

[Print this page](#)**Third Quarter * Financial Statement And Dividend Announcement**

* 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 *	Julie Koh Ngin Joo and Tan Cher Liang
Designation *	Company Secretaries
Date & Time of Broadcast	17-Oct-2005 18:58:42
Announcement No.	00087

>> Announcement Details

The details of the announcement start here ...

For the Financial Period Ended *	30-09-2005
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NERA TELECOMMUNICATIONS LTD

Third Quarter Financial Statement For the Period ended 30 September 2005

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 3rd Quarter			Group Period ended 30 September		
		2005 S\$'000	2004 S\$'000	Increase/ (Decrease) %	2005 S\$'000	2004 S\$'000	Increase/ (Decrease) %
Turnover		72,688	53,559	35.7	205,272	141,457	45.1
Cost of sales		(59,872)	(42,323)	41.5	(168,172)	(109,522)	53.6
Gross profit		12,816	11,236	14.1	37,100	31,935	16.2
Other operating income	1	778	781	(0.4)	1,315	1,293	1.7
Distribution and selling expenses		(4,584)	(5,221)	(12.2)	(14,327)	(14,491)	(1.1)
Administrative expenses		(1,913)	(1,819)	5.2	(5,745)	(5,231)	9.8
Other operating expenses		124	(394)	NM	(539)	(990)	(45.6)
Profit from operations		7,221	4,583	57.6	17,804	12,516	42.2
Financial expenses		(100)	(70)	42.9	(294)	(196)	50.0
Financial income		384	247	55.5	1,004	813	23.5
Profit after financial items		7,505	4,760	57.7	18,514	13,133	41.0
Share of results of associated company		(43)	(137)	(68.6)	(257)	(349)	(26.4)
Profit before taxation		7,462	4,623	61.4	18,257	12,784	42.8
Taxation		(1,381)	(1,187)	16.3	(3,696)	(3,241)	14.0
Profit for the period		6,081	3,436	77.0	14,561	9,543	52.6
Attributable to:							
Equity holders of the Company		5,484	2,975	84.3	12,750	8,433	51.2
Minority Interests	2	597	461	29.5	1,811	1,110	63.2
		6,081	3,436	77.0	14,561	9,543	52.6
Depreciation and amortization		(812)	(757)	7.3	(2,433)	(2,093)	16.2
Foreign exchange gain / (loss)		833	50	1,566.0	514	(27)	NM
Provision for doubtful debts		(200)	(363)	(44.9)	(409)	(282)	45.0
Provision for stock obsolescence		(1,096)	(408)	168.6	(2,277)	(386)	489.9
Provision for warranty		(1,032)	(518)	99.2	(2,498)	(1,468)	70.2
Gross profit as a percentage of turnover		17.6%	21.0%	(16.2)	18.1%	22.6%	(19.9)
Profit for the period as a percentage of turnover		8.4%	6.4%	31.3	7.1%	6.7%	6.0
Profit for the period as a percentage of issued capital and reserves at end of period		6.5%	4.2%	54.8	15.6%	11.6%	34.5

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 period under review, the fair value of the hedged forward transactions have been determined pursuant to FRS 39 and the net amount of S\$324,000 which had been marked to market at closing was recorded in the accounts as an unrealised exchange gain under other operating income.

