Print this page

First 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
Date & Time of Broadcast	28-Apr-2006 18:02:26
Announcement No.	00220

>> Announcement Details

The details of the announcement start here ...

For the Financial Period Ended *	31-03-2006

Attachments:

Q1_2006Final.pdf
Total size = **83K**
(2048K size limit recommended)

Close Window

NERA TELECOMMUNICATIONS LTD
(Co. Reg. No. 197802690R)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 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

	Group		
	Qtr 1 2006 S$'000	Qtr 1 2005 S$'000	Increase/ (Decrease) %
Turnover	**64,267**	**61,462**	**4.6**
Cost of sales	(52,939)	(49,977)	5.9
Gross profit	**11,328**	**11,485**	**(1.4)**
Other operating income	148	397	(62.7)
Distribution and selling expenses	(4,811)	(5,371)	(10.4)
Administrative expenses	(1,432)	(1,628)	(12.0)
Other operating expenses	(350)	(406)	(13.8)
Profit from operations	**4,883**	**4,477**	**9.1**
Financial expenses	(47)	(86)	(45.3)
Financial income	443	250	77.2
Profit after financial items	**5,279**	**4,641**	13.7
Share of results of associated company	(6)	(113)	(94.7)
Profit before taxation	**5,273**	**4,528**	**16.5**
Taxation	(1,264)	(1,361)	(7.1)
Profit for the period	**4,009**	**3,167**	**26.6**
Attributable to:			
Equity holders of the Company	3,481	2,707	28.6
Minority Interests	528	460	14.8
	4,009	**3,167**	**26.6**
Profit before tax is arrived at after crediting / (charging) the following :			
Depreciation and amortization	(955)	(818)	16.7
Interest income	443	250	77.2
Foreign exchange loss	(214)	(261)	(18.0)
Provision for doubtful debts	(109)	(687)	(84.1)
Provision for stock obsolesence	(712)	(359)	98.3
Provision for warranty	(1,164)	(568)	104.9
Gross profit as a percentage of turnover	17.6%	18.7%	(5.9)
Profit for the period as a percentage of turnover	6.2%	5.2%	19.2
Profit for the period attributable to equity shareholders of the Company as a percentage of issued capital and reserves at end of period	3.5%	3.0%	16.7

Note :
Certain comparatives have been restated to conform with current year's presentation.

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 31/3/2006 S$'000	Group 31/12/2005 S$'000	Company 31/3/2006 S$'000	Company 31/12/2005 S$'000
Equity					
Share capital	(i)	29,906	18,094	29,906	18,094
Share premium		-	11,812	-	11,812
Capital reserve		4,951	4,951	-	-
Share option reserve		1	2	1	2
Revenue reserve		65,798	62,317	36,622	34,536
Translation reserve		(1,318)	(1,206)	-	-
		99,338	95,970	66,529	64,444
Minority interest		15,832	15,304	-	-
		115,170	111,274	66,529	64,444
Non current assets					
Fixed assets		10,332	10,703	3,787	3,809
Investment in subsidiaries		-	-	9,580	9,580
Investment in associated company		1,258	1,274	199	199
Deferred tax assets		2,519	2,612	806	682
		14,109	14,589	14,372	14,270
Current assets					
Stocks		32,922	35,990	4,090	7,851
Contracts-work-in-progress		8,170	11,444	8,170	11,444
Trade debtors		41,660	35,131	19,286	16,725
Other debtors, deposits and prepayments		3,333	3,663	1,824	373
Due from associated company (trade)		15,071	11,066	14,956	10,861
Due from associated company (non-trade)		1,263	1,263	1,263	1,263
Due from related companies (trade)		5,612	6,948	1,636	1,987
Due from subsidiaries (trade)		-	-	3,028	3,474
Due from subsidiaries (non-trade)		-	-	966	1,028
Fixed deposits		17,428	18,026	17,428	18,026
Cash and bank balances		36,816	37,063	10,441	9,819
Total current assets		162,275	160,594	83,088	82,851
Current liabilities					
Trade creditors		35,380	30,445	16,618	12,608
Other creditors and accruals		13,112	17,080	4,287	6,181
Provision for warranty		5,103	4,249	1,971	1,682
Due to subsidiaries (trade)		-	-	2,308	2,620
Due to associated company (trade)		-	18	-	-
Due to related companies (trade)		1,726	6,136	1,656	6,069
Provision for taxation		5,893	5,981	4,091	3,517
Total current liabilities		61,214	63,909	30,931	32,677
Net current assets		101,061	96,685	52,157	50,174
		115,170	111,274	66,529	64,444

Notes :

(i) 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.

