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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 *	Tan Cher Liang and Julie Koh Ngin Joo
Designation *	Company Secretaries
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>> Announcement Details

The details of the announcement start here ...

For the Financial Period Ended *	30-09-2006
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NERA TELECOMMUNICATIONS LTD

(Co. Reg. No. 197802690R)

Third Quarter Financial Statements For the Period ended 30 September 2006

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

	Note	Group 3rd Quarter			Group Period ended 30 Sep		
		2006 S\$'000	(Restated) 2005 S\$'000	Increase/ (Decrease) %	2006 S\$'000	(Restated) 2005 S\$'000	Increase/ (Decrease) %
Continuing operations							
Turnover		27,145	50,493	(46.2)	101,074	134,959	(25.1)
Cost of sales		(19,384)	(41,929)	(53.8)	(79,480)	(110,750)	(28.2)
Gross profit		7,761	8,564	(9.4)	21,594	24,209	(10.8)
Other operating income		265	588	(54.9)	586	965	(39.3)
Distribution and selling expenses		(3,385)	(2,762)	22.6	(9,708)	(10,289)	(5.6)
Administrative expenses		(1,175)	(1,664)	(29.4)	(3,862)	(4,002)	(3.5)
Other operating expenses		(478)	108	N.M.	(758)	(279)	171.7
Profit from operations		2,988	4,834	(38.2)	7,852	10,604	(26.0)
Financial expenses		(45)	(76)	(40.8)	(121)	(238)	(49.2)
Financial income		407	303	34.3	1,269	776	63.5
Exceptional item	(1)	28,782	-	N.M.	28,782	-	N.M.
Profit after financial items		32,132	5,061	534.9	37,782	11,142	239.1
Share of results of associated company		10	(43)	N.M.	(141)	(257)	(45.1)
Profit before taxation		32,142	5,018	540.5	37,641	10,885	245.8
Taxation		(1,205)	(817)	47.5	(2,228)	(2,031)	9.7
Profit for the period from continuing operations		30,937	4,201	636.4	35,413	8,854	300.0
Discontinued operation							
Profit for the period from a discontinued operation	(2)	1,273	1,880	(32.3)	5,420	5,707	(5.0)
Profit for the period		32,210	6,081	429.7	40,833	14,561	180.4
Attributable to:							
Equity holders of the Company		31,806	5,484	480.0	39,113	12,750	206.8
Minority interests		404	597	(32.3)	1,720	1,811	(5.0)
		32,210	6,081	429.7	40,833	14,561	180.4

	3rd Quarter			Period ended 30 Sep		
	2006	(Restated) 2005	Increase/ (Decrease)	2006	(Restated) 2005	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<u>Continuing operations</u>						
Profit before tax is arrived at after crediting/ (charging) the following :						
Depreciation and amortization	(88)	(441)	(80.0)	(996)	(1,325)	(24.8)
Loss on disposal of fixed assets	-	(94)	N.M.	-	(58)	N.M.
Interest income	407	303	34.3	1,269	776	63.5
Foreign exchange (loss) / gain	(64)	637	N.M.	(225)	417	N.M.
(Provision) / writeback for doubtful debts	(426)	(152)	180.3	306	(334)	N.M.
Writeback / (provision) for stock obsolescence	230	(235)	N.M.	25	(492)	N.M.
Writeback/ (provision) for warranty	320	(866)	N.M.	(1,284)	(2,010)	(36.1)
Gross profit as a percentage of turnover	28.6%	17.0%	68.2	21.4%	18.4%	16.3
Profit for the period as a percentage of turnover	114.0%	8.3%	1273.5	35.0%	6.6%	430.3
<u>Discontinued operation (up to date of disposal)</u>						
Profit before tax is arrived at after crediting/ (charging) the following :						
Depreciation and amortization	(244)	(371)	(34.2)	(1,165)	(1,108)	5.1
Interest income	82	81	1.2	340	228	49.1
Foreign exchange gain	120	196	(38.8)	352	97	262.9
Provision for doubtful debts	(199)	(48)	314.6	(548)	(75)	630.7
Provision for stock obsolescence	(199)	(861)	(76.9)	(1,118)	(1,785)	(37.4)
Provision for warranty	(242)	(166)	45.8	(532)	(488)	9.0
Gross profit as a percentage of turnover	17.5%	18.2%	(3.8)	17.8%	17.4%	2.3
Profit for the period as a percentage of turnover	7.0%	8.5%	(17.6)	7.7%	8.1%	(4.9)
<u>Other information</u>						
Profit for the period attributable to equity shareholders of the Company as a percentage of issued capital and reserves at end of period	26.8%	5.9%	354.2	32.9%	13.7%	140.1

