skjeie	80,000	80,000	80,000	-	-	-
Johan Fredrik Odfjell	400,000	400,000	400,000	-	-	-
Lau Ping Sum	450,000	450,000	450,000	-	-	-
Sitoh Yih Pin	400,000	400,000	400,000	-	-	-

* 40,000 of the total ordinary shares are in United Overseas Bank Nominee Account under Central Provident Fund share investment scheme.

	Held by director as at		
	1 January 2001 or date of appointment, if later	31 December 2001	21 January 2002
Related Corporations			
Nera Infocom (M) Sdn Bhd			
Ordinary shares of RM 1 each			
Ang Seong Kang Samuel	1	1	1
Nera Philippines Inc.			
Ordinary shares of Peso 100 each			
Ang Seong Kang Samuel	1	1	1

Directors' Report

For The Year Ended 31 December 2001 (Amounts In Singapore Dollars Unless Otherwise Stated)

Directors' Interests in Shares or Debentures (cont'd)

	Held by director as at		
	1 January 2001 or date of appointment, if later	31 December 2001	21 January 2002
P.T. Nera Indonesia			
Ordinary shares of US\$2,000 each			
Ang Seong Kang Samuel	1	1	1
Nera Telecommunications (Taiwan) Co. Ltd			
Ordinary shares of NT\$10 each			
Ang Seong Kang Samuel	1	1	1

No other director had an interest in the shares or debentures of the Company or related corporations, either at the beginning (or date of appointment, if later) or end of the financial year and on 21 January 2002.

Directors' Contractual Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit or any fixed salary of a full-time employee of the Company included in the aggregate amount of emoluments shown in the financial statements, or any emoluments received from a related corporation) 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.

Dividends

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

	\$
A final dividend of 0.375 cents per share, less tax of 24.5% was paid in respect of the previous year as shown in the directors' report for that year	1,019,250
A final dividend of 0.5 cents per share, less tax of 24.5%, in respect of the year ended 31 December 2001 proposed by the directors and subject to shareholders' approval at the forthcoming Annual General Meeting of the Company	1,359,000

Directors' Report

For The Year Ended 31 December 2001 (Amounts In Singapore Dollars Unless Otherwise Stated)

Bad and Doubtful Debts

Before the financial statements of the Company were prepared, 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 satisfied themselves that all known bad debts of the Company had been written off as bad and that adequate provision had been made for doubtful debts.

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

Current Assets

Before the financial statements of the Company were prepared, the directors took reasonable steps to ascertain that any current assets of the Company which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values or that adequate provision had 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, which would render the values attributed to current assets in the consolidated financial statements misleading.

Charges on Assets and Contingent Liabilities

At the date of this report, no charge on the assets of the Company or any corporation in the Group which secures the liabilities of any other person has arisen since the end of the financial year and no contingent liability of the Company or any other corporation in the Group has arisen since the end of the financial year.

Ability to Meet Obligations

No contingent or other liability 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

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 misleading.

Unusual Items

In the opinion of the directors, the results of the operations of the Company and of the Group for 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, except as disclosed in Note 32 to the financial statements.

Directors' Report

For The Year Ended 31 December 2001 (Amounts In Singapore Dollars Unless Otherwise Stated)

Share Options

During the financial year, no options to take up unissued shares of the Company or any subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary. There were no unissued shares of the Company or any subsidiary under option at the end of the financial year.

Audit Committee

The Audit Committee comprises three members, the majority of whom, including its Chairman, are independent of management. The members of the Audit Committee at the date of this report are as follows:

Lau Ping Sum, Chairman
Sitoh Yih Pin
Sverre Ording Fjeld

The Board of Directors supports the developments to improve corporate governance and confirms compliance with the Singapore Exchange's Best Practices Guide relating to Audit Committees.

The Audit Committee performs the functions set out in the Companies Act. 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").

The Committee met four times during the financial year ended 31 December 2001.

Auditors

The financial statements have been audited by Messrs Arthur Andersen who will retire at the forthcoming Annual General Meeting and do not offer themselves for re-appointment.

On behalf of the Board of Directors

S CHANDRA DAS
Director

ANG SEONG KANG SAMUEL
Director

Singapore
14 March 2002, except for Note 32(b) for which the date is 23 May 2002.

Statement by Directors

In the opinion of the directors of Nera Telecommunications Ltd, the financial statements set out on pages 32 to 60 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 2001 and of the results and changes in equity of the Company and of the Group and cash flows of the Group for the 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 Board of Directors

S CHANDRA DAS
Director

ANG SEONG KANG SAMUEL
Director

Singapore
14 March 2002, except for Note 32(b) for which the date is 23 May 2002.

Auditors' Report

To The Members Of Nera Telecommunications Ltd

We have audited the financial statements of Nera Telecommunications Ltd (the Company) and the consolidated financial statements of the Company and its subsidiaries (the Group) as at 31 December 2001 and for the year then ended set out on pages 32 to 60. 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 the audit to obtain reasonable assurance about 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 financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Companies Act (Act) and Statements of Accounting Standard in Singapore and so as to give a true and fair view of:
 - (i) the state of affairs of the Company and of the Group as at 31 December 2001 and of the results and changes in equity of the Company and of the Group and the cash flows of the Group for the financial year then ended; and
 - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements and the consolidated financial statements;
- (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, where they are required by the laws of the country of incorporation, the 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 shown in Note 6 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 purposes 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.

Arthur Andersen

Certified Public Accountants

Singapore

14 March 2002, except for Note 32(b) for which the date is 23 May 2002.

Balance Sheets

As At 31 December 2001 (Amounts In Singapore Dollars)

	Note	Group		Company	
		2001 \$	2000 \$	2001 \$	2000 \$
Share capital and reserves					
Share capital	3	18,000,000	18,000,000	18,000,000	18,000,000
Share premium		11,383,356	11,383,356	11,383,356	11,383,356
Revenue reserve	4	27,844,207	15,460,029	12,657,494	6,867,009
Translation reserve		(590,826)	(825,802)	-	-
		56,636,737	44,017,583	42,040,850	36,250,365
Fixed assets					
Fixed assets	5	11,005,595	9,434,255	6,112,924	6,878,157
Subsidiaries	6	-	-	10,157,537	9,265,225
Associated companies	7	10,203,719	2,979,204	8,199,205	199,205
Current assets					
Stocks	8	38,777,767	30,237,780	18,858,094	4,694,754
Trade debtors	10	22,605,207	30,990,748	13,378,581	20,678,508
Other debtors, deposits and prepayments	11	2,507,206	4,626,970	462,789	837,890
Due from associated company (trade)		6,541,356	1,231,835	6,541,164	280,429
Due from associated company (non-trade)	12	1,701,286	2,971,232	1,701,286	2,971,232
Due from related companies (trade)		638,116	2,143,290	13,965	390,837
Due from subsidiaries (trade)		-	-	232,739	71,524
Due from subsidiaries (non-trade)	12	-	-	785,343	7,502,126
Cash and bank balances		20,373,647	20,443,564	13,397,979	11,473,989
Total current assets		93,144,585	92,645,419	55,371,940	48,901,289
Current liabilities					
Trade creditors		22,282,237	29,663,720	16,401,020	11,743,729
Other creditors and accruals	13	18,966,864	8,690,712	14,761,978	3,975,482
Provision for warranty	14	4,234,641	4,449,975	1,526,796	1,544,569
Due to subsidiaries (trade)		-	-	526,728	-
Due to associated company (trade)		1,129,049	3,099,702	-	-
Due to related companies (trade)		3,632,879	9,907,232	2,681,839	9,893,010
Provision for taxation		5,762,911	3,956,338	1,902,395	563,105
Short-term loan (unsecured)		-	1,273,616	-	1,273,616
Lease obligations (current portion)	15	646,668	-	-	-
Total current liabilities		56,655,249	61,041,295	37,800,756	28,993,511
Net current assets		36,489,336	31,604,124	17,571,184	19,907,778
Non-current liability					
Lease obligations	15	(1,061,913)	-	-	-
		56,636,737	44,017,583	42,040,850	36,250,365

The accompanying notes are an integral part of the financial statements.