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

Amount repayable in one year or less, or on demand

As at 31/3/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
-	-	-	-

Amount repayable after one year

As at 31/3/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
-	-	-	-

Details of any collateral

N.A.

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	
	Period ended	
	31/03/2006	31/03/2005
Cash flows from operating activities	S$'000	S$'000
Profit before taxation	5,273	4,528
Adjustments for :		
Depreciation of fixed assets	955	818
Gain from disposal of fixed assets	-	(21)
Share option expenses	(1)	9
Provision for stock obsolescence	712	359
Provision for doubtful debts	109	687
Provision for warranty	1,164	568
Interest expense	-	14
Interest income	(443)	(250)
Share of loss of associated company	6	113
Operating profit before working capital changes	7,775	6,825
Decrease/(increase) in :		
Trade debtors	(6,638)	211
Other debtors, deposits and prepayments	(800)	(500)
Stocks	2,356	6,121
Contracts-work-in-progress	3,274	(8,103)
Changes in related parties/associate balances	(7,097)	(2,981)
Decrease/(increase) in :		
Trade creditors	4,935	2,409
Other creditors and accruals	(3,968)	(2,092)
Provision for warranty	(310)	(240)
Cash (used in) / generated from operations	(473)	1,650
Income taxes paid	(129)	(1,300)
Interest paid	-	(14)
Net cash flows (used in) / generated from operating activities	(602)	336
Cash flows from investing activities		
Purchase of fixed assets	(584)	(184)
Interest received	443	250
Net cash flows (used in) / generated from investing activities	(141)	66
Cash flows from financing activities		
Repayment of lease obligations	-	(2)
Net cash flows used in financing activities	-	(2)
Net (decrease) / increase in cash and bank balances	(743)	400
Effect of exchange rate changes	(102)	119
Cash and bank balances at beginning of the period	55,089	45,926
Cash and bank balances at end of the period	54,244	46,445

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							Minority Interests	Total Equity
For the period ended 31.3.2006	**Share Capital**	**Share Premium**	**Revenue Reserve**	**Capital Reserve**	**Share Option Reserve**	**Translation Reserve**	**Total**		
The Group	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Balance as at 1.1.2006	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	-	-	-	-	-	(112)	(112)	-	(112)
Share option	-	-	-	-	(1)	-	(1)	-	(1)
Net profit for the period	-	-	3,481	-	-	-	3,481	528	4,009
Balance as at 31.3.2006	29,906	-	65,798	4,951	1	(1,318)	**99,338**	15,832	**115,170**
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	-	-	-	-	-	112	112	-	112
Share option	-	-	-	-	9	-	9	-	9
Net profit for the period	-	-	2,707	-	-	-	2,707	460	3,167
Balance as at 31.3.2005	18,000	11,383	57,884	4,951	83	(1,316)	**90,985**	13,742	**104,727**
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	-	-	2,086	-	-	-	2,086	-	2,086
Balance as at 31.3.2006	29,906	-	36,622	-	1	-	**66,529**	-	**66,529**
Balance as at 1.1.2005	18,000	11,383	30,414	-	74	-	**59,871**	-	**59,871**
Share option	-	-	-	-	9	-	9	-	9
Net profit for the period	-	-	1,774	-	-	-	1,774	-	1,774
Balance as at 31.3.2005	18,000	11,383	32,188	-	83	-	**61,654**	-	**61,654**

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 number of shares since 31 December 2005. As mentioned in Section 1(b)(i) Note (i), the share premium account has been transferred to the Company's share capital account in the current period. As at 31 March 2006, there were 2,042,000 (2,019,000 @ S$0.625 and 23,000 @ S$0.22) unexercised share options granted (31 March 2005: 4,115,000).

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.

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

N.A.

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	
	31/3/2006	**31/3/2005**
	(cents)	(cents)
Earnings per Ordinary Share for the period based on net profit attributable to shareholders:		
(i) basic earnings per share	0.96	0.75
(ii) fully diluted earnings per share	0.96	0.75

Basic earnings per ordinary share for the period ended 31 March 2006 was calculated based on the weighted average number of shares in issue of 361,883,000 (2005: 360,000,000) ordinary shares. Fully diluted earnings per ordinary share for the period ended 31 March 2006 was calculated based on the adjusted weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,895,234 ordinary shares {2005 : based on weighted average number of shares in issue (adjusted for the effects of dilutive options) of 360,981,844 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**	
	31/3/2006 (cents)	**31/12/2005 (cents)**	**31/3/2006 (cents)**	**31/12/2005 (cents)**
Net Asset Value per ordinary share based on issued share capital	27.45	26.52	18.38	17.81

Net asset value per ordinary share as at 31 March 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

Turnover

Compared to Q1 2005, the Group's turnover increased 4.6%, from S$61.5 million to S$64.3 million, due mainly to higher turnover from the Telecom and Infocomm business segments, partially offset by lower turnover from CM business segment.