N.M. Not meaningful

Note :

(1) Exceptional item

The exceptional item relates to the gain on disposal of a subsidiary company.

(2) Discontinued operation

On 14 September 2006, the Company completed the disposal of its 68.27% interest in a subsidiary company, Nera Electronics Ltd. The financial results of the discontinued operation up to date of disposal are as follows :

	Group 3rd Quarter			Group Period ended 30 Sep		
	2006 S\$'000	(Restated) 2005 S\$'000	Increase/ (Decrease) %	2006 S\$'000	(Restated) 2005 S\$'000	Increase/ (Decrease) %
<u>Discontinued operation</u>						
Turnover	18,179	22,197	(18.1)	70,696	70,315	0.5
Cost of sales	(14,992)	(18,164)	(17.5)	(58,083)	(58,056)	0.0
Gross profit	3,187	4,033	(21.0)	12,613	12,259	2.9
Other operating income	123	115	7.0	521	219	137.9
Distribution and selling expenses	(996)	(1,073)	(7.2)	(4,143)	(3,180)	30.3
Administrative expenses	(826)	(731)	13.0	(2,229)	(1,921)	16.0
Other operating expenses	(36)	43	N.M.	(141)	(177)	(20.3)
Profit from operations	1,452	2,387	(39.2)	6,621	7,200	(8.0)
Financial expenses	(16)	(24)	(33.3)	(55)	(56)	(1.8)
Financial income	82	81	1.2	340	228	49.1
Profit before taxation	1,518	2,444	(37.9)	6,906	7,372	(6.3)
Taxation	(245)	(564)	(56.6)	(1,486)	(1,665)	(10.8)
Profit for the period from discontinued operation	1,273	1,880	(32.3)	5,420	5,707	(5.0)

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	
		30/9/2006 S\$'000	31/12/2005 S\$'000	30/9/2006 S\$'000	31/12/2005 S\$'000
Equity					
Share capital	(1)	29,906	18,094	29,906	18,094
Share premium	(1)	-	11,812	-	11,812
Capital reserve		-	4,951	-	-
Share option reserve		1	2	1	2
Revenue reserve		90,574	62,317	84,844	34,536
Translation reserve		(1,663)	(1,206)	-	-
		118,818	95,970	114,751	64,444
Minority interest	(2)	-	15,304	-	-
		118,818	111,274	114,751	64,444
Non current assets					
Fixed assets	(2)	5,336	10,703	3,771	3,809
Investment in subsidiaries	(2)	-	-	4,316	9,580
Investment in associated company		1,109	1,274	199	199
Deferred tax assets	(2)	1,003	2,612	508	682
		7,448	14,589	8,794	14,270
Current assets					
Stocks	(2)	7,424	35,990	3,809	7,851
Contracts-works-in-progress		19,392	11,444	19,392	11,444
Trade debtors	(2)	18,860	35,131	13,855	16,725
Other debtors, deposits and prepayments	(2)	1,838	3,663	747	373
Due from associated company (trade)		8,265	11,066	8,017	10,861
Due from associated company (non-trade)		1,263	1,263	1,263	1,263
Due from related companies (trade)	(2)	457	6,948	326	1,987
Due from subsidiaries (trade)		-	-	3,929	3,474
Due from subsidiaries (non-trade)		-	-	293	1,028
Fixed deposits		16,832	18,026	16,832	18,026
Cash and bank balances		68,718	37,063	65,214	9,819
Total current assets		143,049	160,594	133,677	82,851
Current liabilities					
Trade creditors	(2)	16,156	30,445	15,500	12,608
Other creditors and accruals	(2)	7,808	17,080	5,701	6,181
Provision for warranty	(2)	3,094	4,249	1,396	1,682
Due to subsidiaries (trade)		-	-	375	2,620
Due to associated company (trade)		-	18	-	-
Due to related companies (trade)	(2)	2,232	6,136	2,207	6,069
Provision for taxation	(2)	2,389	5,981	2,541	3,517
Total current liabilities		31,679	63,909	27,720	32,677
Net current assets		111,370	96,685	105,957	50,174
		118,818	111,274	114,751	64,444

