


[Print this page](#)**FIRST QUARTER RESULTS \* FINANCIAL STATEMENT AND RELATED 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
Designation *	Company Secretary
Date & Time of Broadcast	19-Apr-2010 18:58:01
Announcement No.	00116

**>> ANNOUNCEMENT DETAILS***The details of the announcement start here ...*

For the Financial Period Ended *	31-03-2010
Description	Please refer to the following announcements attached:  (1) Announcement on First Quarter Ended 31 March 2010 Results (2) First Quarter Ended 31 March 2010 Results Briefing

**Attachments**

 [NeraTel\\_Q1\\_2010\\_Results.pdf](#)  
 [NeraTel\\_Q1\\_2010\\_ResultsBriefing.pdf](#)  
Total size = **501K**  
(2048K size limit recommended)

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**NERA TELECOMMUNICATIONS LTD**

(Co. Reg. No. 197802690R)

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2010****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		
		Qtr 1 2010 S\$'000	Qtr 1 2009 S\$'000	Increase/ (Decrease) %
<b>Turnover</b>		<b>32,931</b>	<b>51,189</b>	<b>(35.7)</b>
Cost of sales		(25,597)	(41,199)	(37.9)
<b>Gross profit</b>		<b>7,334</b>	<b>9,990</b>	<b>(26.6)</b>
Other operating income		846	443	91.0
Distribution and selling expenses		(4,027)	(3,622)	11.2
Administrative expenses		(1,799)	(1,843)	(2.4)
Other operating expenses		(237)	(1,323)	(82.1)
<b>Profit from operations</b>		<b>2,117</b>	<b>3,645</b>	<b>(41.9)</b>
Financial expenses		(62)	(28)	121.4
Financial income		205	144	42.4
<b>Profit after financial items</b>		<b>2,260</b>	<b>3,761</b>	<b>(39.9)</b>
Share of results of an associate		326	(111)	N.M.
<b>Profit before taxation</b>		<b>2,586</b>	<b>3,650</b>	<b>(29.2)</b>
Taxation		(414)	(765)	(45.9)
<b>Profit after taxation</b>		<b>2,172</b>	<b>2,885</b>	<b>(24.7)</b>
<b>Other comprehensive income / (expense) :</b>				
Foreign currency translation of financial statements of foreign operations		306	77	297.4
<b>Total comprehensive income for the period</b>		<b>2,478</b>	<b>2,962</b>	<b>(16.3)</b>

		Group		
		Qtr 1 2010 S\$'000	Qtr 1 2009 S\$'000	Increase/ (Decrease) %
Profit for the period is arrived at after crediting / (charging) the following :				
Adjustments for (under) / over provision of tax in respect of prior years		(9)	19	N.M.
Depreciation	(1)	(703)	(659)	6.7
Interest expense		(1)	(2)	(50.0)
Interest income	(2)	205	144	42.4
Foreign exchange gain / (loss)		261	(1,053)	N.M.
Gain / (loss) on disposal of fixed assets		1	2	(50.0)
(Allowance) / Writeback of allowance for doubtful debts		(226)	239	N.M.
Bad debts recovered		6	6	0.0
Allowance for stock obsolescence		(71)	(5)	1320.0
Provision for warranty		(334)	(767)	(56.5)
Gross profit as a percentage of turnover		22.3%	19.5%	14.4
Profit for the period as a percentage of turnover		6.6%	5.6%	17.9
<b><u>Other information</u></b>				
Profit for the period attributable to equity shareholders of the Company as a percentage of issued capital and reserves at end of the period		3.4%	4.4%	(22.7)

N.M. Not meaningful

**Notes :**

- (1) The increase in depreciation resulted from more point-of-sale terminals purchased for leasing.
- (2) The increase in interest income was mainly due to higher interest income from an associate.

