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Miscellaneous	
* Asterisks denote mandatory information	
Name of Announcer *	NERATELECOMMUNICATIONS LTD
Company Registration No.	197802690R
Announcement submitted on behalf of	NERATELECOMMUNICATIONS LTD
Announcement is submitted with respect to *	NERATELECOMMUNICATIONS LTD
Announcement is submitted by *	Tan Cher Liang & Julie Koh Ngin Joo
Designation *	Company Secretaries
Date & Time of Broadcast	15-Mar-2006 18:21:13
Announcement No.	00094

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Announcement Title \* [Improvements In FY2005 Results Due To Tax Refund Granted To Its Subsidiary](#)

Description

The Board of Directors of Nera Telecommunications Ltd ("the Company") is pleased to announce improvements in the Company's unaudited full year financial results for the year ended 31 December 2005 which was released on 15 Feb 2006 ("FY2005 Results").

The improvements in the FY2005 Results are attributed to a recent tax refund of S\$1,130,000 granted to its subsidiary, Nera Electronics Ltd.

As a result of the tax refund, the Company would like to highlight some of the key changes to the unaudited full year financial statement and dividend announcement for the year ended 31 December 2005 (a copy of the revised FY2005 Results is attached to this announcement).

Group's Profit after tax increased by 11.2% from S\$16,474,000 (31.12.04) to S\$18,323,000 (31.12.05).

Earnings per Ordinary Share of the Group increased from 3.97 cents (31.12.04) to 4.28 cents (31.12.05).

Net asset value for the Group per Ordinary Share increased from 24.46 cents (31.12.04) to 26.52 cents (31.12.05).

BY ORDER OF THE BOARD

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# NERA TELECOMMUNICATIONS LTD

(Co. Reg. No. 197802690R)

## UNAUDITED FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2005 (REVISED)

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

#### 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

		Group		
		2005 S\$'000	2004 S\$'000	Increase/ (Decrease) %
<b>Turnover</b>		<b>260,601</b>	<b>200,429</b>	<b>30.0</b>
Cost of sales		(209,375)	(154,057)	35.9
<b>Gross profit</b>		<b>51,226</b>	<b>46,372</b>	<b>10.5</b>
Other operating income	1	1,074	1,363	(21.2)
Distribution and selling expenses		(18,999)	(19,096)	(0.5)
Administrative expenses		(9,353)	(8,271)	13.1
Other operating expenses		(1,246)	(1,663)	(25.1)
<b>Profit from operations</b>		<b>22,702</b>	<b>18,705</b>	<b>21.4</b>
Financial expenses		(374)	(297)	25.9
Financial income		1,578	1,159	36.2
<b>Profit after financial items</b>		<b>23,906</b>	<b>19,567</b>	<b>22.2</b>
Share of results of associated company	2	(1,498)	(253)	492.1
<b>Profit before taxation</b>		<b>22,408</b>	<b>19,314</b>	<b>16.0</b>
Taxation	3	(4,085)	(2,840)	43.8
<b>Profit for the year</b>		<b>18,323</b>	<b>16,474</b>	<b>11.2</b>
Attributable to:				
Equity holders of the Company		15,463	14,277	8.3
Minority Interests	4	2,860	2,197	30.2
		<b>18,323</b>	<b>16,474</b>	<b>11.2</b>
Depreciation and amortization		(3,266)	(2,907)	12.3
Interest income		1,578	1,159	36.2
Foreign exchange loss		(86)	(198)	(56.6)
(Provision)/write back for doubtful debts		(147)	309	NM
Provision for stock obsolescence		(2,158)	(1,050)	105.5
Provision for warranty		(2,996)	(1,902)	57.5
Gross profit as a percentage of turnover		19.7%	23.1%	(15.0)
Profit for the year as a percentage of turnover		7.0%	8.2%	(14.5)
Profit for the year as a percentage of issued capital and reserves at end of year		19.1%	18.7%	2.1

NM = Not Meaningful

## **Notes to the Income statement**

1. As a result of the implementation of Financial Reporting Standard 39 Financial Instruments : Recognition and Measurement ("FRS 39") which became effective from 1 January 2005, for the year under review, the fair value of the hedged forward transactions have been determined pursuant to FRS 39 and the net amount of S\$227,000 which had been marked to market at closing was recorded in the accounts as an unrealised exchange loss under other operating expenses.
2. The higher loss in the associated company was mainly due to lower turnover and cost overrun for certain projects.
3. The tax expense for previous financial year ended 31 December 2004 was lower as it included a tax refund of S\$1.9 million in respect of prior years. The refund for financial year ended 31 December 2005 in respect of prior years was S\$1.1 million.
4. The Company has a 68.27% equity interest in Nera Electronics Ltd and the remaining 31.73% relates to the portion of profit attributed to minority shareholders.