Statements Of Profit And Loss

For The Year Ended 31 December 2001 (Amounts In Singapore Dollars)

	Note	Group		Company	
		2001 \$	2000 \$	2001 \$	2000 \$
Turnover	16	229,544,749	160,874,377	124,163,249	74,440,361
Cost of sales		(185,966,813)	(125,857,313)	(105,289,336)	(60,792,893)
Gross profit		43,577,936	35,017,064	18,873,913	13,647,468
Other operating income	17	1,767,362	788,775	4,347,730	2,286,523
Distribution and selling expenses		(19,326,356)	(16,411,078)	(12,297,574)	(9,650,560)
Administrative expenses		(6,601,398)	(5,018,001)	(2,122,586)	(1,575,459)
Other operating expenses		(422,069)	(351,290)	-	-
Profit from operations	18	18,995,475	14,025,470	8,801,483	4,707,972
Financial expenses	20	(241,005)	(184,517)	(131,537)	(132,424)
Financial income	21	793,594	685,555	876,827	720,466
Share of (losses) profits of associated companies		19,548,064 (690,010)	14,526,508 376,220	9,546,773 -	5,296,014 -
Profit before taxation		18,858,054	14,902,728	9,546,773	5,296,014
Taxation	22	(5,454,626)	(4,059,462)	(2,737,038)	(1,051,432)
Profit after taxation		13,403,428	10,843,266	6,809,735	4,244,582
Earnings per share (cents)	23				
Basic		3.72	3.01		

The accompanying notes are an integral part of the financial statements.

Statements Of Changes In Equity

For The Year Ended 31 December 2001 (Amounts In Singapore Dollars)

<i>Group</i>	<i>Share capital</i> \$	<i>Share premium</i> \$	<i>Revenue reserve</i> \$	<i>Translation reserve</i> \$	<i>Total</i> \$
Balance at 31.12.1999					
as previously reported	18,000,000	11,383,356	4,616,763	(681,364)	33,318,755
Change in accounting policy (Note 25)					
- dividend income	-	-	-	-	-
- dividend expense	-	-	905,175	-	905,175
Balance as at 1.1.2000 as restated	18,000,000	11,383,356	5,521,938	(681,364)	34,223,930
Foreign currency translation differences	-	-	-	(144,438)	(144,438)
Net profit for the year	-	-	10,843,266	-	10,843,266
Dividends (Note 24)	-	-	(905,175)	-	(905,175)
As at 31.12.2000	18,000,000	11,383,356	15,460,029	(825,802)	44,017,583
As at 31.12.2000 as previously reported	18,000,000	11,383,356	14,440,779	(825,802)	42,998,333
Change in accounting policy (Note 25)					
- dividend income	-	-	-	-	-
- dividend expense	-	-	1,019,250	-	1,019,250
As at 31.12.2000 as restated	18,000,000	11,383,356	15,460,029	(825,802)	44,017,583
Foreign currency translation differences	-	-	-	234,976	234,976
Net profit for the year	-	-	13,403,428	-	13,403,428
Dividends (Note 24)	-	-	(1,019,250)	-	(1,019,250)
As at 31.12.2001	18,000,000	11,383,356	27,844,207	(590,826)	56,636,737

The accompanying notes are an integral part of the financial statements.

Statements Of Changes In Equity

For The Year Ended 31 December 2001 (Amounts In Singapore Dollars)

<i>Company</i>	<i>Share capital \$</i>	<i>Share premium \$</i>	<i>Revenue reserve \$</i>	<i>Total \$</i>
Balance as at 31.12.1999 as previously reported	18,000,000	11,383,356	3,728,427	33,111,783
Change in accounting policy (Note 25)				
- dividend income	-	-	(1,106,000)	(1,106,000)
- dividend expense	-	-	905,175	905,175
Balance as at 1.1.2000 as restated	18,000,000	11,383,356	3,527,602	32,910,958
Net profit for the year	-	-	4,244,582	4,244,582
Dividends paid (Note 24)	-	-	(905,175)	(905,175)
As at 31.12.2000	18,000,000	11,383,356	6,867,009	36,250,365
Balance as at 31.12.2000 as previously reported	18,000,000	11,383,356	7,988,759	37,372,115
Change in accounting policy (Note 25)				
- dividend income	-	-	(2,141,000)	(2,141,000)
- dividend expense	-	-	1,019,250	1,019,250
Balance as at 1.1.2000 as restated	18,000,000	11,383,356	6,867,009	36,250,365
Net profit for the year	-	-	6,809,735	6,809,735
Dividends paid (Note 24)	-	-	(1,019,250)	(1,019,250)
Balance as at 31.12.2001	18,000,000	11,383,356	12,657,494	42,040,850

The accompanying notes are an integral part of the financial statements.

Consolidated Cash Flows Statement

For The Year Ended 31 December 2001 (Amounts In Singapore Dollars)

	Note	2001 \$	2000 \$
Cash flows from operating activities			
Profit before taxation		18,858,054	14,902,728
Adjustments for:			
Amortisation of goodwill		136,000	-
Depreciation of fixed assets		2,666,711	1,772,581
Gain from disposal of fixed assets		(177,670)	(14,614)
Unrealised exchange difference		(148,757)	296,390
Interest expense		63,907	5,031
Interest income		(852,972)	(685,555)
Share of losses (profits) of associated companies		690,010	(376,220)
Operating profit before working capital changes		21,235,283	15,900,341
Changes in working capital:			
Trade and other debtors		10,938,505	(21,852,673)
Stocks		(8,539,987)	(10,511,702)
Related parties		(10,666,273)	7,535,375
Trade and other creditors		2,583,837	15,389,714
Cash generated from operations		15,551,365	6,461,055
Income tax paid		(3,648,053)	(2,561,912)
Interest paid		(63,907)	(5,031)
Net cash inflow from operating activities		11,839,405	3,894,112
Cash flows from investing activities			
Proceeds from disposal of fixed assets		177,490	45,068
Purchase of fixed assets		(1,920,345)	(4,084,937)
Interest received		852,972	685,555
Investment in associated company		(8,000,000)	-
Net cash outflow from investing activities		(8,889,883)	(3,354,314)
Cash flows from financing activities			
Repayment of hire purchase liability		(608,945)	-
Dividends paid, representing cash flows used in financing activities		(1,019,250)	(905,175)
Net cash outflow from investing activities		(1,628,195)	(905,175)
Net increase (decrease) in cash and cash equivalents		1,321,327	(365,377)
Effect of exchange rate changes		(144,118)	(26,490)
Cash and cash equivalents at beginning of year		19,196,438	19,561,815
Cash and cash equivalents at end of year	26	20,373,647	19,169,948

The accompanying notes are an integral part of the financial statements.

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

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

1. General

The Company is a limited company domiciled and incorporated in Singapore. The address of the Company's registered office is 10, Collyer Quay, #19-08, Ocean Building, Singapore 049315. The address of its principal place of business is 109 Defu Lane 10, Singapore 539225.

The Company's immediate and ultimate holding company is Nera ASA, incorporated in Norway.