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

Balance Sheet as at	Group		Company	
	31/3/2010 S\$'000	31/12/2009 S\$'000	31/3/2010 S\$'000	31/12/2009 S\$'000
<b>Equity</b>				
Share capital	29,909	29,909	29,909	29,909
Revenue reserve	36,916	34,744	30,813	29,047
Translation reserve	(2,089)	(2,395)	-	-
	64,736	62,258	60,722	58,956
<b>Non current assets</b>				
Fixed assets	7,382	7,785	4,001	4,319
Investment in subsidiaries	-	-	4,316	4,316
Investment in an associate	1,562	1,179	199	199
Deferred tax assets	971	892	79	5
	9,915	9,856	8,595	8,839
<b>Current assets</b>				
Stocks	2,751	3,779	1,522	2,052
Contract work-in-progress	20,776	20,677	15,989	15,790
Trade receivables	31,552	25,280	18,206	18,304
Other receivables, deposits and prepayments	3,497	3,376	1,007	1,558
Due from an associate (trade)	19,548	21,676	17,362	18,942
Due from an associate (non-trade)	-	420	-	420
Due from related companies (trade)	15	32	3	20
Due from subsidiaries (trade)	-	-	9,489	7,325
Due from subsidiaries (non-trade)	-	-	427	280
Fixed deposits	19,700	17,700	19,700	17,700
Cash and bank balances	10,675	11,701	8,760	8,738
Total current assets	108,514	104,641	92,465	91,129
<b>Current liabilities</b>				
Trade payables	32,117	30,508	26,678	25,524
Other payables and accruals	12,820	13,239	7,138	8,714
Provision for warranty	4,607	4,415	2,390	2,283
Due to subsidiaries (trade)	-	-	406	399
Due to related companies (trade)	1,583	1,958	1,043	1,834
Provision for taxation	2,483	2,032	2,683	2,258
Obligations under finance leases	26	25	-	-
Total current liabilities	53,636	52,177	40,338	41,012
<b>Net current assets</b>	54,878	52,464	52,127	50,117
<b>Non current liabilities</b>				
Obligations under finance leases	(57)	(62)	-	-
<b>Net Assets</b>	64,736	62,258	60,722	58,956

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

As at 31/3/2010		As at 31/12/2009	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
26	-	25	-

**Amount repayable after one year**

As at 31/3/2010		As at 31/12/2009	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
57	-	62	-

**Details of any collateral**

Obligations under finance leases of \$83,000 are secured on three motor vehicles.

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

	<b>Group</b>	
	<b>Period ended 31 March</b>	
	<b>2010</b>	<b>2009</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	2,586	3,650
Adjustments for :		
Depreciation of fixed assets	703	659
(Gain) / loss from disposal of fixed assets	(1)	(2)
Interest expense	1	2
Interest income	(205)	(144)
Allowance for stock obsolescence	71	5
Allowance / (writeback) for doubtful debts	226	(239)
Provision for warranty	334	767
Share of results of an associate	(326)	111
<b>Operating profit before working capital changes</b>	<b>3,389</b>	<b>4,809</b>
Decrease / (increase) in :		
Trade receivables	(6,506)	(287)
Other receivables, deposits and prepayments	(121)	(907)
Stocks	949	(1,511)
Contract work-in-progress	(99)	(1,066)
Changes in related companies and associate balances	2,190	(1,693)
(Decrease) / increase in :		
Trade payables	1,609	13,549
Other payables and accruals	(419)	(2,094)
Provision for warranty	(159)	(165)
<b>Cash generated from operations</b>	<b>833</b>	<b>10,635</b>
Income taxes paid	(37)	(388)
Interest paid	(1)	(2)
<b>Net cash flows from operating activities</b>	<b>795</b>	<b>10,245</b>
<b>Cash flows from Investing activities</b>		
Proceeds from disposal of fixed assets	2	133
Purchase of fixed assets	(226)	(219)
Interest received	205	144
<b>Net cash flows (used in) / from investing activities</b>	<b>(19)</b>	<b>58</b>
<b>Cash flows from financing activities</b>		
Repayment of obligations under finance leases	(4)	(5)
<b>Net cash flows used in financing activities</b>	<b>(4)</b>	<b>(5)</b>
<b>Net increase in cash and bank balances</b>	<b>772</b>	<b>10,298</b>
Effect of exchange rate changes	202	(1)
Cash and bank balances at beginning of the period	29,401	20,849
<b>Cash and bank balances at end of the period</b>	<b>30,375</b>	<b>31,146</b>