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

Balance Sheet as at	Group		Company	
	31/12/2005 S\$'000	31/12/2004 S\$'000	31/12/2005 S\$'000	31/12/2004 S\$'000
<b>Equity</b>				
Share capital	18,094	18,000	18,094	18,000
Share premium	11,812	11,383	11,812	11,383
Capital reserve	4,951	4,951	-	-
Share option reserve	2	74	2	74
Revenue reserve	62,317	55,080	34,536	30,317
Translation reserve	(1,206)	(1,428)	-	-
	95,970	88,060	64,444	59,774
Minority interest	15,304	13,282	-	-
	111,274	101,342	64,444	59,774
<b>Non current assets</b>				
Fixed assets	10,703	10,080	3,809	4,434
Investment in subsidiaries	-	-	9,580	9,580
Investment in associated company	1,274	2,720	199	199
Deferred tax assets	2,612	1,630	682	787
	14,589	14,430	14,270	15,000
<b>Current assets</b>				
Stocks	35,990	32,223	7,851	8,572
Contracts-work-in-progress	11,444	10,631	11,444	10,631
Trade debtors	35,131	38,429	16,725	20,251
Other debtors, deposits and prepayments	3,663	4,235	373	925
Due from associated company (trade)	11,066	6,482	10,861	6,482
Due from associated company (non-trade)	1,263	3,939	1,263	3,939
Due from related companies (trade)	6,948	8,150	1,987	4,992
Due from subsidiaries (trade)	-	-	3,474	4,052
Due from subsidiaries (non-trade)	-	-	1,028	969
Fixed deposits	18,026	17,000	18,026	17,000
Cash and bank balances	37,063	28,926	9,819	3,720
Total current assets	160,594	150,015	82,851	81,533
<b>Current liabilities</b>				
Trade creditors	30,445	28,797	12,608	14,350
Other creditors and accruals	17,080	17,578	6,181	8,437
Provision for warranty	4,249	3,748	1,682	2,286
Due to subsidiaries (trade)	-	-	2,620	1,757
Due to associated company (trade)	18	1,595	-	-
Due to related companies (trade)	6,136	6,956	6,069	6,895
Provision for taxation	5,981	4,373	3,517	3,034
Lease obligations (current portion)	-	14	-	-
Total current liabilities	63,909	63,061	32,677	36,759
<b>Net current assets</b>	96,685	86,954	50,174	44,774
<b>Non current liability</b>				
Lease obligations	-	(42)	-	-
	111,274	101,342	64,444	59,774

**Notes:**

- 1 This relates to the share option reserve recorded in the accounts in accordance with FRS 102 which became effective on 1 January 2005. The comparative figures for FY2004 for the Group and the Company have been correspondingly restated to show the effect of FRS 102 (see also item 5).  
The Share Option reserve of S\$2,000 relates to the unexercised employee share options as at 31 December 2005 at the exercise price of S\$0.22 each.
2. This relates to interest bearing advances to an associated company in Malaysia to fund its various projects.

**1(b)(ii) Aggregate amount of group's borrowings and debt securities****Amount repayable in one year or less, or on demand**