2. 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	
	30/9/2005 S\$'000	31/12/2004 S\$'000	30/9/2005 S\$'000	31/12/2004 S\$'000
Share capital and reserves				
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	59,604	55,177	33,032	30,414
Translation reserve	(1,077)	(1,428)	-	-
	93,386	88,157	62,940	59,871
Minority interest	14,255	13,282	-	-
	107,641	101,439	62,940	59,871
Fixed assets	8,663	10,080	3,968	4,434
Subsidiaries	-	-	9,580	9,580
Associated company	2,562	2,720	199	199
Deferred tax assets	1,939	1,630	955	787
Current assets				
Stocks	29,310	32,223	2,211	8,572
Contracts-works-in-progress	13,459	10,631	10,900	10,631
Trade debtors	42,092	38,526	23,928	20,348
Other debtors, deposits and prepayments	6,501	4,235	2,669	925
Due from associated company (trade)	9,692	6,482	9,688	6,482
Due from associated company (non-trade)	1,263	3,939	1,263	3,939
Due from related companies (trade)	5,954	8,150	2,864	4,992
Due from subsidiaries (trade)	-	-	3,759	4,052
Due from subsidiaries (non-trade)	-	-	943	969
Fixed deposits	14,500	17,000	14,500	17,000
Cash and bank balances	41,157	28,926	14,526	3,720
Total current assets	163,928	150,112	87,251	81,630
Current liabilities				
Trade creditors	29,865	28,797	14,762	14,350
Other creditors and accruals	19,312	17,578	7,088	8,437
Provision for warranty	5,370	3,748	2,615	2,286
Due to subsidiaries (trade)	-	-	1,960	1,757
Due to associated company (trade)	307	1,595	-	-
Due to related companies (trade)	10,175	6,956	9,815	6,895
Provision for taxation	4,376	4,373	2,773	3,034
Lease obligations (current portion)	14	14	-	-
Total current liabilities	69,419	63,061	39,013	36,759
Net current assets	94,509	87,051	48,238	44,871
Non current liability				
Lease obligations	(32)	(42)	-	-
	107,641	101,439	62,940	59,871

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 30 September 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 30/9/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
14	-	14	-

Amount repayable after one year

As at 30/9/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
32	-	42	-

Details of any collateral

Fixed Assets (stated at net book value) acquired by way of finance lease arrangements as at 30 September 2005 were as follows:

Motor Vehicles : S\$42,000

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		Group	
	3rd Quarter		Period ended 30 Sep	
	2005	2004	2005	2004
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit before taxation	7,462	4,623	18,257	12,784
Adjustments for :				
Depreciation of fixed assets	812	757	2,433	2,093
Loss/(Gain) from disposal of fixed assets	94	(13)	58	(17)
Share option expenses	-	9	37	27
Provision for stock obsolescence	1,096	408	2,277	386
Provision for doubtful debts	200	363	409	282
Provision for warranty	1,032	518	2,498	1,468
Interest expense	5	6	6	29
Interest income	(384)	(247)	(1,004)	(813)
Share of loss of associated company	43	137	257	349
Operating profit before working capital changes	10,360	6,561	25,228	16,588
Decrease/(increase) in :				
Trade debtors	(7,692)	(1,987)	(3,975)	(14,639)
Other debtors, deposits and prepayments	(2,374)	229	(2,266)	(1,968)
Stocks	(5,017)	(4,342)	636	(10,181)
Contracts-work-in-progress	8,579	5,684	(2,828)	(2,484)
Changes in related parties/associate balances	449	1,661	3,593	5,791
Decrease/(increase) in :				
Trade creditors	187	(1,292)	1,068	6,095
Other creditors and accruals	5,645	(1,654)	1,734	(2,165)
Provision for warranty	(443)	38	(876)	(641)
Cash generated from/(used in) operations	9,694	4,898	22,314	(3,604)
Income taxes paid	(1,254)	(1,041)	(4,008)	(2,685)
Interest paid	(5)	(6)	(6)	(29)
Net cash flows generated from/(used in) operating activities	8,435	3,851	18,300	(6,318)
Cash flows from investing activities				
Proceeds from disposal of fixed assets	13	13	49	17
Purchase of fixed assets	(363)	(1,057)	(1,016)	(1,923)
Interest received	384	247	1,004	813
Net cash flows generated from/(used in) investing activities	34	(797)	37	(1,093)
Cash flows from financing activities				
Repayment of lease obligations	(4)	(71)	(10)	(355)
Dividend paid to shareholders	-	-	(8,323)	(8,280)
Dividend paid to minority shareholders	-	-	(838)	(420)
Net cash flows used in financing activities	(4)	(71)	(9,171)	(9,055)
Net increase/(decrease) in cash and bank balances	8,465	2,983	9,166	(16,466)
Effect of exchange rate changes	(51)	(72)	565	(96)
Cash and bank balances at beginning of the period	47,243	46,238	45,926	65,711
Cash and bank balances at end of the period	55,657	49,149	55,657	49,149