Telecommunications (Telecom)

Turnover increased 12.3%, from S$23.6 million to S$26.5 million, due mainly to sales of land and marine satellite terminals, particularly to Korea and New Zealand, and the final billing for the Inmarsat gateway delivered to India. Sales in the Transmission business remained stable.

Infocomm (previously known as Information Technology)

Turnover increased by 13.0%, from S$13.9 million to S$15.7 million. The increase in turnover was from higher sales in fixed network infrastructure solutions. This was partially offset by lower sales of point-of-sales (POS/EMV) terminals to customers in Malaysia and DTT (Digital Terrestrial TV) infrastructure equipment in Singapore.

Contract Manufacturing (CM)

Turnover decreased by 7.9%, from S$24.0 million to S$22.1 million, mainly due to lower sales in the Medical and Bioscience ("M&B") segment. Turnover from the M&B business segment decreased by 23.8%, from S$6.3 million to S$4.8 million. This was mainly because one of the customers encountered a delay in shipment due to design. The issue has since been resolved and shipments have resumed at the end of 1Q06. Though the Group managed to secure delivery of new products, the delivery of new products was not able to offset the reduction caused by the shipment delay from the key customer. The turnover for Telecomunications & Instrumentation ("T & I") business segment remained fairly stable.

Gross Profit

Compared to Q1 2005, the Group's gross profit decreased slightly by 1.4% from S$11.5 million to S$11.3 million. The CM business segment recorded higher gross profit due to lower material cost and lower stock and warranty provisions. Infocomm business segment recorded higher gross profit from higher sales. Telecom's gross profit was lower mainly due to higher stock and warranty provisions from higher sales.

Gross profit as a percentage of turnover ("GM margin") declined from 18.7% to 17.6%. This was due mainly to lower GM% from Telecom and Infocomm business segments as a result of higher provisions for stocks and warranty.

Operating Expenses

Compared to Q1 2005, the Group's total operating expenses decreased by 11% despite the increase in turnover. The decrease in distribution and selling expenses was mainly due to lower doubtful debts provision. Administrative expenses were lower mainly due to lower payroll related expenses. Other operating expenses were lower mainly due to lower exchange loss.

The Group's total operating costs as a percentage of turnover of 10.3% for Q1 2006 was lower than Q1 2005's 12.0% mainly due to the increase in turnover and lower operating costs.

Profit Before Taxation (PBT)

As a result of the higher turnover and reduction in operating expenses, PBT increased 16.5% from S$4.6 million to S$5.3 million with higher profit from the Infocomm and CM business segments.

Cash flow

As at 31 March 2006, the Group managed to maintain a healthy cash balance of S$54.2 million despite the need for higher working capital to support its increasing sales and marketing activities.

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)

In the Telecommunication transmission business area, demand for wireless transmission networks are driven by mobile operators investing substantially to increase their coverage, capacity and capabilities as well as some operators rolling out of new 3G mobile networks. The Group has benefited from these positive developments and has secured about S$20million orders of SDH and PDH transmission equipment from customers in Asia, Americas and EMEA (Europe, Middle East, Africa) last year.

The Group has also begun to introduce Nera Norway's new series of SDH access radios "Evolution" in selected Asian countries. This product, which will be more competitive and technologically more advanced, will gradually replace the current CityLink SDH products. The Group believes that Evolution SDH series will offer our customers a more cost effective solution for future transmission networks.

In the satellite business area, the Group has continued to receive orders for various types of Inmarsat land and marine satellite terminals from customers and distributors in Asia. The Nera WorldPro 1000, mobile broadband satellite terminal for Inmarsat BGAN (Broadband Global Area Network) continues to receive positive responses from various Asian countries. The Group has received orders of more than 1,000 units last year and has started to deliver small initial quantities in 1Q06. The Group intends to promote our land and marine ranges of Inmarsat terminals via our distribution channels to customers in Asia and develop new channels in certain vertical markets.

On the Inmarsat satellite gateway business, we do not see many new Inmarsat gateway opportunities. The Group will concentrate on securing enhancements and upgrading from its existing customers.

The broadband satellite business continues to be challenging and highly competitive. Nera Norway has recently announced the sale of their DvB RCS business to STM Inc USA. As such, the Group will no longer have a Nera brand DvB RCS product. The Group's current DvB RCS business is not substantial and will not have a material impact on the Group's result. The Group intends to further develop its current satellite product portfolio and seek partnership with technology and industry leaders and have a complete range of satellite solutions for our customers.