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 IT networks. The principal activities of the subsidiaries are as shown in Note 6 to the financial statements.

The financial statements of Nera Telecommunications Ltd and the consolidated financial statements of Nera Telecommunications Ltd and subsidiaries for the year ended 31 December 2001 were authorised for issue in accordance with a directors' resolution dated 14 March 2002.

2. Significant Accounting Policies

Basis of preparation

The financial statements, which are expressed in Singapore dollars, are prepared in accordance with Statements of Accounting Standard in Singapore and under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies. 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 acquisition or disposal. All intercompany balances, transactions and any unrealised profits or losses on intercompany transactions are eliminated on consolidation.

When a subsidiary or associate is acquired, any excess of the consideration paid over the fair values of the net assets acquired is amortised on a straight line basis to the consolidated profit and loss account over 5 years.

The results of foreign subsidiaries are translated into Singapore dollars at the average exchange rates for the year and balance sheet items are translated at exchange rates ruling at the balance sheet date. Exchange differences arising on translating the opening net assets are taken directly to the translation reserve until disposal of the subsidiary.

Foreign currencies

Transactions in foreign currencies during the 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 short-term forward contract rates where they are covered by forward exchange contracts. All resultant exchange differences are dealt with through the profit and loss account.

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

2. Significant Accounting Policies (cont'd)

Trade debtors

Trade debtors, which generally have 30-90 day terms are recognised and carried at original invoiced amount less provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents

Cash consists of cash on hand and cash with banks, including bank overdrafts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Stocks

Stocks (other than contract work-in-progress) are stated at the lower of cost and net realisable value. Cost is primarily determined using the weighted average method and includes all costs in bringing the stocks 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 stocks 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 stocks.

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 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.

Subsidiaries and associates

Investments in subsidiaries and associates are stated in the financial statements of the Company at cost. Provision is made where there is a decline in value that is other than temporary.

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

An associate is a company, not being a subsidiary, in which the Group has significant interest and in whose financial and operating policy decisions the Group exercises significant influence.

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

2. Significant Accounting Policies (cont'd)

Subsidiaries and associates (cont'd)

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 audited financial statements are not available, unaudited financial statements are used. 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. Any unrealised gain or loss arising from transactions with associates is eliminated to the extent of the portion attributable to the Group.

Fixed assets

Fixed assets are stated at cost, less accumulated depreciation, and any impairment loss.

Depreciation is calculated on a straight-line basis to write off the cost of fixed assets over their estimated useful lives as follows:

	<i>Years</i>
Leasehold land and building	18
Leasehold improvements	10
Plant and other equipment	5 to 7
Furniture and fittings	5 to 10
Motor vehicles	5
Equipment held for leasing	3 to 7

Impairment of assets

Fixed assets and long-term investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income for items of fixed assets and long-term investments carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Reversal of an impairment loss recognised in prior years is recorded when there is an indication that the impairment loss recognised for an asset no longer exists or has decreased. The reversal is recorded in income.

Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the lease item, are capitalized at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased fixed assets. 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 liability. Finance charges are charged directly against income.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight line basis over the lease term.

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

2. Significant Accounting Policies (cont'd)

Revenue recognition

Revenue earned from the sale of the Group's products is recognised when significant risk and rewards has been transferred to the customer, which generally coincides with their delivery and acceptance.

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.

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.

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

Group turnover excludes intercompany transactions and turnover of associates.

Income tax

Income tax expense is determined on the basis of tax effect accounting, using the liability method, and is applied to all significant timing differences. Deferred tax benefits are not accounted for unless there is reasonable expectation of their realisation.

Trade creditors

Trade creditors, which are normally settled on 30-90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

Provision for warranty

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

The warranty provision represents the management's best estimate of the Group's liability to repair or replace products still under warranty at the balance sheet date. The provision is calculated based on past experience of the level of warranty claims and costs incurred for after sale services.

Borrowings

Borrowings are recognised initially at cost. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. The difference between the initial cost and the redemption value is recognised in the profit and loss account over the period of the borrowings.

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

2. Significant Accounting Policies (cont'd)

Segments

For management purposes, the Group is organised on a world-wide basis into three major operating businesses (divisions). The divisions are the basis on which the Group reports its primary segment information. Segment revenue, expenses and results include transfers between business segments and between geographical segments.

Financial Instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Change in accounting policy

Under the requirements of Statement of Accounting Standard (SAS) 10 (Revised), Events after the Balance Sheet Date, which is effective for financial periods beginning on or after 1 October 2000, the Company and the Group should not recognise dividends proposed or declared after the balance sheet date as accrued liabilities. Similarly, the dividend, proposed or declared by subsidiaries should not be recognised as income. On adopting SAS 10, the Company and the Group changed its accounting policy retroactively. As a result of the change, the revenue reserve of the Group and the Company as at 1 January 2001 was increased by \$1,019,250 (2000: \$905,175) and \$1,121,750 (2000:\$200,825) respectively.

Accounting standards not effective until after the financial year

Statement of Accounting Standard (SAS) 12, Income Taxes, was issued in March 2001 and is effective for financial years beginning on or after 1 April 2001.

SAS 12 requires deferred tax to be calculated using the balance sheet liability method, for all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities and the amounts used for income tax purposes. Deferred tax assets should be recognised when it is probable that sufficient taxable profit will be available against which the deferred tax assets can be utilised.

Had SAS 12 been applied to the current financial year, the net profit for the year of the Group and the Company would have been higher by approximately \$891,000 and \$428,000 respectively, and the net assets and reserves would have been higher by approximately \$1.6 million and \$420,000 respectively.

3. Share Capital

	2001	2000
	\$	\$
Authorised		
- 800,000,000 (2000: 800,000,000) ordinary shares of \$0.05 (2000: \$0.05) each	40,000,000	40,000,000
Issued and fully paid		
- 360,000,000 (2000: 360,000,000) ordinary shares of \$0.05 (2000: \$0.05) each	18,000,000	18,000,000

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

4. Revenue Reserve

The share premium account may be applied only for the purposes specified in the Companies Act. The balance is not available for distribution of dividends except in the form of shares. With the exception of the share premium, the reserves of the Company are available for distribution as dividends.

	<i>Group</i>	
	2001	2000
	\$	\$
Retained by:		
The Company	12,657,494	6,867,009
Subsidiaries	16,830,075	9,454,517
Associated company	2,579,706	3,361,571
	32,067,275	19,683,097
Goodwill arising on acquisition of subsidiaries written off against revenue reserve	(4,223,068)	(4,223,068)
	27,844,207	15,460,029

5. Fixed Assets

<i>Group</i>	<i>Leasehold land and building</i>	<i>Leasehold improvements</i>	<i>Plant and other equipment</i>	<i>Furniture and fittings</i>	<i>Motor vehicles</i>	<i>Lease equipment</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$	\$
Cost							
As at 1.1.2001	5,150,000	1,720,736	10,839,685	935,518	2,092,474	2,029,252	22,767,665
Currency realignment	-	532	33,177	7,129	6,524	120	47,482
Additions	-	255,162	2,881,349	122,372	295,311	683,677	4,237,871
Disposals	-	(15,278)	(1,594,744)	-	(183,187)	(185,610)	(1,978,819)
As at 31.12.2001	5,150,000	1,961,152	12,159,467	1,065,019	2,211,122	2,527,439	25,074,199
Accumulated depreciation							
As at 1.1.2001	1,644,960	1,150,833	8,772,652	510,372	1,139,683	114,910	13,333,410
Currency realignment	-	495	18,150	1,782	2,895	19	23,341
Charge for the year	286,080	174,649	990,144	95,654	308,822	811,362	2,666,711
Disposals	-	(15,278)	(1,720,351)	-	(177,940)	(41,289)	(1,954,858)
As at 31.12.2001	1,931,040	1,310,699	8,060,595	607,808	1,273,460	885,002	14,068,604
Charge for 2000	286,080	107,699	874,086	82,699	306,977	115,040	1,772,581
Net book value							
As at 31.12.2001	3,218,960	650,453	4,098,872	457,211	937,662	1,642,437	11,005,595
As at 31.12.2000	3,505,040	569,903	2,067,033	425,146	952,791	1,914,342	9,434,255

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

5. Fixed Assets (cont'd)

Plant and other equipment and motor vehicle with net book value of \$1,917,073 and \$176,890 respectively (2000: \$Nil and \$Nil) were acquired under finance leases.