- 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 Period ended 31 March	Share Capital S\$'000	Revenue Reserve S\$'000	Translation Reserve S\$'000	Total S\$'000
<b>Group</b>				
<b>Balance as at 1.1.2010</b>	29,909	34,744	(2,395)	<b>62,258</b>
Total comprehensive income for the period	-	2,172	306	2,478
<b>Balance as at 31.3.2010</b>	<b>29,909</b>	<b>36,916</b>	<b>(2,089)</b>	<b>64,736</b>
<b>Balance as at 1.1.2009</b>	29,909	34,933	(2,596)	<b>62,246</b>
Total comprehensive income for the period	-	2,885	77	2,962
<b>Balance as at 31.3.2009</b>	<b>29,909</b>	<b>37,818</b>	<b>(2,519)</b>	<b>65,208</b>
<b>Company</b>				
<b>Balance as at 1.1.2010</b>	29,909	29,047	-	<b>58,956</b>
Total comprehensive income for the period	-	1,766	-	1,766
<b>Balance as at 31.3.2010</b>	<b>29,909</b>	<b>30,813</b>	<b>-</b>	<b>60,722</b>
<b>Balance as at 1.1.2009</b>	29,909	29,341	-	<b>59,250</b>
Total comprehensive income for the period	-	3,065	-	3,065
<b>Balance as at 31.3.2009</b>	<b>29,909</b>	<b>32,406</b>	<b>-</b>	<b>62,315</b>

- 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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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 31 December 2009. As at 31 March 2010, there were 1,000,000 (@ S\$0.625) unexercised share options granted (31 March 2009 : 1,014,000 @ S\$0.625). There was no treasury share in issue as at the end of the current financial period (31 March 2009 : nil).

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year.

The total number of issued shares excluding treasury shares as at the end of the current financial period was 361,897,000 shares (31 December 2009 : 361,897,000).

- (1)(d)(iv) A statement showing all sales, transfers, disposal, cancellation and / or use of treasury shares as at the end of the current financial period reported on.

Not applicable

**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 first quarter financial statements for the period ended 31 March 2010, 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 for the financial year ended 31 December 2009 except as described in Section 5 below.

**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**

The Group has adopted the new and revised Singapore Financial Reporting Standard ("FRSs") that are mandatory for the financial year beginning on or after 1 January 2010, where applicable. The adoption of these standards did not result in substantial changes to the Group's accounting policies, and there is no material impact on the revenue reserve of the Group as at 1 January 2010.



**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.**

Earnings per Ordinary Share for the year based on net profit attributable to shareholders:

(i) basic earnings per share

(iii) fully diluted earnings per share

<b>Group</b>	
<b>Period ended 31 March</b>	
<b>2010</b>	<b>2009</b>
(cents)	(cents)
0.60	0.80
0.60	0.80

Basic earnings per ordinary share for the financial period ended 31 March 2010 was calculated based on the weighted average number of shares in issue of 361,897,000 (2009 : 361,897,000) ordinary shares. Fully diluted earnings per ordinary share for the financial period ended 31 March 2010 was calculated based on the adjusted weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,897,000 ordinary shares {2009 : based on weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,897,000 ordinary shares}.

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

Net Asset Value per ordinary share based on issued share capital

<b>Group</b>		<b>Company</b>	
<b>31/3/2010</b>	<b>31/12/2009</b>	<b>31/3/2010</b>	<b>31/12/2009</b>
<b>(cents)</b>	<b>(cents)</b>	<b>(cents)</b>	<b>(cents)</b>
17.89	17.20	16.78	16.29

Net asset value per ordinary share as at 31 March 2010 and 31 December 2009 was calculated based on the number of shares in issue of 361,897,000 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.**

**(a) Turnover**

Compared to Q1 2009, the Group's turnover decreased 35.7%, from \$51.2 million to \$32.9 million, with lower turnover from the Telecom business segment partially offset by higher turnover from the Infocomm business segment.

**Telecommunications (Telecom)**

Turnover decreased significantly by 78.8% from \$32.5 million to \$6.9 million, mainly due to lower sales of microwave radio equipment in the Transmission business area resulting from project delays on two projects amounting to approximately \$6 million. In addition, there were billings for two large projects in Thailand and Indonesia in Q1 2009 amounting to approximately \$20 million. On the other hand, the Satellite business area registered higher sales of satellite terminals.

**Infocomm**

Turnover increased by 39.0% from \$18.7 million to \$26.0 million. The increase in turnover was mainly due to higher sales of network equipment to the Service Provider market sector.

**(b) Gross Profit**

Compared to Q1 2009, gross profit decreased by 26.6%, from \$10.0 million to \$7.3 million as a result of the drop in turnover. However, the gross margin percentage ("GM%") improved from 19.5% to 22.3%, with higher GM% in the Telecom business segment due to the product / services revenue mix. The GM% for Infocomm business segment registered a drop due to the competitive business environment and the product / services revenue mix.