As at 31/12/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	14	-

**Amount repayable after one year**

As at 31/12/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	42	-

**Details of any collateral**

NA

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	Year ended 31 Dec	
	2005	2004
	S\$'000	S\$'000
<b>Cash flows from operating activities</b>		
Profit before taxation	22,408	19,314
Adjustments for :		
Depreciation of fixed assets	3,266	2,907
Loss/(gain) from disposal of fixed assets	47	(21)
Share option expenses	37	36
Provision for stock obsolescence	2,158	1,050
Provision/(write back) for doubtful debts	147	(309)
Provision for warranty	2,996	1,902
Interest expense	14	31
Interest income	(1,578)	(1,159)
Share of loss of associated company	1,498	253
<b>Operating profit before working capital changes</b>	30,993	24,004
Decrease/(increase) in :		
Trade debtors	3,400	(14,707)
Other debtors, deposits and prepayments	1,702	(269)
Stocks	(5,921)	(18,099)
Contracts-work-in-progress	(813)	508
Changes in related parties/associate balances	(3,255)	332
Decrease/(increase) in :		
Trade creditors	1,648	1,093
Other creditors and accruals	(498)	4,811
Provision for warranty	(2,492)	(1,187)
<b>Cash generated from/(used in) operations</b>	24,764	(3,514)
Income taxes paid	(4,589)	(3,553)
Interest paid	(14)	(31)
<b>Net cash flows generated from/(used in) operating activities</b>	20,161	(7,098)
<b>Cash flows from investing activities</b>		
Proceeds from disposal of fixed assets	59	39
Purchase of fixed assets	(3,852)	(4,654)
Interest received	1,578	1,159
Proceeds from issue of employee share option scheme shares	414	-
<b>Net cash flows used in investing activities</b>	(1,801)	(3,456)
<b>Cash flows from financing activities</b>		
Repayment of lease obligations	(56)	(359)
Dividend paid to shareholders	(8,323)	(8,280)
Dividend paid to minority shareholders	(838)	(420)
<b>Net cash flows used in financing activities</b>	(9,217)	(9,059)
<b>Net increase/(decrease) in cash and bank balances</b>	9,143	(19,613)
Effect of exchange rate changes	20	(172)
Cash and bank balances at beginning of the year	45,926	65,711
<b>Cash and bank balances at end of the year</b>	55,089	45,926

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Attributable to equity holders of the Company						Total	Minority Interests	Total Equity
	Share Capital	Share Premium	Revenue Reserve	Capital Reserve	Share Option Reserve	Translation Reserve			
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>For the year ended 31.12.2005</b>									
<b>The Group</b>									
<b>Balance as at 1.1.2005, as restated *</b>	18,000	11,383	55,177	4,951	74	(1,428)	<b>88,157</b>	13,282	<b>101,439</b>
Foreign currency translation difference	-	-	-	-	-	222	222	-	222
Share option	94	429	-	-	(72)	-	451	-	451
Net profit for the year	-	-	15,463	-	-	-	15,463	2,860	18,323
Dividends paid to shareholders	-	-	(8,323)	-	-	-	(8,323)	-	(8,323)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(838)	(838)
<b>Balance as at 31.12.2005</b>	<b>18,094</b>	<b>11,812</b>	<b>62,317</b>	<b>4,951</b>	<b>2</b>	<b>(1,206)</b>	<b>95,970</b>	<b>15,304</b>	<b>111,274</b>
<b>Balance as at 1.1.2004, as restated *</b>	18,000	11,383	49,083	4,951	38	(1,055)	<b>82,400</b>	11,505	<b>93,905</b>
Foreign currency translation difference	-	-	-	-	-	(373)	(373)	-	(373)
Share option	-	-	-	-	36	-	36	-	36
Net profit for the year	-	-	14,277	-	-	-	14,277	2,197	16,474
Dividends paid to shareholders	-	-	(8,280)	-	-	-	(8,280)	-	(8,280)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(420)	(420)
<b>Balance as at 31.12.2004</b>	<b>18,000</b>	<b>11,383</b>	<b>55,080</b>	<b>4,951</b>	<b>74</b>	<b>(1,428)</b>	<b>88,060</b>	<b>13,282</b>	<b>101,342</b>
<b>The Company</b>									
<b>Balance as at 1.1.2005, as restated *</b>	18,000	11,383	30,414	-	74	-	<b>59,871</b>	-	<b>59,871</b>
Share option	94	429	-	-	(72)	-	451	-	451
Net profit for the year	-	-	12,445	-	-	-	12,445	-	12,445
Dividends paid	-	-	(8,323)	-	-	-	(8,323)	-	(8,323)
<b>Balance as at 31.12.2005</b>	<b>18,094</b>	<b>11,812</b>	<b>34,536</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>64,444</b>	<b>-</b>	<b>64,444</b>
<b>Balance as at 1.1.2004, as restated *</b>	18,000	11,383	28,653	-	38	-	<b>58,074</b>	-	<b>58,074</b>
Share option	-	-	-	-	36	-	36	-	36
Net profit for the year	-	-	9,944	-	-	-	9,944	-	9,944
Dividends paid	-	-	(8,280)	-	-	-	(8,280)	-	(8,280)
<b>Balance as at 31.12.2004</b>	<b>18,000</b>	<b>11,383</b>	<b>30,317</b>	<b>-</b>	<b>74</b>	<b>-</b>	<b>59,774</b>	<b>-</b>	<b>59,774</b>

\* Opening retained earnings had been restated to reflect the effect of the change in accounting policies as a result of the adoption of FRS 102 and FRS 39. The details of the changes in equity were reported in item 5 of this report.