During the financial year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of \$2,317,526 (2000: \$Nil)

<i>Company</i>	<i>Leasehold land and building</i>	<i>Leasehold improvements</i>	<i>Plant and other equipment</i>	<i>Furniture and fittings</i>	<i>Motor vehicles</i>	<i>Lease equipment</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$	\$
Cost							
As at 1.1.2001	5,150,000	720,773	566,853	346,572	1,795,207	2,026,971	10,606,376
Additions	-	8,727	66,941	57,540	68,662	683,677	885,547
Disposals	-	-	(14,310)	-	(62,200)	(185,610)	(262,120)
As at 31.12.2001	5,150,000	729,500	619,484	404,112	1,801,669	2,525,038	11,229,803
Accumulated depreciation							
As at 1.1.2001	1,644,960	382,238	454,658	143,081	988,773	114,509	3,728,219
Charge for the year	286,080	72,436	49,234	39,116	246,831	811,001	1,504,698
Disposals	-	-	(12,591)	-	(62,200)	(41,247)	(116,038)
As at 31.12.2001	1,931,040	454,674	491,301	182,197	1,173,404	884,263	5,116,879
Charge for 2000	286,080	72,204	48,091	32,266	254,857	114,509	808,007
Net book value							
As at 31.12.2001	3,218,960	274,826	128,183	221,915	628,265	1,640,775	6,112,924
As at 31.12.2000	3,505,040	338,535	112,195	203,491	806,434	1,912,462	6,878,157

As at 31 December 2001, the leasehold land and building of the Group and the Company consists of the following:

<i>Location</i>	<i>Purpose</i>	<i>Approximate land area (in sq. metre)</i>	<i>Approximate gross floor area (in sq. metre)</i>	<i>Tenure of lease</i>
109 Defu Lane 10, Singapore 539225	Office, workshop cum warehouse	3875	3246	30 years expiring 20 September 2012 with option for a further term of 30 years

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

6. Subsidiaries

(a) Subsidiaries comprise:

	Company	
	2001 \$	2000 \$
Unquoted equity shares at cost		
At beginning of year	9,328,225	8,416,225
Additions during the year	892,312	912,000
	10,220,537	9,328,225
Provision for diminution in value	(63,000)	(63,000)
At end of year	10,157,537	9,265,225

(b) The Company had the following subsidiaries as at 31 December 2001:

Name	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2001 %	2000 %	2001 \$	2000 \$
Nera Infocom Pte Ltd	Dormant	Singapore	100	100	2	2
Nera Electronics (S) Pte Ltd	To provide electronics contract manufacturing services of printed circuit boards, microwave radios and complete products	Singapore	100	100	7,000,000	7,000,000
Nera (Thailand) Ltd*	Sales and distribution design, engineering, servicing, installation and maintenance of transmission networks and satellite communications and IT networks	Thailand	100	100	975,000	975,000
Nera Philippines Inc.*	Sales and distribution design, engineering, servicing, installation and maintenance of transmission networks and satellite communications and IT networks	Philippines	100	100	1,128,223	1,128,223

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

6. Subsidiaries (cont'd)

(b) The Company had the following subsidiaries as at 31 December 2001: (cont'd)

Name	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2001 %	2000 %	2001 \$	2000 \$
Nera Infocom (M) Sdn Bhd*	Sales, installation and maintenance of information technology equipment	Malaysia	100	100	225,000	225,000
Nera Telecommunications Taiwan Co., Ltd*	Sales and distribution design, engineering, servicing, installation and maintenance of transmission network and satellite communications and IT networks	Republic of Taiwan	100	-	545,312	-
PT Nera Indonesia #	Sales and distribution design, engineering, servicing, installation and maintenance of transmission network and satellite communications and IT networks	Indonesia	100	-	347,000	-
					10,220,537	9,328,225

* Audited by associated firms of Arthur Andersen, Singapore.

Audited by Drs. Joban, Malonda & Rekan, Indonesia

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

7. Associated Companies

a) Associated companies comprise:

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Unquoted equity shares at cost	199,205	199,205	199,205	199,205
Addition during the year	8,000,000	-	8,000,000	-
Goodwill amortisation during the year	(136,000)	-	-	-
	8,063,205	199,205	8,199,205	199,205
Share of post-acquisition:				
- accumulated profit	2,579,706	3,361,571	-	-
Translation adjustment	(439,192)	(581,572)	-	-
	10,203,719	2,979,204	8,199,205	199,205

b) As at 31 December, the Group had the following associated companies:

	<i>Principal activities</i>	<i>Country of incorporation and place of business</i>	<i>Effective equity interest held by the Group</i>	
			<i>2001</i>	<i>2000</i>
			<i>%</i>	<i>%</i>
Nera (Malaysia) Sdn Bhd *	Sale, installation and maintenance of telecommunications equipment	Malaysia	30	30
TVMobile Pte Ltd #	Operation and maintenance of a digital mobile television network and channel	Singapore	20	-

* Audited by associated firm of Arthur Andersen, Singapore

Audited by Ernst & Young, Singapore

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

8. Stocks

	<i>Group</i>		<i>Company</i>	
	2001 \$	2000 \$	2001 \$	2000 \$
Stocks				
Raw materials at cost	10,146,338	7,441,843	-	-
Work in progress at cost	8,193,956	15,125,076	-	-
Finished goods at cost	8,272,801	9,912,994	3,759,751	5,196,642
	26,613,095	32,479,913	3,759,751	5,196,642
Less: provision for stock obsolescence	(3,996,835)	(2,538,899)	(1,063,164)	(798,654)
	22,616,260	29,941,014	2,696,587	4,397,988
Contract work-in-progress (Note 9)	16,161,507	296,766	16,161,507	296,766
	38,777,767	30,237,780	18,858,094	4,694,754

Movements in provision for stock obsolescence during the financial year were as follows:

At beginning of year	2,538,899	1,187,929	798,654	240,385
Provision for the year	6,641,690	2,967,960	1,185,370	746,075
Written off against provision	(5,186,980)	(1,616,990)	(920,860)	(187,806)
Currency realignment	3,226	-	-	-
At end of year	3,996,835	2,538,899	1,063,164	798,654

Stocks carried at net realisable value for the Group and the Company amounted to \$5,808,311 (2000: \$14,815,938) and \$2,696,587 (2000: \$4,397,988) respectively.