Note :

- (1) As a result of the Companies (Amendment) Act 2005 which came into effect on 30 January 2006, the concept of authorised share capital and par value has been abolished. The amount standing to the credit of the share premium account has been transferred to the Company's share capital account in the current period.
- (2) Significant reductions in these balances as at 30 September 2006 were mainly due to the disposal of the Company's and Group's interest in a subsidiary company.

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30/9/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Amount repayable after one year

As at 30/9/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Details of any collateral

Not applicable

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 3rd Quarter		Group Period ended 30 Sep	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Cash flows from operating activities				
Profit from continuing operations before taxation	32,142	5,018	37,641	10,885
Profit from discontinued operation before taxation	1,518	2,444	6,906	7,372
	<u>33,660</u>	<u>7,462</u>	<u>44,547</u>	<u>18,257</u>
Adjustments for :				
Depreciation of fixed assets	332	812	2,161	2,433
Loss from disposal of fixed assets	-	94	-	58
Gain from disposal of a subsidiary company, net	(28,782)	-	(28,782)	-
Share option expenses	-	-	(1)	37
(Writeback) / provision for stock obsolescence	(31)	1,096	1,093	2,277
Provision for doubtful debts	625	200	242	409
(Writeback) / provision for warranty	(78)	1,032	1,816	2,498
Interest expense	-	5	-	6
Interest income	(489)	(384)	(1,609)	(1,004)
Share of results of associated company	(10)	43	141	257
	<u>5,227</u>	<u>10,360</u>	<u>19,608</u>	<u>25,228</u>
Operating profit before working capital changes				
Decrease / (increase) in :				
Trade debtors	1,343	(7,692)	(3,928)	(3,975)
Other debtors, deposits and prepayments	35	(2,374)	(2,459)	(2,266)
Stocks	(9,145)	(5,017)	(8,247)	636
Contracts-work-in-progress	(7,250)	8,579	(7,948)	(2,828)
Changes in related parties/associate balances	(1,158)	449	(198)	3,593
Decrease/(increase) in :				
Trade creditors	5,897	187	12,123	1,068
Other creditors and accruals	3,142	5,645	(175)	1,734
Provision for warranty	(248)	(443)	(1,096)	(876)
	<u>(2,157)</u>	<u>9,694</u>	<u>7,680</u>	<u>22,314</u>
Cash generated from operations				
Income taxes paid	(389)	(1,254)	(3,789)	(4,008)
Interest paid	-	(5)	-	(6)
	<u>(2,546)</u>	<u>8,435</u>	<u>3,891</u>	<u>18,300</u>
Net cash flows (used in)/generated from operating activities				
Cash flows from Investing activities				
Proceeds from disposal of fixed assets	-	13	-	49
Purchase of fixed assets	(1,434)	(363)	(2,435)	(1,016)
Interest received	489	384	1,609	1,004
Disposal of a subsidiary, net of cash disposed	(1) 39,513	-	39,513	-
	<u>38,568</u>	<u>34</u>	<u>38,687</u>	<u>37</u>
Net cash flows generated from/(used in) investing activities				
Cash flows from financing activities				
Repayment of lease obligations	-	(4)	-	(10)
Dividend paid to shareholders	-	-	(10,856)	(8,323)
Dividend paid to minority shareholders	-	-	(838)	(838)
	<u>-</u>	<u>(4)</u>	<u>(11,694)</u>	<u>(9,171)</u>
Net cash flows used in financing activities				
Net increase in cash and bank balances	36,022	8,465	30,884	9,166
Effect of exchange rate changes	(26)	(51)	(423)	565
Cash and bank balances at beginning of the period	49,554	47,243	55,089	45,926
	<u>85,550</u>	<u>55,657</u>	<u>85,550</u>	<u>55,657</u>
Cash and bank balances at end of the period				