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

There has been no change in the Company's share capital since 30 September 2005. As at 31 December 2005, there were 2,042,000 (2,019,000 @ S\$0.625 and 23,000 @ S\$0.22) unexercised share options granted (2004: 4,128,000).

2. **Whether the figures have been audited, or reviewed and in accordance with which standard or practice [e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard]**

The figures have not been audited or reviewed by the auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

N.A.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as in the latest audited annual financial statements except for the changes in accounting policies relating to FRS 102 and FRS 39.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

With effect from 1 January 2005, the Group changed its accounting policy with respect to the treatment of share options to conform with the requirements of FRS 102 which applies to share options that were granted after 22 November 2002 and had not vested at the effective date of this FRS.

Similarly, the Group adopted FRS 39 Financial Instruments : Recognition and Measurement, where the fair value of forward foreign exchange transactions have been recorded in the financial statements for the period under review.

The change in accounting policy as a result of the adoption of FRS 102 resulted in a retrospective prior year adjustment to retained earnings as at 1 January 2004 and 1 January 2005 of S\$38,000 and S\$74,000 for the Group and the Company respectively.

The effect of the change in accounting policy as a result of the adoption of FRS 39 resulted in a prior year adjustment to retained earnings as at 1 January 2005 of S\$97,000 for the Group and the Company.

	<b>Group</b>		<b>Company</b>	
	<b>2005</b> S\$'000	<b>2004</b> S\$'000	<b>2005</b> S\$'000	<b>2004</b> S\$'000
Opening retained earnings as previously reported	55,154	49,121	30,391	28,691
Effect on change in accounting policies - FRS 102	(74)	(38)	(74)	(38)
At 31 December as restated	55,080	49,083	30,317	28,653
Effect on change in accounting policies - FRS 39	97	-	97	-
At 1 January as restated	55,177	49,083	30,414	28,653
Profit for the year	15,463	14,277	12,445	9,944
Dividends paid	(8,323)	(8,280)	(8,323)	(8,280)
Ending retained earnings	62,317	55,080	34,536	30,317

Accordingly, the balance sheets of the Group and the Company and income statement of the Group for the financial year ended 31 December 2004 have been restated to reflect the above changes.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	<b>Group</b>	
	<b>Year ended 31 Dec 05</b>	
	<b>2005</b>	<b>2004</b>
	(cents)	(cents)
Earnings per Ordinary Share for the year based on net profit attributable to shareholders:		
(i) basic earnings per share	4.28	3.97
(ii) fully diluted earnings per share	4.28	3.95

Basic earnings per ordinary share for the financial year ended 31 December 2005 was calculated based on the weighted average number of shares in issue of 361,315,521 (2004: 360,000,000) ordinary shares of S\$0.05 each. Fully diluted earnings per ordinary share for the financial year ended 31 December 2005 was calculated based on the adjusted weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,327,021 ordinary shares of S\$0.05 each {2004 : based on weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,127,861 ordinary shares of S\$0.05 each}.

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year**

	<b>Group</b>		<b>Company</b>	
	<b>31/12/2005</b>	<b>31/12/2004</b>	<b>31/12/2005</b>	<b>31/12/2004</b>
	(cents)	(cents)	(cents)	(cents)
Net Asset Value per ordinary share based on issued share capital	26.52	24.46	17.81	16.60

Net asset value per ordinary share as at 31 December 2005 and 31 December 2004 respectively was calculated based on the number of shares in issue of 361,883,000 and 360,000,000 ordinary shares of S\$0.05 each respectively.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

## **Turnover**

Compared to FY2004, the Group's turnover increased 30%, from S\$200.4 million to S\$260.6 million, due mainly to higher turnover from the Telecom and CM business segments, partially offset by lower turnover from IT business segment.