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

For 3rd Quarter ended 30 Sep 05	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			
The Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1.7.2005	18,094	11,812	54,120	4,951	2	(1,214)	87,765	13,658	101,423
Foreign currency translation difference	-	-	-	-	-	137	137	-	137
Net profit for the period	-	-	5,484	-	-	-	5,484	597	6,081
Balance as at 30.9.2005	18,094	11,812	59,604	4,951	2	(1,077)	93,386	14,255	107,641
Balance as at 1.7.2004	18,000	11,383	46,261	4,951	56	(1,086)	79,565	11,734	91,299
Foreign currency translation difference	-	-	-	-	-	(135)	(135)	-	(135)
Share option	-	-	-	-	9	-	9	-	9
Net profit for the period	-	-	2,975	-	-	-	2,975	461	3,436
Balance as at 30.9.2004	18,000	11,383	49,236	4,951	65	(1,221)	82,414	12,195	94,609
The Company									
Balance as at 1.7.2005	18,094	11,812	28,924	-	2	-	58,832	-	58,832
Net profit for the period	-	-	4,108	-	-	-	4,108	-	4,108
Balance as at 30.9.2005	18,094	11,812	33,032	-	2	-	62,940	-	62,940
Balance as at 1.7.2004	18,000	11,383	25,497	-	56	-	54,936	-	54,936
Share option	-	-	-	-	9	-	9	-	9
Net profit for the period	-	-	1,611	-	-	-	1,611	-	1,611
Balance as at 30.9.2004	18,000	11,383	27,108	-	65	-	56,556	-	56,556

For Period ended 30 September	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			
The Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1.1.2005, as restated *	18,000	11,383	55,177	4,951	74	(1,428)	88,157	13,282	101,439
Foreign currency translation difference	-	-	-	-	-	351	351	-	351
Share option	94	429	-	-	(72)	-	451	-	451
Net profit for the period	-	-	12,750	-	-	-	12,750	1,811	14,561
Dividends paid to shareholders	-	-	(8,323)	-	-	-	(8,323)	-	(8,323)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(838)	(838)
Balance as at 30.9.2005	18,094	11,812	59,604	4,951	2	(1,077)	93,386	14,255	107,641
Balance as at 1.1.2004, as restated *	18,000	11,383	49,083	4,951	38	(1,055)	82,400	11,505	93,905
Foreign currency translation difference	-	-	-	-	-	(166)	(166)	-	(166)
Share option	-	-	-	-	27	-	27	-	27
Net profit for the period	-	-	8,433	-	-	-	8,433	1,110	9,543
Dividends paid to shareholders	-	-	(8,280)	-	-	-	(8,280)	-	(8,280)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(420)	(420)
Balance as at 30.9.2004	18,000	11,383	49,236	4,951	65	(1,221)	82,414	12,195	94,609
The Company									
Balance as at 1.1.2005, as restated *	18,000	11,383	30,414	-	74	-	59,871	-	59,871
Share option	94	429	-	-	(72)	-	451	-	451
Net profit for the period	-	-	10,941	-	-	-	10,941	-	10,941
Dividends paid	-	-	(8,323)	-	-	-	(8,323)	-	(8,323)
Balance as at 30.9.2005	18,094	11,812	33,032	-	2	-	62,940	-	62,940
Balance as at 1.1.2004, as restated *	18,000	11,383	28,653	-	38	-	58,074	-	58,074
Share option	-	-	-	-	27	-	27	-	27
Net profit for the period	-	-	6,735	-	-	-	6,735	-	6,735
Dividends paid	-	-	(8,280)	-	-	-	(8,280)	-	(8,280)
Balance as at 30.9.2004	18,000	11,383	27,108	-	65	-	56,556	-	56,556

* 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 June 2005. As at 30 September 2005, there were 2,092,000 (2,060,000 @ S\$0.625 and 32,000 @ 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.