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

Infocomm (IC)

The Information Technology business segment is renamed "Infocomm" to reflect the various business activities. It is now reorganised into four business areas namely Fixed Networks, Broadcasting, Payment Solutions and Wireless Access.

The IC Fixed Networks (previously known as IT network infrastructure business) will concentrate on providing fixed network infrastructure to customers from the Telcos, Government and Enterprises sectors. The Group has continued to secure repeat orders from its existing Telco customers for fixed network equipment and believe the Telco fixed network infrastructure spending will continue to grow, driven by consumer and corporate demand for high speed broadband services. However, the enterprise fixed network spending remains moderate and security solutions demand continues to be driven by corporate and government organisations. The Group intends to concentrate on strengthening its exisitng key customers and secure new customers in countries where we have strong presence.

In the IC Broadcasting business area, the Group has started deliveries to all its three OEM mobile Set Top Box ("STB") customers. The Group will continue to promote its mobile DVB STB to Digital Terrestrial TV ("DTT") services ready countries via current and new OEM customers. Although many Broadcasters have plans to migrate from analogue to digital broadcasting infrastrucuture, the planning to implementation cycle normally takes a longer time.

In the IC Payment Solutions business, the growth is expected from demand for POS terminals from the EMV compliance POS terminal migration and growth in the retail Industry. The Group continues to secure new EMV compliance POS terminals from various banks and financial institutions in South East Asia (SEA) as more banks and financial institutions gradually migrate to EMV POS terminals. To ride on the POS terminals growth, the Group intends to provide complete outsourcing of POS infrastructure to banks, financial institutions and retailers in selected SEA countries. In this context, the Group has managed to also secure outsourcing of POS terminal orders as well as service and maintenance businesses from banks and financial institutions in Singapore, Malaysia, Thailand, Indonesia and Philippines.

The IC Wireless Access Networks is a newly created business area which will concentrate on developing a product portfolio to address the demand for large scale last mile broadband access using wireless technologies such as mesh-wifi and wimax for townships, metros or rural area access. The Group believes that there is a market in this area in countries where wired or other infrastrucuture are uneconomical to roll-out.

Contract Manufacturing (CM)

The Group believes the demand from its overall T&I customers will continue to be strong in view that telecom operators are expanding their networks infrastructure and coverage.

The demanding environment of the T&I industry requires the Group to be highly flexible and have the ability to cope within a short turnaround time. In this aspect, the Group is upgrading its ERP system with an e-portal to increase its efficiency in inventory management and also upgrading one of its SMT lines to improve its manufacturing throughput time. Both the ERP system and replacement line are expected to be in place by end of 2Q06. The investment of the SMT line is expected to be S$2.2 million and to be paid in 3Q06 through its own resources. The parts shortage which the Group encountered in 1Q06 is expected to continue but the situation is expected to improve in 2H06. The Group expects that the highly competitive T&I market segment will continue to put pressure on the Group's margins. The contribution from its other value added services such as product development, new product introduction and better logistic management program with suppliers would help to mitigate the pressure on margins.

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 in compliance with the 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 Group believes that the decrease in M&B market in 1Q06 was a temporary situation which the Group's customer has since managed to overcome the design related issue with its end customer. Thus, the Group hopes to secure more repeat orders from this customer as well as from other existing and new customers. However, current contributions from new customers are not significant. As a 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 2006.

The Group has started to transfer some of its T&I production to its India facility after a successful trial run in 1Q06. 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 single customer and has managed to secure a few new customers in the T&I and M&B 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 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.

OEMs are expected to continue their focus on core activities like R&D, product branding and marketing resulting in a demand to outsource their manufacturing activities. The Group believes that with its Singapore facility focusing on higher value added activities complemented by lower production cost in its India facility, it is in a good position to benefit from the growing outsourcing trend.

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

N.A.

(d) Books closure date

N.A,

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

No dividend has been declared or recommended for the financial period.

13. Aggregate value of interested persons transactions conducted pursuant to a shareholders' general mandate for the period ended 31 March 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$100,000)
	S$'000
Sales	
Nera Networks AS	7,164
Nera Networks, Inc.	2,366
Nera Satcom AS	878
Nera Broadband Satellite	428
Purchases	
Nera Networks AS	924
Nera Satcom AS	4,388
Nera Broadband Satellite	234

BY ORDER OF THE BOARD

Tan Cher Liang
Julie Koh Ngin Joo
Company Secretaries
28/4/2006