### **Telecommunications (Telecom)**

Turnover increased 32.4%, from S\$88.3 million to S\$116.9 million, due mainly to deliveries of microwave radio equipment to customers in Malaysia, Thailand, Indonesia, Philippines, Australia, Bangladesh and the Group's Compact IV PDH radios to USA, EMEA (Europe, Middle East, Africa) and Asia. Sales of land and marine satellite terminals to customers in Singapore, Taiwan, India, Australia, China, Hong Kong, Korea and Japan, and delivery of Inmarsat gateway to India also contributed positively to the increase in turnover.

### **Information Technology (IT)**

Turnover decreased by 7.5%, from S\$53.4 million to S\$49.4 million. The decrease in turnover was from IT Retail, where there were more delivery of point-of-sales terminals in Malaysia in 2004 following implementation of EMV compliant terminals. The turnover for IT Network Infrastructure and IT Broadcasting were fairly stable.

### **Contract Manufacturing (CM)**

Turnover increased by 60.9%, from S\$58.6 million to S\$94.3 million, due to the improvement in both the Telecommunications & Instrumentation ("T&I") and Medical and Bioscience ("M&B") segments.

The T&I business segment saw a 85.6% improvement in turnover, from S\$36.8 million to S\$68.3 million. This was due mainly to increased orders from customers in the wireless mobile networks equipment, digital test instrumentation, microwave networks transmission equipment and digital maritime satellite communications equipment.

Turnover from the M&B business segment increased by 18.1%, from S\$19.9 million to S\$23.5 million. Besides the increase in repeat orders from existing customers, the Group has also secured two new accounts and has started delivery of production series to these customers.

## **Gross Profit**

Compared to FY2004, the Telecom and CM business segments recorded higher gross profits as a result of higher turnover whereas IT business segment recorded lower gross profit in line with the lower turnover. The Group's gross profit increased 10.3% from S\$46.4 million to S\$51.2 million. However, gross profit as a percentage of turnover ("GM margin") declined from 23.1% to 19.7%. This was due mainly to lower GM% from Telecom business segment as a result of strong competition and higher material costs.

## **Operating Expenses**

Compared to FY2004, the Group's total operating expenses increased only slightly by 2% despite the increase in turnover.

The increase in operating expenses was mainly from the CM business segment where there were higher distribution / sales and administrative expenses. This was due to the increased sales and business activities, and setup and running costs of a new subsidiary in India. The increase in CM business segment was partially offset by lower expenses in the Telecom and IT business segments. Other operating expenses decreased by 25.1% (S\$0.4 million) due mainly to lower R & D cost.

The Group's total operating costs as a percentage of turnover of 11.4% for FY2005 was lower than FY2004's 14.5% mainly due to the increase in turnover.

## **Profit Before Taxation (PBT)**

As a result of the increase in turnover, PBT increased 16.0% from S\$19.3 million to S\$22.4 million with higher profit from the Telecom and CM business segments.

## **Cash flow**

As at 31 December 2005, the Group managed to improve on its cash balance to S\$55.1 million. This is despite the need for higher working capital to support the increase in business, investment in a new subsidiary in India and the payment of dividends to shareholders.

## **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

N.A.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

**Telecommunications (Telecom)**

Competition in the telecommunication industry continued to be intense as many operators are aggressively targeting at increasing their market share. Customers are demanding very competitive prices for volume purchase, short delivery time and attractive commercial terms.

In the Telecommunication transmission business area, the mobile market continues to grow and operators are investing substantially to increase their coverage, capacity and capabilities, upgrading their network infrastructure, resulting in demand for wireless transmission infrastructure. There are also a number of new and existing operators planning to roll out 3G mobile networks. The Group has benefited from these positive development and has secured more than S\$80 million orders of SDH and PDH radio transmission equipment from customers in Asia, Americas and EMEA last year.

The Group will continue to increase its sales/marketing activities and customer participation programs to promote our microwave radio transmission products and systems capabilities and benefits to mobile operators. In addition, we plan to channel resources towards the non-Telco markets such as the Broadcasting and Defence sectors to increase our customer base and mix.

In the satellite business area for 2005, the Group delivered more than 2,000 units of various types of Inmarsat land and marine satellite terminals to customers and distributors in Singapore, Hong Kong, China, Taiwan, Japan, Korea and India.