	Group		Company	
	Period ended 30 Sep 2005	2004	Period ended 30 Sep 2005	2004
	S\$'000	S\$'000	S\$'000	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)
- FRS 39	97	-	97	-
Opening retained earnings as restated	55,177	49,083	30,414	28,653
Profit for the period	12,750	8,433	10,941	6,735
Dividends paid	(8,323)	(8,280)	(8,323)	(8,280)
Ending retained earnings	59,604	49,236	33,032	27,108

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

	Group		Group	
	3rd Quarter 2005	2004	Period ended 30 Sep 2005	2004
Earnings per Ordinary Share for the year based on net profit attributable to shareholders:	(cents)	(cents)	(cents)	(cents)
(i) basic earnings per share	1.52	0.83	3.53	2.34
(ii) fully diluted earnings per share	1.52	0.82	3.53	2.33

Basic earnings per ordinary share for the financial period ended 30 September 2005 was calculated based on the weighted average number of shares in issue of 361,124,282 (2004: 360,000,000) ordinary shares of S\$0.05 each. Fully diluted earnings per ordinary share for the financial period ended 30 September 2005 was calculated based on the adjusted weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,138,682 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 361,170,575 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

	Group		Company	
	30/9/2005 (cents)	31/12/2004 (cents)	30/9/2005 (cents)	31/12/2004 (cents)
Net Asset Value per ordinary share based on issued share capital	25.81	24.49	17.39	16.63

Net asset value per ordinary share as at 30 September 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

On a quarter to quarter comparison (Q to Q), turnover in 3Q2005 rose 35.7%, from S\$53.6 million to S\$72.7 million, due mainly to strong performance in the Telecom and CM business segments.

Compared to 3Q2004, Group turnover increased 45.1%, from S\$141.5 million to S\$205.3 million, due mainly to higher turnover from all three business segments, in particular the Telecom and CM business segments.

Telecommunications (Telecom)

On a Q to Q comparison, turnover increased 50.6%, from S\$24.5 million to S\$36.9 million due mainly to deliveries of microwave radio equipment to customers in Malaysia, Philippines, Indonesia, Bangladesh and the Group's Compact IV PDH radios to USA, EMEA (Europe, Middle East and Africa) and Asia. Satellite sales showed better performance with increased sales of land and marine satellite terminals to customers in India, Japan, Korea and Taiwan, and Inmarsat Gateway sales to India.

Compared to 3Q2004, turnover increased 53.3%, from S\$66.4m to S\$101.8 million, due mainly to deliveries of microwave radio equipment to customers in Malaysia, Thailand, Indonesia, Philippines, Australia and the Group's Compact IV PDH radios to USA, EMEA and Asia. Sales of land and marine satellite terminals to customers in Singapore, Taiwan, India, Australia, China, Hong Kong, Korea and Japan also contributed positively to the increase in turnover.

Information Technology (IT)

On a Q to Q comparison, turnover was relatively stable at S\$13.6 million. The higher turnover for IT network infrastructure, resulting from the sales of networking equipment in Singapore, was able to offset the reduction in turnover from the IT Retail System and IT Broadcasting.

Compared to 3Q2004, turnover increased 5.8% from S\$39.4 million to S\$41.7 million due mainly to the delivery of networking equipment and DTT infrastructure equipment in Singapore.

Contract Manufacturing (CM)

On a Q to Q comparison, turnover increased 24.9% from S\$20.5 million to S\$25.6 million, due mainly to higher turnover recorded in the Telecommunications & Instrumentation ("T&I") market segment. The T&I market segment saw a 30.6% increase in turnover from S\$14.4 million to S\$18.8 million. This was due to an increase in orders for wireless mobile network equipment, digital maritime satellite communications equipment and microwave networks transmission equipment. Turnover from the Medical and Bioscience ("M&B") market segment increased by 7.1% from S\$5.6 million to S\$6.0 million due to an increase in repeat orders from existing customers as well as orders from new customers.

Compared to 3Q2004, turnover increased 52.9% from S\$51.8 million to S\$79.2 million, due mainly to the higher turnover from both the T&I and M&B market segments. Turnover from the T&I market segment improved significantly by 73.5% from S\$34.0 million to S\$59.0 million as a result of increased orders for wireless mobile network equipment, digital test transmission equipment, microwave networks transmission equipment, digital maritime communications equipment and broadband access routers for DVB-RCS (Digital Video Broadcasting – Return Channel via Satellite) systems. Turnover from the M&B market segment increased by 12.3% from S\$16.2 million to S\$18.2 million due to an increase in repeat orders from existing customers. The Group has also secured two new accounts and has started delivery of small production series to these customers.