9. Contract Work-in-progress

	<i>Group and Company</i>	
	2001 \$	2000 \$
Contract work in progress comprise:		
- costs	51,880,032	14,529,680
- attributable profit recognized	6,035,138	3,486,390
	57,915,170	18,016,070
- progress payments received and receivable	(41,753,663)	(17,719,304)
Gross amounts due from customers	16,161,507	296,766

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

10. Trade Debtors

	<i>Group</i>		<i>Company</i>	
	2001 \$	2000 \$	2001 \$	2000 \$
Trade debtors	25,846,570	31,889,128	15,555,160	21,414,845
Less: provision for doubtful debts	(3,241,363)	(898,380)	(2,176,579)	(736,337)
	<u>22,605,207</u>	<u>30,990,748</u>	<u>13,378,581</u>	<u>20,678,508</u>

Included in the above balances are retention amounts of \$79,708 (2000: \$275,733).

Movements in provision for doubtful debts during the financial year were as follows:

At beginning of year	898,380	1,252,208	736,337	1,139,407
Provision for the year	2,863,510	723,901	1,736,538	661,636
Writeback of provision during the year	(3,127)	(463,500)	-	(463,500)
Bad debts written off against provision	(523,450)	(614,229)	(296,296)	(601,206)
Currency realignment	6,050	-	-	-
At end of year	<u>3,241,363</u>	<u>898,380</u>	<u>2,176,579</u>	<u>736,337</u>

11. Other Debtors, Deposits And Prepayments

	<i>Group</i>		<i>Company</i>	
	2001 \$	2000 \$	2001 \$	2000 \$
Prepayments	73,998	40,460	37,021	34,433
Advances to suppliers	70,577	362,243	27,406	279,176
Deposits	218,236	263,124	93,569	217,356
Staff advances	68,344	30,926	15,684	12,357
Dividend receivables	27,026	26,150	288,289	293,860
Other debtors	2,049,025	3,904,067	820	708
	<u>2,507,206</u>	<u>4,626,970</u>	<u>462,789</u>	<u>837,890</u>

12. Due From Associated Company/Subsidiaries (Non-trade)

Non-trade balances due from a subsidiary amounting to \$86,902 (2000: \$5,046,457) and an associated company amounting to \$1,701,286 (2000: \$2,971,232) are unsecured, repayable within the next twelve months with interest payable ranging from 5% to 6.4% (2000: 5%) per annum for Singapore dollar denominated balances and 4.79% to 8.71% per annum (2000: Nil) for US dollar denominated balances.

Other than the above, all other non-trade balances are unsecured, interest-free and repayable within the next twelve months.

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

13. Other Creditors And Accruals

	<i>Group</i>		<i>Company</i>	
	2001 \$	2000 \$	2001 \$	2000 \$
Accrued operating expenses	8,612,179	7,742,052	4,942,015	3,392,502
Customer advances	9,896,589	604,279	9,819,963	582,980
Other creditors	458,096	344,381	-	-
	18,966,864	8,690,712	14,761,978	3,975,482

14. Provision For Warranty

Movements in provision for warranty during the financial year were as follows:

	<i>Group</i>		<i>Company</i>	
	2001 \$	2000 \$	2001 \$	2000 \$
At beginning of year	4,449,975	3,082,898	1,544,569	600,000
Provision for the year	4,721,631	4,187,809	2,621,680	1,654,547
Writeback during the year	(3,593,121)	(2,413,978)	(2,029,734)	(709,978)
Utilised during the year	(1,349,601)	(406,754)	(609,719)	-
Currency realignment	5,757	-	-	-
At end of year	4,234,641	4,449,975	1,526,796	1,544,569

The warranty provision relates to goods and services sold in the past 18 months. The majority of the warranty cost is expected to be incurred in the next financial year, with all costs expected to be incurred within 2 years of the balance sheet date.

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

15. Lease Obligations

<i>Group</i>	<i>Minimum lease payments</i>	<i>Interest</i>	<i>Present value of payments</i>
	\$	\$	\$
2001			
More than 1 year and not later than 5 years	1,120,338	85,774	1,034,564
Later than 5 years	32,312	4,963	27,349
	1,152,650	90,737	1,061,913
Not later than 1 year	698,028	51,360	646,668
	1,850,678	142,097	1,708,581

Lease terms range from 3 to 4 years with options to purchase at the end of the lease terms. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

16. Turnover

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	\$	\$	\$	\$
Sales of goods	211,472,413	144,748,663	106,265,789	58,435,361
Services rendered	18,072,336	16,125,714	17,897,460	16,005,000
	229,544,749	160,874,377	124,163,249	74,440,361

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

17. Other Operating Income

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	\$	\$	\$	\$
Commission income	309,437	293,671	78,855	90,521
Dividend income (unquoted)				
- subsidiaries	-	-	3,198,627	1,856,826
- associated company	-	-	37,536	36,320
Sale of scrap	-	28,888	-	-
Gain on disposal of fixed assets	177,670	14,614	1,296	7,751
Foreign exchange gain, net	1,280,255	451,602	1,031,416	295,105
	1,767,362	788,775	4,347,730	2,286,523

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

18. Profit From Operations

This is determined after charging (crediting) the following:

	<i>Group</i>		<i>Company</i>	
	2001 \$	2000 \$	2001 \$	2000 \$
Auditors' remuneration				
- auditors of the Company	90,000	90,000	50,000	50,000
- other auditors	29,092	27,581	-	-
Amortisation of goodwill	136,000	-	-	-
Depreciation of fixed assets	2,666,711	1,772,581	1,504,698	808,007
Directors' remuneration	575,726	180,184	115,145	180,184
Directors' fees of Holding Company	105,000	105,000	105,000	105,000
Operating lease expenses	907,091	992,408	182,686	340,151
Personnel expenses (Note 19)	16,120,605	14,176,838	7,599,775	6,352,775
Provision for doubtful trade debts	2,863,510	723,901	1,736,538	661,636
Provision for stock obsolescence	6,641,690	2,967,960	1,185,370	746,075
Provision for warranty	4,721,631	4,187,809	2,621,680	1,654,547
Writeback of provision for doubtful trade debts	(3,127)	(463,500)	-	(463,500)
Writeback of provision for warranty	(3,593,121)	(2,413,978)	(2,029,734)	(709,978)

19. Personnel Expenses

	<i>Group</i>		<i>Company</i>	
	2001 \$	2000 \$	2001 \$	2000 \$
Wages and salaries	11,581,203	10,585,683	6,311,841	5,404,975
Pension contributions	1,483,307	916,369	835,588	526,086
Other social expenses	590,117	481,832	452,346	421,714
	13,654,627	11,983,884	7,599,775	6,352,775

Personnel expenses include directors' remuneration as shown in Note 18.

In addition, the Group personnel expenses amounting to \$2,465,978 (2000: \$2,192,954) including pension contributions of \$303,268 (2000: \$239,926) is included in cost of sales.

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

20. Financial Expenses

	<i>Group</i>		<i>Company</i>	
	2001 \$	2000 \$	2001 \$	2000 \$
Bank charges	177,098	179,486	119,418	129,947
Interest expense				
- short term loan	15,055	-	-	-
- bank overdrafts	26,696	5,031	12,119	2,477
- lease expense	22,156	-	-	-
	241,005	184,517	131,537	132,424

21. Finance Income

	<i>Group</i>		<i>Company</i>	
	2001 \$	2000 \$	2001 \$	2000 \$
Interest income from				
- subsidiary	-	-	199,026	174,416
- associated company	118,659	54,247	118,659	54,247
- bank deposits	674,935	631,308	559,142	491,803
	793,594	685,555	876,827	720,466

22. Taxation

	<i>Group</i>		<i>Company</i>	
	2001 \$	2000 \$	2001 \$	2000 \$
Current taxation				
- Singapore income tax	5,019,028	3,911,927	2,624,926	1,574,253
- (Over)/underprovision in respect of prior year	(288,739)	(522,821)	-	(522,821)
- Foreign tax expense	632,483	566,566	112,112	-
- Share of tax of an associated company	91,854	103,790	-	-
	5,454,626	4,059,462	2,737,038	1,051,432

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

22. Taxation (cont'd)

The income tax expense of the Group and of the Company for the financial year is higher than the amount of income tax determined by applying the statutory tax rates to the profits of the respective companies in the Group due to certain expenses not being deductible for tax purposes.