Since the introduction of Nera WorldPro 1000, the world's smallest and lightest mobile broadband satellite terminal for Inmarsat BGAN (Broadband Global Area Network) in June 2005, we have received very positive response. Orders for more than 1,000 terminals worth a total of about S\$3.4 million have been secured. The WorldPro family range of product will gradually replace the older generation WorldPhone Inmarsat satellite land terminals.

We will continue to promote our Land and Marine range of Inmarsat terminals together with our distribution channels to customers in Asia. The Group intends to strengthen its current distribution channels and develop new channels towards customers in the various land and marine satellite terminal markets.

On the Inmarsat satellite gateway business, we do not see many new Inmarsat gateway opportunities but there are a number of Inmarsat gateways that the Group has delivered which will need enhancements and upgrading.

Although the Group is working on a number of potential DVB RCS (Digital Video Broadcasting Return Channel Satellite) customers, the satellite broadband business remains challenging and highly competitive. The Group will concentrate its effort to increase the sale of DVB RCS satellite terminal to its existing customers and improve the competitiveness of the DVB RCS Hub.

**Information Technology (IT)**

In the IT network infrastructure business, the Group has managed to secure repeat orders for IP network infrastructure equipment from Telco customers and believe that the IT network infrastructure spending by Telcos will continue to grow. The growth is driven primarily by Telcos demand for high performances broadband and multi-service infrastructure networks. There is also a demand for security products and solutions from Enterprise and Government sector. However, corporate spending on IT infrastructure remains moderate. The Group intends to position itself as a regional IT infrastructure provider by strengthening its product portfolio management and concentrate on developing key customers segments and accounts in Singapore, Malaysia, Thailand, Philippines, Indonesia and Vietnam.

In the IT Broadcasting business, the Group has in the last two quarters secured three OEM agreements for more than 3,000 mobile Set Top Box ("STB") from two major European and one Asian auto-electronics companies. The Group will continue to focus on promoting its mobile DVB STB to countries where there are Digital Terrestrial TV ("DTT") services via the current OEM customers and continue to seek new OEM customers. Many Broadcasters have plans to migrate their broadcasting infrastructure from analogue to digital and with the experiences in delivering DTT infrastructure projects in Singapore, the Group will have the ability to deliver similar networks to these Broadcasters. However, these projects normally have a longer selling cycle.

In the IT POS business, the Group has successfully delivered thousands of EMV compliance POS terminals to various banks and financial institutions in South East Asia. More banks and financial institutions are expected to gradually migrate to EMV POS terminals. This gives the Group an opportunity to provide complete outsourcing of POS infrastructure to banks and has seen a gradual increase in POS terminals outsourcing from our customers. The Group intends to increase its marketing activities on EMV POS terminals migration and expand its outsourcing and value added services towards retailers, banks and financial institutions outside Singapore. The Group has also managed to gain inroads in securing new service and maintenance business to banks and financial institutions in the Philippines and Thailand.

### **Contract Manufacturing (CM)**

The trend for OEMs to outsource their manufacturing activities is expected to grow as OEMs continue to focus on their core activities such as R&D, product branding and marketing. The Group believes that its high value added focused activities in the Singapore plant and the lower production cost in its India plant, the Group will be able to tap on the opportunities in the growing outsourcing trend.

The demand from its overall T&I (Telecom / Instrumentation) customers will continue to be strong in view that telecom operators are expanding their networks infrastructure and coverage. However, the T&I industry requires the Group to be highly flexible and have the ability to cope within short turnaround time. In this aspect, the Group is upgrading its ERP system with an e-portal to enhance the communications and improve the inventory management with its strategic suppliers. The new ERP system is expected to be fully operational within 1H2006. The T&I segment remains highly competitive and will continue to put pressure on the margins. The Group intends to further develop its other value added services, such as product development, new product introduction and buffer stocking program to manage our margins mix.

The M&B (Medical / Bioscience) market is also showing increasing demand. The Group's effort on M&B segment has started to yield results. Two of the new secured customers have started to place production orders though the contribution may not be significant in the short term. The Group is also expected to secure repeat orders from its existing M&B customers. To demonstrate the Group's long term commitment in the M&B segment, the Group is working towards getting its Singapore facility to be ISO13485 (Quality Management System for Medical devices) certified within the year 2006.