Gross Profit

On a Q to Q comparison, gross profit improved by 14.1% from S\$11.2 million to S\$12.8 million due mainly to higher gross profits from all three business segments, in particular from the higher turnover in the Telecom and CM business segments. Gross profit as a percentage of turnover ("GM%") however declined from 21.0% to 17.6%, due mainly to lower GM% from the Telecom and CM business segments. The lower GM% was due to product/project mix and higher cost of goods as a result of a stronger Norwegian Kroner in the Telecom business segment. In addition, the higher stock provision for the CM business segment also contributed to the lower GM%.

Compared to 3Q2004, the Group's gross profit improved 16.2%, from S\$31.9 million to S\$37.1 million due mainly to higher turnover from all three business segments. However, the GM% declined from 22.6% to 18.1% due to lower GM% from all three business segments as a result of product/project sales mix and higher cost of sales.

Operating Expenses

On a Q to Q comparison, the Group registered a 13.5% decrease in total operating expenses from S\$7.4 million to S\$6.4 million.

Distribution and sales expenses decreased by 12.2% (S\$0.6 million) mainly in Telecoms and IT business segments. Administrative expenses increased 5.2% (S\$0.1 million) due mainly to the increased operational cost in the Telecom and CM business segments. Other operating expenses were lower mainly due to lower R & D expenses and exchange loss.

For 3Q2005, the Group registered a slight decrease in total operating expenses of S\$0.1 million from S\$20.7 million to S\$20.6 million.

Distribution and sales expenses decreased by 1.1% (S\$0.1 million) mainly from the Telecoms and IT business segments. Administrative expenses increased by 9.8% (S\$0.5 million) due mainly to the increased operational cost in the Telecom and CM business segments. Other operating expenses decreased by 45.6% (S\$0.5 million) due mainly to lower R & D cost.

The effect of the change in accounting policies as a result of the adoption of FRS 102 and FRS 39 were reported in item 5 of this report.

Profit Before Taxation (PBT)

On a Q to Q comparison, PBT increased 61.4% from S\$4.6 million to S\$7.5 million attributed to higher gross profit from all three business segments, lower operating expenses in Telecoms and IT business segments and better total PBT as percentage of turnover ("PBT%") for all three business segments.

Compared to 3Q2004, PBT increased 42.8% from S\$12.8 million to S\$18.3 million due to higher gross profit from all three segments. However, PBT% declined slightly from 9.0% to 8.9%, due mainly to lower PBT% from the Telecom segment.

Cash flow

Despite the need for higher working capital to support the increase in business and the payment of dividends to shareholders amounting to S\$9.2 million during the period, the Group managed to improve on its cash balance to S\$55.6 million as at 30 September 2005.

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 are intense, competitors are aggressive in large or strategic bids and customers purchasing high volumes are demanding not only very competitive prices but also short delivery time. The Group intend to concentrate on selected markets and develop long term customers and channels relationship by active participation in the market development and constantly increasing our competence and value added services.

In the Telecommunication transmission business area, the mobile market continues to grow and operators are investing in increasing their coverage, capacity and capabilities, resulting in demand for wireless transmission infrastructure to support the roll out of 2.5G/3G mobile networks. The Group has benefited from this positive development and has during the first 3 quarters of the year secured about S\$60 million orders of SDH and PDH radio transmission equipment from customers in Asia, Americas and EMEA (Europe, Middle East, Africa).

In the satellite business area, the Group's deliveries of Inmarsat land and marine satellite terminals had increased as a result of sales to distributors and customers in Singapore, Hongkong, China, Taiwan, Japan, Korea and India. The Group will continue to strengthen its current distribution channels and develop new channels towards customers in the various land and marine satellite terminal markets. In the current quarter, the Group has commenced delivery and installations of an Inmarsat gateway to a satellite operator in India. The gateway is expected to be commissioned in 4Q05.