Note :

(1) The carrying value of assets and liabilities disposed were as follows :

	<u>\$'000</u>
Fixed assets	5,640
Deferred tax assets	1,295
Trade and other receivables	28,893
Stocks	35,720
Cash and bank balances	18,847
Trade and other payables	(37,598)
Provision for taxation	(2,082)
	<u>50,715</u>
Minority interest	(16,186)
Attributable net assets disposed	<u>34,529</u>
Capital reserve released upon disposal of interest in subsidiary	(4,951)
Gain on disposal of subsidiary company	28,782
Net cash consideration received	58,360
Cash and bank balances of the subsidiary	(18,847)
Net cash inflow on disposal of a subsidiary	<u>39,513</u>

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			
For 3rd Quarter ended 30 Sep	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
The Group									
Balance as at 1.7.2006	29,906	-	58,768	4,951	1	(1,492)	92,134	15,782	107,916
Foreign currency translation difference	-	-	-	-	-	(171)	(171)	-	(171)
Net profit for the period	-	-	31,806	-	-	-	31,806	404	32,210
Disposal of a subsidiary company				(4,951)			(4,951)	(16,186)	(21,137)
Balance as at 30.9.2006	29,906	-	90,574	-	1	(1,663)	118,818	-	118,818
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
The Company									
Balance as at 1.7.2006	29,906	-	29,743	-	1	-	59,650	-	59,650
Net profit for the period	-	-	55,101	-	-	-	55,101	-	55,101
Balance as at 30.9.2006	29,906	-	84,844	-	1	-	114,751	-	114,751
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

For Period ended 30 Sep	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			
The Group									
Balance as at 1.1.2006	18,094	11,812	62,317	4,951	2	(1,206)	95,970	15,304	111,274
Transfer of share premium reserve to share capital account	11,812	(11,812)	-	-	-	-	-	-	-
Foreign currency translation difference	-	-	-	-	-	(457)	(457)	-	(457)
Share option	-	-	-	-	(1)	-	(1)	-	(1)
Net profit for the period	-	-	39,113	-	-	-	39,113	1,720	40,833
Dividends paid	-	-	(10,856)	-	-	-	(10,856)	(838)	(11,694)
Disposal of a subsidiary company	-	-	-	(4,951)	-	-	(4,951)	(16,186)	(21,137)
Balance as at 30.9.2006	29,906	-	90,574	-	1	(1,663)	118,818	-	118,818
Balance as at 1.1.2005	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	-	-	(8,323)	-	-	-	(8,323)	(838)	(9,161)
Balance as at 30.9.2005	18,094	11,812	59,604	4,951	2	(1,077)	93,386	14,255	107,641
The Company									
Balance as at 1.1.2006	18,094	11,812	34,536	-	2	-	64,444	-	64,444
Transfer of share premium reserve to share capital account	11,812	(11,812)	-	-	-	-	-	-	-
Share option	-	-	-	-	(1)	-	(1)	-	(1)
Net profit for the period	-	-	61,164	-	-	-	61,164	-	61,164
Dividends paid	-	-	(10,856)	-	-	-	(10,856)	-	(10,856)
Balance as at 30.9.2006	29,906	-	84,844	-	1	-	114,751	-	114,751
Balance as at 1.1.2005	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

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 2006. As at 30 September 2006, there were 1,585,000 (1,562,000 @ S\$0.625 and 23,000 @ S\$0.22) unexercised share options granted (30 September 2005: 2,092,000).

1(e) Negative assurance confirmation on interim financial results under Rule 705(4) of the SGX-ST.

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the third quarter financial statements for the period ended 30 September 2006, to be false or misleading in any material respect.

On behalf of the Board

S Chandra Das
Chairman

Ang Seong Kang, Samuel
President and Chief Executive Officer

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)**

Not applicable

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 change in useful life for equipment held for leasing from 3 years to 5 years after a review of the useful life. The change is effective from 1 January 2006 and it resulted in a reduction in depreciation of \$366,000 for the period.