The requirements by some customers to deliver RoHS (Restriction of use of certain Hazardous Substances in Electrical and Electronic Equipment) compliant product in the market by 1 July 2006, an EU Directive, poses another challenge to the Group. The Group is dedicating more resources into this area, working closely with the customers and suppliers to comply to the Directive and to minimise any disruption in delivering the products.

The manufacturing facility in India was completed at the end of 2005 as planned. The Group has since received positive response from some of its T&I customers on production in India. The Group is working to transfer some of the T&I production to its India facility within the first half of 2006. This facility will increase the Group's overall production capacity and provide customers an alternative site to manufacture their products. As the India plant becomes operational, the Group expects its expenses to rise due to increase in fixed costs and operational costs related to the business activities.

The Group is actively working to broaden its customer base in order not to be over reliant on any of the existing T&I and M&B customers. The Group has since managed to secure a few new customers in the above two segments as well as customers from other industrial segment. Another market segment which the Group is targeting is the avionics and communications sectors within the aerospace industry. The Group also expects the margins for some of these customers to be low in the initial phase due to the need to acquire new skill set, product know-how transfer cost and learning curve.

## 11. Dividend

### (a) Current Financial Period Reported On

The Directors are pleased to recommend a first and final dividend as follow :

Name of Dividend	Final	Final (one-tier)
Dividend Type	Cash	Cash
Dividend Amount per Share (in cents)	1.225 cents	2.02 cents
Dividend Rate (in %)	24.5%	40.4%
Par value of shares	\$0.05	\$0.05
Tax Rate	20%	Tax exempt

### (b) Corresponding Period of the Immediately Preceding Financial Year

Dividend declared for the corresponding period of the immediately preceding financial year were as follow :

Name of Dividend	Final	Special
Dividend Type	Cash	Cash
Dividend Amount per Share (in cents)	0.875 cents	2 cents
Dividend Rate (in %)	17.5%	40%
Par value of shares	\$0.05	\$0.05
Tax Rate	20%	20%

### (c) Date payable

19 May 2006

### (d) Books closure date

The Registrar of Members and Transfers of the Company will be closed on 9 May 2006 for the purpose of determining shareholders' entitlement to the dividend.

Registrable transfers received by the Company's Share Registrar, Lim Associates (Pte) Ltd, 10 Collyer Quay #19-08, Ocean Building, Singapore 049315 up to 5.00pm on 8 May 2006 will be registered before entitlements to the dividend are determined.

The Annual General Meeting will be held on 27 April 2006.

## 12. If no dividend has been declared/recommended, a statement to that effect

N/A

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

<b>FY 2005</b>	Telecom S\$'000	Information Technology S\$'000	Contract Manufacturing S\$'000	Elimination S\$'000	Total S\$'000
Revenue	116,932	49,359	94,310	-	260,601
Inter-company sales	8,119	1,640	12,565	(22,324)	-
<b>Total revenue</b>	<b>125,051</b>	<b>50,999</b>	<b>106,875</b>	<b>(22,324)</b>	<b>260,601</b>
Cost of sales	(107,030)	(35,518)	(89,151)	22,324	(209,375)
<b>Gross Profit</b>	<b>18,021</b>	<b>15,481</b>	<b>17,724</b>	-	<b>51,226</b>
Other operating income	486	458	130	-	1,074
Distribution and selling expenses	(5,596)	(9,213)	(4,190)	-	(18,999)
Administrative expenses	(4,382)	(1,438)	(3,533)	-	(9,353)
Other operating expenses	(690)	7	(563)	-	(1,246)
<b>Profits from operations</b>	<b>7,839</b>	<b>5,295</b>	<b>9,568</b>	-	<b>22,702</b>
Interest expense					(14)
Interest income					1,578
Financial expenses					(360)
<b>Profit after financial items</b>					<b>23,906</b>
Share of result of associated company					(1,498)
<b>Profit before taxation</b>					<b>22,408</b>
Taxation					(4,085)
<b>Profit after taxation</b>					<b>18,323</b>
<b>Other Information</b>					
Segment assets	45,610	16,236	45,422		107,268
Investment in associated company					1,274
Unallocated assets					66,641
<b>Total assets</b>					<b>175,183</b>
Segment liabilities	17,679	4,945	1,499		24,123
Tax Liabilities					5,981
Unallocated liabilities					33,805
<b>Total liabilities</b>					<b>63,909</b>
Capital expenditure	216	536	3,100		3,852
Depreciation/amortisation	494	1,290	1,482		3,266