A subsidiary is in the process of confirming its pioneer status under provisions of the Economic Expansion Incentives (Relief from Income Tax) Act, Cap. 86. Tax has been provided for at the statutory tax rate of 24.5%.

23. Earnings Per Share

The calculation of earnings per share is based on the Group's profit attributable to members of the Company, of \$13,403,428 (2000: \$10,843,266) divided by the number of shares in issue of 360,000,000 (2000: 360,000,000).

As there are no dilutive potential ordinary shares during the year, no diluted earnings per share is presented.

24. Dividends

	2001	2000
	\$	\$
Final dividend paid of 0.375 cents per share (2000: 0.338 cents per share) less tax of 24.5% (2000: 25.5%)	1,019,250	905,175
A final dividend of 0.5 cents per share (2000: 0.375 cents per share), less tax of 24.5%, in respect of the year ended 31 December 2001 proposed by the directors and subject to the approval at the annual general meeting of the Company.	1,359,000	1,019,250

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

25. Change In Accounting Policy

Under the requirements of Statement of Accounting Standard (SAS) 10 (Revised), Events after the Balance Sheet Date, which is effective for financial periods beginning on or after 1 October 2000, the Company and the Group should not recognise dividends proposed or declared after the balance sheet date as accrued liabilities. Similarly, the dividends proposed or declared by subsidiaries should not be recognised as dividend income. As a result of adopting SAS 10, the Company and the Group changed its accounting policy in current year. Accordingly, prior year comparatives have been restated as follows:

	<i>Group</i>		<i>Company</i>	
	<i>31 December 2000 balance as restated</i>	<i>31 December 2000 balance as previously reported</i>	<i>31 December 2000 balance as restated</i>	<i>31 December 2000 balance as previously reported</i>
	\$	\$	\$	\$
Balance sheets				
Revenue reserve	15,460,029	14,440,779	6,867,009	7,988,759
Other debtors, deposits and prepayments	4,626,970	4,626,970	837,890	2,978,890
Proposed dividends	-	1,019,250	-	1,019,250
Net assets	44,017,583	42,998,333	36,250,365	37,372,115
Statements of profit and loss				
Other operating income	788,775	788,775	2,286,523	3,675,523
Profit from operations	14,025,470	14,025,470	4,707,972	6,096,972
Profit before tax	14,526,508	14,526,508	5,296,014	6,685,014
Taxation	(4,059,462)	(4,059,462)	(1,051,432)	(1,405,432)
Net profit for the year	10,843,266	10,843,266	4,244,582	5,279,582

26. Cash And Cash Equivalents

Cash and cash equivalents included in the cash flow statement comprise the following:

	<i>Group</i>	
	<i>2001</i>	<i>2000</i>
	\$	\$
Cash and bank balances	20,373,647	20,443,564
Short-term loan (unsecured)	-	(1,273,616)
	20,373,647	19,169,948

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

27. Related Party Information

Significant transactions with related parties, on terms agreed between the parties, were as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Sales to related parties	11,682,755	9,261,763	233,939	2,037,446
Sales to subsidiaries	-	-	3,520,782	4,279,415
Sales to associated company	4,239,918	4,187,297	4,239,918	4,187,297
Purchases from related parties	68,318,196	23,721,546	65,945,508	22,725,999
Other income from related parties	192,406	45,228	39,604	9,228

28. Contingent Liabilities And Commitments

(i) Contingent liabilities

	<i>Group and Company</i>	
	<i>2001</i>	<i>2000</i>
	<i>\$</i>	<i>\$</i>
Unsecured contingent liabilities not provided for in the financial statements:		
Bankers' guarantees	10,940,000	5,278,000
Letters of credit	481,000	1,097,500
	11,421,000	6,375,500

(ii) Lease commitments

The Group and the Company have commitments under operating lease for office premises. The leases contain renewable options and do not contain escalation clauses or provide for contingent rentals. Lease terms do not contain restrictions on the Group and Company's activities concerning dividends, additional debt or further leasing.

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Future minimum lease payments				
- not later than 1 year	820,977	859,648	231,901	280,938
- 1 year through 5 years	2,088,763	1,739,070	1,393,101	1,368,000
- later than 5 years	2,052,000	2,394,000	2,052,000	2,394,000
	4,961,740	4,992,718	3,677,002	4,042,938

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

28. Contingent Liabilities And Commitments (cont'd)

(iii) Other commitments

The Group and the Company have outstanding forward exchange contracts for hedging against future purchase commitments denominated in Norwegian Kroner, Danish Kroner and United States Dollars:

	<i>Group</i>		<i>Company</i>	
	2001	2000	2001	2000
	\$	\$	\$	\$
Forward contracts to purchase foreign currencies	1,576,000	3,580,000	937,000	2,875,000

29. Directors' Remuneration

Number of directors in each remuneration bands:

	<i>Group and Company</i>	
	2001	2000
\$500,000 and above	1	-
\$250,000 to \$499,999	-	1
Below \$250,000	7	7
	8	8

30. Segment Information

Business segments

The Group is organised on a worldwide basis into three main operating divisions, namely:

- Telecommunications
- Information technology
- Contract manufacturing

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

30. Segment Information (cont'd)

Business segments (cont'd)

<i>2001</i>	<i>Telecommunications</i> \$'000	<i>Information technology</i> \$'000	<i>Contract manufacturing</i> \$'000	<i>Eliminations</i> \$'000	<i>Group</i> \$'000
Turnover					
External sales	67,130	67,872	94,543	-	229,545
Inter-segment sales	926	3,209	3,713	(7,848)	-
Total sales	68,056	71,081	98,256	(7,848)	229,545
Results	5,456	6,072	14,392	-	25,920
Unallocated expenses					(7,102)
Share of results of associates	287	(977)	-	-	(690)
Operating profit					18,128
Interest expense					(63)
Interest income					793
Tax					(5,455)
Net profit					13,403
Assets	38,519	13,943	23,844		76,306
Investment in associates					10,204
Unallocated assets					27,844
Total assets					114,354
Liabilities	12,977	9,429	2,600		25,006
Unallocated liabilities					32,711
Total liabilities					57,717
Capital expenditure	876	782	2,580		4,238
Depreciation and amortisation	434	1,523	845		2,802

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

30. Segment Information (cont'd)

2000	<i>Telecommunications</i> \$'000	<i>Information technology</i> \$'000	<i>Contract manufacturing</i> \$'000	<i>Eliminations</i> \$'000	<i>Group</i> \$'000
Turnover					
External sales	34,378	51,250	75,246	-	160,874
Inter-segment sales	983	3,576	2,635	(7,194)	-
Total sales	35,361	54,826	77,881	(7,194)	160,874
Results	2,716	4,747	12,146	-	19,609
Unallocated expenses					(5,762)
Share of results of associates	376	-	-	-	376
Operating profit					14,223
Interest expense					(5)
Interest income					685
Tax					(4,060)
Net profit					10,843
Assets	16,956	26,926	27,081		70,963
Investment in associates					2,979
Unallocated assets					31,116
Total assets					105,058
Liabilities	12,683	14,271	2,768		29,722
Unallocated liabilities					31,319
Total liabilities					61,041
Capital expenditure	503	2,204	1,378		4,085
Depreciation and amortisation	319	679	774		1,772
Other non-cash expenses	147	-	149		296

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

30. Segment Information (cont'd)

Geographical segments

Turnover is based on the location of customers regardless of where the goods are produced. Assets and capital expenditure are based on the location of those assets.