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**

Please refer to Section 4 above.

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 3rd Quarter		Group Period ended 30 Sep	
	2006	2005	2006	2005
Earnings per Ordinary Share for the period based on net profit attributable to shareholders:	(cents)	(cents)	(cents)	(cents)
(i) basic - continuing operations	8.55	1.16	9.79	2.45
(ii) basic - discontinued operation	0.24	0.36	1.02	1.08
(iii) fully diluted - continuing operations	8.55	1.16	9.79	2.45
(iv) fully diluted - discontinued operation	0.24	0.36	1.02	1.08

Basic earnings per ordinary share for the financial period ended 30 September 2006 was calculated based on the weighted average number of shares in issue of 361,883,000 {2005: 361,124,282} ordinary shares. Fully diluted earnings per ordinary share for the financial period ended 30 September 2006 was calculated based on the adjusted weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,894,038 ordinary shares {2005 : based on weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,138,682 ordinary shares}.

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	
	30/9/2006 (cents)	31/12/2005 (cents)	30/9/2006 (cents)	31/12/2005 (cents)
Net Asset Value per ordinary share based on issued share capital	32.83	26.52	31.71	17.81

Net asset value per ordinary share as at 30 September 2006 and 31 December 2005 was calculated based on the number of shares in issue of 361,883,000 ordinary shares.

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

(i) Review of financial performance of continuing operations

(a) Turnover

On a Q to Q comparison, turnover in Q3 2006 decreased 46.2%, from S\$50.5 million to S\$27.1 million, due mainly to lower turnover from the Telecom business segment.

Compared to 3Q 2005, turnover decreased 25.1%, from S\$135.0 million to S\$101.1 million, due mainly to lower turnover from the Telecom business segment.

Telecommunications (Telecom)

On a Q to Q comparison, turnover decreased 58.8%, from S\$36.9 million to S\$15.2 million mainly due to lower sales of microwave radio equipment to certain customers and delays in projects and equipment deliveries from our supplier. Satellite sales were lower due mainly to a project sale of satellite terminals to a customer in Taiwan and Inmarsat Gateway to India in 2005.

Compared to 3Q 2005, turnover decreased 36.2%, from S\$94.3 million to S\$60.2 million mainly due to lower sales of microwave radio equipment to certain customers and delays in projects and equipment deliveries from our Supplier. Satellite sales were lower due mainly to a project sale of satellite terminals to a customer in Taiwan and Inmarsat Gateway to India in 2005.

Infocomm

On a Q to Q comparison, turnover decreased 11.8%, from S\$13.6 million to S\$12.0 million. There was lower turnover in sales of point-of-sale ("POS") terminals in Malaysia, and lower sales in fixed network infrastructure solutions to Enterprise customers.

Compared to 3Q 2005, turnover increased slightly from S\$40.7 million to S\$40.9 million. There were higher sales in fixed network infrastructure solutions to Telco customers but offset by lower sales in POS terminals in Malaysia and DTT ("Digital Terrestrial TV") infrastructure equipment in Singapore.

(b) Gross Profit

On a Q to Q comparison, gross profit decreased by 9.4% from S\$8.6 million to S\$7.8 million resulting mainly from the lower turnover. However, gross margin % ("GM%") improved from 17.0% to 28.6%, mainly due to higher GM% from both the Telecom and Infocomm business segments as a result of product / services sales mix and writeback of stock and warranty provisions.

Compared to 3Q 2005, the Group's gross profit decreased by 10.8%, from S\$24.2 million to S\$21.6 million resulting mainly from the lower turnover. However, the GM% improved from 18.4% to 21.4% mainly due to higher GM% from Telecom business segment as a result of product / services sales mix and lower stock and warranty provisions.

(c) Operating Expenses

On a Q to Q comparison, the Group registered a 16.7% increase in total operating expenses from S\$4.4 million to S\$5.0 million.

Distribution and sales expenses increased by 22.6% (S\$623,000) mainly due to higher provision for doubtful debts and payroll related costs. Administrative expenses decreased by 29.4% (S\$489,000) mainly due to the professional fees relating to the disposal of the subsidiary accrued under administrative expenses previously have now been charged against the proceeds from the disposal. Other operating expenses increased by \$586,000 mainly due to higher expenses in research and development and exchange loss in Q3 2006 compared to exchange gain in Q3 2005.