<b>FY 2004</b>	Telecom S\$'000	Information Technology S\$'000	Contract Manufacturing S\$'000	Elimination S\$'000	Total S\$'000
Revenue	88,349	53,431	58,649	-	200,429
Inter-company sales	6,159	2,284	14,637	(23,080)	-
<b>Total revenue</b>	<b>94,508</b>	<b>55,715</b>	<b>73,286</b>	<b>(23,080)</b>	<b>200,429</b>
Cost of sales	(76,703)	(39,131)	(61,303)	23,080	(154,057)
<b>Gross Profit</b>	<b>17,805</b>	<b>16,584</b>	<b>11,983</b>	<b>-</b>	<b>46,372</b>
Other operating income	686	568	109	-	1,363
Distribution and selling expenses	(6,232)	(9,558)	(3,306)	-	(19,096)
Administrative expenses	(4,618)	(1,381)	(2,272)		(8,271)
Other operating expenses	(743)	(687)	(233)		(1,663)
<b>Profits from operations</b>	<b>6,898</b>	<b>5,526</b>	<b>6,281</b>	<b>-</b>	<b>18,705</b>
Interest expense					(31)
Interest income					1,159
Financial expenses					(266)
<b>Profit after financial items</b>					<b>19,567</b>
Share of result of associated company					(253)
<b>Profit before taxation</b>					<b>19,314</b>
Taxation					(2,840)
<b>Profit after taxation</b>					<b>16,474</b>
<b>Other Information</b>					
Segment assets	50,529	25,816	31,692		108,037
Investment in associated company					2,720
Unallocated assets					53,688
<b>Total assets</b>					<b>164,445</b>
Segment liabilities	19,185	11,335	997		31,517
Tax Liabilities					4,373
Finance lease obligations					56
Unallocated liabilities					27,157
<b>Total liabilities</b>					<b>63,103</b>
Capital expenditure	991	926	2,737		4,654
Depreciation/amortisation	504	1,273	1,130		2,907

## Geographical Segment

Turnover is based on the location of customers regardless of where the goods are produced. Assets and additions to property, plant and equipment are based on the location of those assets.

	Turnover		Assets		Capiture Expenditure	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Singapore	60,316	55,982	159,016	142,920	3,756	3,957
Other Asian countries	120,310	116,825	16,167	21,525	96	697
Others	102,299	50,702	-	-	-	-
	282,925	223,509	175,183	164,445	3,852	4,654
Less: Inter-segment elimination	(22,324)	(23,080)	-	-	-	-
	260,601	200,429	175,183	164,445	3,852	4,654

### 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Refer to item 8

### 15. A breakdown of sales

	2005 S\$'000	2004 S\$'000	Increase / (Decrease)
Sales reported for the first half year	132,584	87,898	50.8%
Profit after tax before deducting minority interest for first half year	8,480	6,107	38.9%
Sales reported for the second half year	128,017	112,531	13.8%
Profit after tax before deducting minority interest for second half year	9,843	10,367	(5.1%)

### 16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

	Latest Full Year (S\$'000)	Previous Full Year (S\$'000)
Ordinary	8,323	8,280
Preference	-	-
Total	8,323	8,280

The above included a special dividend of 2 cents per ordinary share for both years.

**17. Aggregate value of interested persons transactions conducted pursuant to a shareholders' general mandate for the year ended 31 December 2005.**

Pursuant to Rule 920(1)(a)(ii) of the Listing Manual, the details of the aggregate value of interested person transactions conducted pursuant to a shareholders' general mandate are as follows:

<b>Name of Interested Person</b>	<b>Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)</b>
	<b>S\$000</b>
<b>Sales</b>	
Nera Networks AS	38,812
Nera Networks, Inc.	13,166
Nera Satcom AS	2,729
Nera Broadband Satellite	2,561
<b>Purchases</b>	
Nera Networks AS	38,868
Nera Satcom AS	20,294
Nera Broadband Satellite	1,808
<b>Other income</b>	
Nera Networks AS	143

Note : The turnover includes a sale of S\$671,000 to iFoundry System Singapore Pte Ltd, a company which the Chairman has 43% interest in its holding company.

**BY ORDER OF THE BOARD**

Tan Cher Liang  
Julie Koh Ngin Joo  
Company Secretaries  
15/3/2006