	<i>Turnover</i>		<i>Assets</i>		<i>Capital expenditure</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Singapore	92,330	74,821	104,454	90,595	3,466	3,709
Rest of Southeast Asia	145,063	93,247	9,900	14,463	772	376
Less: Inter-segment elimination	(7,848)	(7,194)	-	-	-	-
	229,545	160,874	114,354	105,058	4,238	4,085

31. Financial Instruments

Financial risk management objectives and policies

The management manage the risk arising from the Group's financial instruments in accordance with the policies summarised below.

The Group enters into derivative foreign exchange contracts to hedge its foreign currency risk. It is the Group's policy not to trade in derivative contracts.

Foreign exchange risk

The Group uses foreign exchange contracts in managing its foreign exchange risk resulting from cash flows from anticipated transactions denominated in foreign currencies, primarily the US dollar and Norwegian kroner. Transaction risk is calculated in each foreign currency and includes foreign currency denominated assets and liabilities and firm and probable purchase and sales commitments.

As at balance sheet date, after taking into account the effects of forward foreign exchange contracts, the Group's currency exposures are insignificant.

Interest rate risk

As at balance sheet date, the Group's interest rate risk are insignificant as the Group has no outstanding borrowings.

The Company placed surplus funds with reputable banks.

Liquidity

To ensure continuity of funding, the Group's policy is to maintain sufficient cash and cash equivalents to meet at least 3 months of its forecasted operating expenses requirements.

Notes To The Financial Statements

31 December 2001 (Amounts In Singapore Dollars)

31. Financial Instruments (cont'd)

Credit risk

The carrying amount of cash and cash equivalents, trade debtors and other debtors represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentrations of credit risk.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents, trade and other receivables and payables and other current assets

The carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments.

Foreign exchange contracts

The fair value is based upon marked to market valuations.

As at 31 December 2001, the fair value of the forward contracts to purchase currencies for the Group and the Company are \$33,510 and \$18,360 respectively. The gain on these forward contracts has been taken to the profit and loss account in accordance with the accounting policy in Note 2 to the financial statements.

32. Subsequent Event

(a) Share Options

Subsequent to the financial year, options were granted to directors of the Company and eligible executives employed in the Group for a term of either 5 years or 10 years, as applicable, under the Company's Employees Share Option Scheme, to purchase ordinary shares of the Company at a discount of 10% based on an average of the Company's share prices for three (3) consecutive market days immediately preceding the date of the grant. The options, which vest at the date of grant, are exercisable on or after 2nd anniversary of that date.

2001	No of options	Exercise price \$	Expiry date
	521,000	0.625	28 February 2007
	1,832,000	0.625	28 February 2012

b) Investments in Associated Company - TVMobile Pte Ltd

On 23 May 2002, the Company was informed during the Board Meeting of TVMobile Pte Ltd ("TVMobile"), a 20%-held associated company, that an impairment loss for fixed assets amounting to approximately \$19,097,000 has been recognised in the financial statements of TVMobile for its financial year ended 31 March 2002.

In view of the above, the Company and the Group will be writing down their investment in TVMobile by approximately \$7 million and \$6 million respectively for the financial year ending 31 December 2002.

33. Comparatives

Certain comparative figures have been restated for prior year adjustments as disclosed in Note 25 to the financial statements.

Additional Information

Interested Persons Transactions

Interested persons transactions carried out during the financial year pursuant to the Shareholders' Mandate under Chapter 9A of the Listing Manual of the Singapore Exchanges Securities Trading Limited by the Group are as follows:

	<i>Company</i>	
	<i>2001</i>	<i>2000</i>
	<i>S\$'000</i>	<i>S\$'000</i>
General Transactions		
Normal course of business:		
Sales of goods and services	11,875	9,307
Purchases of goods and services	68,336	23,737

Auditors of Subsidiary and Associated Companies

PT Nera Indonesia is a newly incorporated subsidiary company in the Republic of Indonesia that is audited by Drs Johan, Malonda & Rekan, Indonesia. During the year ended 31 December 2001, contribution from this subsidiary was not material due to its low volume of transactions. The subsidiary is therefore not considered to be a significant subsidiary to the Group.

TVMobile Pte Ltd is a 20%-held associated company that is audited by Ernst & Young, Singapore. The Company does not have management control over this associated company.

Save as disclosed above, all other subsidiary and associated companies are audited by Arthur Andersen, Singapore or by associated firms of Arthur Andersen, Singapore.

Senior Executives' Remuneration

Senior executives of the Company who were within the S\$250,000 remuneration band during the year are as follows:

Senior Vice President

Chan Lai Yoke	-	Accounts, Administration & Human Resources
Chan Heng Chew Michael	-	Investment & Business Development
Tay Kheng Seng Alvin	-	North East Asia

Vice President

Chiang Hock Chin Jessie	-	Corporate Affairs
Lucy Phua	-	Accounts
Yap Chei Leong Albert	-	Telecommunications, Microwave Network
Goh Yoke Lim	-	Telecommunications, Satellite Communications
Png Keng Geok Albert	-	Information Technology, Network Infrastructure
Koh Seng Chye Roy	-	Information Technology, Cables & Cabling Solutions
Phua Ai Geok Adeline	-	Information Technology, Retail Systems
Moh Kah Ling Zoey	-	Information Technology, Broadcasting

Additional Information

Subsequent Event – Share Option Scheme

Subsequent to the financial year, 2,353,000 share options of ordinary shares granted to the directors and eligible Group executives and executives of Nera (Malaysia) Sdn Bhd pursuant to the Nera Telecom ESOS (“the Scheme”) were as follows:

<i>Date of Grant</i>	<i>Number of Options Granted</i>	<i>Exercise Price (S\$)</i>	<i>Exercise Period</i>	
			<i>From</i>	<i>To</i>
* 1.3.2002	*521,000	*0.625	*1.3.2004	*28.2.2007
1.3.2002	1,832,000	0.625	1.3.2004	28.2.2012

* *Independent non-executive directors and executives of Nera (Malaysia) Sdn Bhd*

The options were granted at a discount of 10% based on an average of the Company’s share prices for three (3) consecutive market days immediately preceding the date of the grant.