Compared to 3Q 2005, the Group's total operating expenses decreased by 1.7% (S\$242,000) from S\$14.6 million to \$14.3 million. Distribution and sales expenses decreased by 5.6% (S\$581,000) mainly due to writeback of doubtful debts provision as compared to a provision charge in 3Q 2005. Administrative expenses decreased by 3.5% (S\$140,000) mainly due to the professional fees relating to the disposal of the subsidiary accrued under administrative expenses previously have now been charged against the proceeds from the disposal . Other operating expenses increased by \$479,000 mainly due to higher expenses in research and development and exchange loss in 3Q 2006 compared to exchange gain in 3Q 2005.

(d) Profit Before Taxation (PBT)

On a Q to Q comparison, PBT increased significantly by 540.5% mainly due to the exceptional gain of S\$28.8m. Excluding the exceptional gain, PBT decreased 33.0% from S\$5.0 million to S\$3.4 million resulting from the lower turnover. PBT as percentage of turnover ("PBT%") for Q3 2006 (excluding exceptional gain) was higher at 12.4% compared to 9.9% for Q3 2005, mainly due to the higher GM% from the Telecom business segment.

Compared to 3Q 2005, PBT increased significantly by 245.8% mainly due to the exceptional gain of S\$28.8m. Excluding the exceptional gain, PBT reduced by 18.6% from S\$10.9 million to S\$8.9 million resulting from the lower turnover in the Telecom business segment. PBT% (excluding exceptional gain) improved from 8.1% to 8.8%, mainly due to lower operating expenses, higher GM% from the Telecom business segment and higher financial income.

(e) Cash flow

The significant increase in cash and bank balances was mainly due to proceeds from the disposal of the subsidiary. The Group generated positive cashflow from operating activities for 3Q 2006.

(ii) Review of financial performance of discontinued operation (Contract Manufacturing)

The results of the discontinued operation was recognised up to August 2006. Accordingly, on the Q to Q comparison, the turnover and profit for this quarter were lower than the corresponding period last year mainly due to the one month difference in the results recognition.

Compared to 3Q 2005, the turnover was higher despite the one month difference in results recognition mentioned above. However, the profit was lower mainly due to the higher operating expenses.

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)

The telecommunication industry remains highly competitive and there are still on-going consolidation, creating fewer but larger companies and customers are constantly demanding for higher performance, lower price and shorter delivery time.

In the Transmission business area, the mobile market will continue to grow due to demand from low mobile density countries and demand for higher bandwidth as a result of more content related data/video value added services. Mobile operators are investing in their wireless infrastructure networks to increase coverage, capacity to meet consumer demand and strengthen their market position. Some of our existing mobile customers and new 3G operators are investing and rolling out 3G network infrastructure and services. These development creates many opportunities for the Group's wireless transmission products and services. The Group has recently secured S\$13.8m orders of PDH and SDH radio contracts.

The introduction of Nera's new family of radio products named Evolution, is a flexible software-defined radio systems covering the entire spectrum and is suitable for traditional backbone telecom architecture to pure Ethernet/IP access networks. The Group believes that with a complete range of products, the Evolution series of wireless access networks together with the existing InterLink trunk and low capacity Compact IV PDH radios will provide potential growth opportunities for the Group in the mobile markets as well as in the non-Telcos markets such as Defence, Broadcasting and Enterprises.

In the satellite business area, the Group will focus on the sales of the mobile satellite terminals, in particular the migration of the traditional Inmarsat land terminals Nera WorldPhone series to the next generation BGAN, Nera WorldPro terminals as well as the current range of Inmarsat Fleet series maritime satellite terminals and other non-Inmarsat mobile terminals and related services. In addition, the Group will continue to support the Inmarsat gateway upgrading and maintenance to existing Inmarsat satellite gateway customer base.

The Group does not want to be solely dependent on the Inmarsat business and is continuously evaluating potential business partners in the non-Inmarsat space to increase its satellite product portfolio.