Nera WorldPro 1000, the world's smallest and lightest mobile broadband satellite terminal for Inmarsat BGAN (Broadband Global Area Network) services was launched by the Group during CommunicAsia in June 2005. Once the BGAN service is introduced by Inmarsat, this product will gradually replace the older generation of Inmarsat satellite land terminals. The Group has so far received many positive interests for this product.

The satellite broadband business remains active and the Group is working with a number of potential customers to deploy our DVB RCS satellite hubs. This market is changing rapidly and with greater competition, prices are driven down. The Group will concentrate its effort to increase the sale of DVB RCS satellite terminal to its existing DVB RCS Hub customers and improve the competitiveness of the DVB RCS Hub.

Information Technology (IT)

In the IT network infrastructure business, the IP networks and multi-service infrastructure from Telco customers continue to rise due to increase in consumer demand for higher speed broadband services. The Group has managed to secure repeat IP networking equipment orders from its existing Telco customers. The demand for security products and solutions has increased in the Enterprise and Government sector and the IT network infrastructure market remains stable. The Group will continue to strengthen its current market position in Singapore and Malaysia, and develop the Thailand, Philippines, Indonesia and Vietnam markets.

In the IT Broadcasting business, the Group's focus on promoting its mobile DvB Set Top Box ("STB") to countries where there are Digital Terrestrial TV ("DTT") services has resulted in securing OEM agreements and orders for 3,000 mobile STB from two major European auto-electronics companies. The Group, with its experiences in delivering DTT infrastructure projects in Singapore, will continue to promote such projects to Asia Broadcasters. The selling cycle for such project sales are normally longer.

In the IT POS business, the Group believes that banks and financial institutions in South East Asia will gradually migrate its POS terminals to EMV compliant and move towards outsourcing their POS infrastructure. The Group continues to secure EMV compliant POS terminal orders and has seen an increase in the outsourcing (leasing) of POS terminals. The Group intends to increase its marketing activities on EMV migration, outsourcing and value added services towards retailers, banks and financial institutions in selected countries.

Contract Manufacturing (CM)

Outsourcing of Electronics Manufacturing Services (EMS) is expected to continue to grow as OEMs continue to focus on their R&D, product branding and marketing activities. This market remains competitive and are subjected to constant price pressure and customers demands for flexibility and quick turnaround time. The Group is currently implementing a new ERP system and Supply Chain Management Programs to improve its productivity and customer's needs.

The T&I industry is still on a positive trend, the Group believes the overall demand will continue to be fairly strong as the Telecoms Service Providers continues to expand their infrastructure networks.

The M&B market is showing increasing demand and the Group is confident to win repeat orders from its existing customers. The Group has manage to secure two new customers and deliveries have started. However, due to the long acceptance cycle of M&B products, the Group in the short term does not expect any significant contribution from them.

In order not to be over reliant on any of its existing T&I and M&B customers, the Group is actively working to increase its customer base and seek customers from other industry segments, in particular the avionics and communications sectors within the aerospace industry.

The setting up of the Group's new manufacturing facility in India is progressing according to plan and is expected to be ready by end of 2005. This facility will increase our overall production capacity and provide our existing OEM 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 start up of business activities. The cost of investment is expected to be S\$3 million and will be funded from its subsidiary's IPO proceeds and internal resources.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, 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**

N/A

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**

N/A

15. **A breakdown of sales**

N/A

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

N/A

17. **Aggregate value of interested persons transactions conducted pursuant to a shareholders' general mandate for the year ended 30 September 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:

Name of Interested Person	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	3QTR 2005	Period ended 30 September 2005
	S\$'000	S\$'000
Sales		
Nera Networks AS	6,728	31,931
Nera Networks, Inc.	4,489	8,349
Nera Satcom AS	689	2,038
Nera Broadband Satellite	730	2,249
Purchases		
Nera Networks AS	10,034	28,872
Nera Satcom AS	8,839	15,617
Nera Broadband Satellite	602	948

BY ORDER OF THE BOARD

Tan Cher Liang
Julie Koh Ngin Joo
Company Secretaries

17/10/2005