The directors who accepted the options were:

	<i>Number of Options Offered and Accepted</i>
Executive Director	
Ang Seong Kang Samuel	200,000
Independent Non-Executive Directors	
S Chandra Das	150,000
Lau Ping Sum	100,000
Sitoh Yih Pin	100,000

All persons who accepted the options received less than 5% of the total number of options available under the Scheme and none of them were controlling shareholders or associates of controlling shareholders. The Scheme is administered by the Compensation Committee, which comprises the following members:

S Chandra Das
Bjorn Ove Skjeie
Sitoh Yih Pin

Singapore, 25 May 2002

Statistics of Shareholdings

- As at 21 May 2002

Authorised share capital	:	\$40,000,000
Issued and fully paid-up capital	:	\$18,000,000
Class of shares	:	Ordinary share of \$0.05 each
Voting rights	:	One vote for each share

DISTRIBUTION OF SHAREHOLDINGS

<i>Size of Shareholdings</i>	<i>Number of Shareholders</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
1 - 1,000	356	6.54	355,800	0.10
1,001 - 10,000	4,030	74.03	21,194,000	5.89
10,001 - 1,000,000	1,042	19.14	47,387,000	13.16
1,000,001 and above	16	0.29	291,063,200	80.85
TOTAL :	5,444	100.00	360,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

<i>No.</i>	<i>Name</i>	<i>No. Of Shares</i>	<i>%</i>
1.	Nera ASA	141,134,240	39.20
2.	Nera Networks AS	29,501,760	8.19
3.	Raffles Nominees Pte Ltd	20,829,000	5.79
4.	DBS Nominees Pte Ltd	19,502,000	5.42
5.	Citibank Nominees Singapore Pte Ltd	17,137,000	4.76
6.	Oversea-Chinese Bank Nominees Pte Ltd	12,352,000	3.43
7.	DBS Vickers Securities (S) Pte Ltd	10,969,200	3.05
8.	United Overseas Bank Nominees Pte Ltd	10,723,000	2.98
9.	HSBC (Singapore) Nominees Pte Ltd	9,543,000	2.65
10.	NTUC Income Insurance Co-operative Limited	6,280,000	1.74
11.	Capital Intelligence Limited	4,335,000	1.20
12.	S Sitaram Chandra Das	2,500,000	0.69
13.	Ang Seong Kang Samuel	2,380,000	0.66
14.	DB Nominees (S) Pte Ltd	1,760,000	0.49
15.	Overseas Union Bank Nominees Pte Ltd	1,072,000	0.30
16.	Phillip Securities Pte Ltd	1,045,000	0.29
17.	Waterworth Pte Ltd	1,000,000	0.28
18.	Hong Leong Finance Nominees Pte Ltd	904,000	0.25
19.	OCBC Securities Private Ltd	854,000	0.24
20.	Chan Lai Yoke	836,000	0.23
TOTAL :		294,657,200	81.84

SUBSTANTIAL SHAREHOLDERS AS AT 21 MAY 2002

(as recorded in the Register of Substantial Shareholders)

	<i>No. of shares of \$0.05 Each Fully Paid</i>			
	<i>Direct Interest</i>	<i>%</i>	<i>Deemed Interest</i>	<i>%</i>
Nera ASA	151,134,240	41.98	29,501,760	8.19
Nera Networks AS	29,501,760	8.19	-	-

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.

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 25 June 2002 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2001 together with the Auditors' Report thereon. (Resolution 1)
2. To declare a first and final dividend of 10% (or 0.5 cents per share) less tax at 22% for the year ended 31 December 2001. (Resolution 2)
3. To re-elect the following Directors retiring pursuant to Articles 87 and 94 of the Company's Articles of Association:

Mr Lau Ping Sum	(Retiring under Article 87)	(Resolution 3)
Mr Sitoh Yih Pin	(Retiring under Article 87)	(Resolution 4)
Mr Bjorn Olafsson	(Retiring under Article 94)	(Resolution 5)

Mr Lau Ping Sum and Mr Sitoh Yih Pin will, upon re-election as Directors of the Company, remain as members of the Audit Committee and will be considered independent for the purposes of Clause 902(4)(a) of Listing Manual of the Singapore Exchange Securities Trading Limited.
4. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"That Messrs Ernst & Young be appointed Auditors of the Company in place of Messrs Arthur Andersen to hold office until the conclusion of the next Annual General Meeting and that the Directors be authorised to fix their remuneration."
[See Explanatory Note (i)] (Resolution 6)
5. To transact any other business that may 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 modifications:

6. To approve the payment of Directors' fees of S\$105,000 for the year ended 31 December 2001 (2000: S\$105,000). (Resolution 7)
7. "That pursuant to Section 161 of the Companies Act, Cap. 50 and Clause 941(3)(b) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue 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, of which the aggregate number of shares to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital for the time being, and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting." (Resolution 8)
[See Explanatory Note (ii)]

Notice of Annual General Meeting

8. "That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the share option scheme known as the Nera Telecom ESOS ("the Scheme") established by the Company, upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total issued share capital of the Company for the time being."
[See Explanatory Note (iii)] (Resolution 9)
9. "That for the purposes of Chapter 9A of the Listing Manual of the Singapore Exchange Securities Trading Limited:-
- (i) approval be given for the renewal of the mandate 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 as set out on pages 47 to 48 (inclusive) of the Company's Prospectus dated 23 June 1999 (the "Prospectus") with any party who is of the class of Interested Persons described in the Prospectus, provided that such transactions are carried out in the normal course of business, at arm's length and on commercial terms and in accordance with the guidelines of the Company for Interested Person Transactions as set out in the Company's Prospectus (the "Shareholders' Mandate");
 - (ii) the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting; and
 - (iii) 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 the Shareholders' Mandate as they may think fit." [See Explanatory Note (iv)] (Resolution 10)

By Order of the Board

Yvonne Choo

Company Secretary

Singapore, 7 June 2002

Notice of Annual General Meeting

Explanatory Notes:

- (i) Messrs Arthur Andersen had indicated to the Company that they will not be seeking re-appointment at this Annual General Meeting. Notice to nominate Messrs Ernst & Young as Auditors in place of Messrs Arthur Andersen has been received from a major shareholder, Nera ASA. A copy of the nomination letter is included in this Annual Report.
- (ii) The Ordinary Resolution 8 proposed in item 7 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 that 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 issue of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per centum (20%) of the existing issued share capital of the Company.
- (iii) The Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the total issued share capital of the Company for the time being pursuant to the exercise of the options under the Scheme.
- (iv) The Ordinary Resolution 10 proposed in item 9 above, if passed, will authorise the Interested Person Transactions as described in the Prospectus and recurring in the year and will empower the Directors to do all acts necessary to give effect to the Shareholders' Mandate. 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.

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 Annual General Meeting.



The Company Secretary
Nera Telecommunications Ltd
10 Collyer Quay # 19 – 08
Ocean Building
Singapore 049315

Nera ASA

Postal Address
P.O. Box 91, N-1375 BILLINGSTAD,
Norway,
Office Address
Bergerveien 12, BILLINGSTAD, Norway,
Tel.No.: +47 67 24 47 00
Fax.No.: +47 67 24 33 08
Head Office
Nera ASA, 1375 BILLINGSTAD
Register of Business Enterprises
NO 944 536 949 MVA

Your Ref.:

Your Date

Our Ref.:

Our Date

6th June 2002

Dear Madam

NOMINATION OF AUDITORS

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

For your information, we hold 151,134,240 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

Bjorn Ove Skjeie
President & CEO

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NERA TELECOMMUNICATIONS LTD

(Incorporated in the Republic of Singapore)

Proxy Form

(Please see notes overleaf before completing this Form)

I/We, _____
of _____
being a member/members of NERA TELECOMMUNICATIONS LTD (the "Company"), 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 (the "Meeting") of the Company to be held on 25 June 2002 at 11.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Ordinary Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2001		
2	Payment of a proposed first and final dividend		
3	Re-election of Mr Lau Ping Sum as a Director		
4	Re-election of Mr Sitoh Yih Pin as a Director		
5	Re-election of Mr Bjorn Olafsson as a Director		
6	Appointment of Messrs Ernst & Young as the Company's Auditors in place of Messrs Arthur Andersen.		
7	Approval of Directors' fees amounting to S\$105,000		
8	Authority to allot and issue new shares		
9	Authority to allot and issue new shares under the Nera Telecom ESOS		
10	Renewal of Shareholders' Mandate for Interested Person Transactions		

(Please indicate with a cross [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.)

Dated this _____ day of _____ 2002

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

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

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.

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 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 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.



Nera Telecommunications Ltd

109 Defu Lane 10 Singapore 539225

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