Nera Satcom AS Norway, which the Group has a Distribution Agreement for its satellite communications products, has been recently acquired by Thrane & Thrane Denmark. Nera Satcom is no longer a subsidiary of Nera ASA Norway or related company to the Group with effect from 10th October 2006. Under the Distribution Agreement between the Company and Nera Satcom, Nera Satcom may terminate the Distribution Agreement as a result of the change in ownership. The Group intends to discuss with Nera Satcom and Thrane & Thrane on the way forward on the distribution of their satellite communication products.

Infocomm (IC)

The Infocomm business is organised into four business areas, namely the Fixed Networks, Broadcasting, Payment Solutions and Wireless Access.

In the IC Fixed Networks business, the Group has recently secured networking equipment and service orders from a major Telco amounting to S\$16.4m. The demand for infocomm networking equipment is driven by the growth from the broadband and data related services. The convergence of mobile and fixed networks, and IP networks will also offer numerous business opportunities for the Group beyond the Singapore market.

In the IC Payment Solutions business, the Group has continued to secure orders from banks and financial institutions in Singapore, Malaysia, Thailand, Indonesia and the Philippines for various EMV-compliant point-of-sale (“POS”) businesses, such as supply, rental, leasing and maintenance of terminals. The Group expects the demand for EMV-compliant terminals as well as its rental, leasing and maintenance business to increase as banks and financial institutions, in particular in Thailand, Indonesia and the Philippines will gradually migrate to such terminals.

In the IC Broadcasting business, the Group will continue to focus on promoting Digital Terrestrial TV (“DTT”) infrastructure networks to potential broadcasters in Asia. The Group will continue to develop its mobile Set Top Boxes (“STB”) business with the existing three global OEM customers and promote the mobile STBs to countries where there are DTT services.

In the IC Wireless Access business, the Group intends to cooperate with various global technology partners to offer cost effective, last mile high speed broadband access using wireless technology such as WIFI and WIMAX to operators, ISP and large organisations in the region. The development so far has been positive and the Group has managed to secure some orders.

Proposed Merger of Eltek ASA and Nera ASA Norway

The Company refers to its announcements dated 31 May 2006 and 30 June 2006 (the “Company Announcements”) in respect of the proposed merger of Nera ASA (the parent company of the Company) and Eltek ASA (the “Proposed Merger”).

Further details on the Proposed Merger are set out in the Company Announcements which can be found on the web-site of the Singapore Exchange Securities Trading Limited at www.sgx.com.

As the Proposed Merger is still subject to conditions precedent, shareholders should note that there is no certainty that the Proposed Merger will proceed. Accordingly, shareholders are advised to refrain from taking any action in respect of their shares which may be prejudicial to their interests, and to exercise caution when dealing in the shares. More information in relation to the above merger is available in the websites of Nera ASA (www.neraworld.com) and Eltek ASA (www.eltek.no).

11. Dividend

(a) Current Financial Period Reported On

The Directors are pleased to recommend an interim special dividend as follow :

Name of Dividend	Interim special
Dividend Type	Cash
Dividend Amount per Share (in cents)	15 cents
Tax Rate	Tax exempt

(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

13 November 2006

(d) Books closure date

Notice is hereby given that the Register of Members and Share Transfer Books of the Company will be closed on 3 November 2006 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building, Singapore 049315 up to 5.00 p.m. on 2 November 2006, will be registered to determine shareholders' entitlements to the said dividend.

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

Not applicable

13. Aggregate value of interested persons transactions conducted pursuant to a shareholders' general mandate for the year ended 30 June 2006.

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 2006	Period ended 30 September 2006
Sales		
Nera Networks AS	4,426	17,285
Nera Networks, Inc.	1,132	8,194
Nera Satcom AS	805	2,664
Nera Broadband Satellite	-	517
Purchases		
Nera Networks AS	9,552	12,669
Nera Satcom AS	2,332	9,496
Nera Broadband Satellite	-	411
Other Operating Revenues		
Nera Networks AS	160	385

BY ORDER OF THE BOARD

Tan Cher Liang
Julie Koh Ngin Joo
Company Secretaries

18/10/2006