**(c) Operating Expenses**

Compared to Q1 2009, total operating expenses decreased by 10.7% from \$6.8 million to \$6.1 million. However, total operating expenses as a percentage of turnover was higher at 18.4% compared to 13.3% for Q1 2009 as a result of the lower turnover.

Distribution and selling expenses increased by 11.2% mainly due to provision for doubtful debts made for Q1 2010 of \$0.2 million compared to a writeback of \$0.2 million in the corresponding period. Administrative expenses registered a slight decrease of 2.4%. Other operating expenses decreased significantly by \$1.1 million mainly because in Q1 2009, there was exchange loss of \$1.1 million as a result of the appreciation of the US dollar against Singapore dollar.

**(d) Profit Before Taxation ('PBT')**

Compared to Q1 2009, PBT registered a drop of 29.2% from \$3.7 million to \$2.6 million as a result of the lower turnover. Other operating income was higher mainly due to exchange gain of \$0.3 million and writeback of long outstanding deposits and advances received of \$0.2 million. PBT as a percentage of turnover ("PBT %") was higher at 7.9% compared to 7.1% in Q1 2009.

**(e) Cash flow**

The Group was able to generate positive cashflow from operating activities.

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

Not applicable

**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**

The Group's business comprises of two main business segments, namely Telecommunications and Infocommunications.

**Telecommunications (Telecom)**

The Telecommunications business segment comprises of two main business areas : Transmission and Satellite Communications.

Competition in the telecommunication industry remains intense and customers continue to demand for lower cost products and services.

In the Telecom business segment, although there are signs of economic recovery and some operators are increasing or have plans to increase their capital expenditure, they remain cautious in their capital expenditure and continue to focus on driving operational costs down. In Q1 2010, the Group's Telecom business segment managed to secure approximately \$29 million in order intake mainly from our Transmission business area.

The Group will focus on providing a complete spectrum of Evolution series, software-defined radios, Ethernet / IP ready PDH, SDH access and SDH trunk radio transmission solutions to the Mobile market as well as the Defence, Broadcasting and Utilities market sectors. We believe that Mobile Operators will continue to expand their mobile transmission network infrastructure to increase their capacity, coverage and introduce new services and there is also a need for dedicated microwave networks in the non-Mobile market sector.

The Group will continue to focus on sales of a wide range of Inmarsat satellite communication products, solutions and services for land and mobile customers, non-Inmarsat VSAT marine solutions and handheld satellite phones to various market sectors such as Satellite Operators, ISP, Broadcasters, Government, Oil / Gas / Maritime and Enterprises. The Group will continue to seek new business opportunities in the satellite market and has recently managed to deliver Direct-To-Home (DTH) satellite receivers to an Asian Satellite TV Operator.

**Infocomm (IF)**

In the Infocomm business segment, the Group will focus on offering products and solutions from the Network Infrastructure and Payment Solutions business areas to three key market sectors, namely Service Providers, Enterprises and the Government, Transportation and Utilities sectors.

Competition in the Infocomm industry remains intense.

The Infocomm industry have shown signs of recovery as a result of improved economic situation in many countries. We believe IT infrastructure spending from the Telecom Service Providers, Enterprises as well as Government, Transport and Utilities will gradually rise to meet corporate and consumer demand for internet, broadband, security and payment services. In Q1 2010, the Group's Infocomm business segment managed to secure approximately \$16 million in order intake for network infrastructure equipment, and payment products and solutions.

In the Service Providers market sector, the Group will focus on providing high performance, secured and scalable IP, Optical and Broadcast network infrastructure products and solutions to Service Providers so that they can rapidly deploy new and competitive services to their customers.

In the Enterprise market sector, the Group believes that Corporate IT spending remains mixed with some enterprises investing in new network infrastructure, while others are upgrading their IT networks or outsourcing to lower their capital and operational costs. The Group will focus on providing enterprise-class network infrastructure products and services such as routers, switches, security equipment or threat management, optimization and aggregation appliances to help enterprises deploy a secured network, save costs and improve productivity.

In the Enterprise's Banking, Finance and Retail market sector, some customers are reviewing their network infrastructure, in particular security and network optimisation to save costs and improve security as a result of more internet services. On the Group's Payment Solutions business, the Group continues to secure new customers in the Region as customers continued to outsource their point-of-sale terminal infrastructure to lower their capital and operating expenses.

In the Government, Transport and Utilities market sector, opportunities in the Government sector remains positive. The increase in government IT spending from the education, healthcare, defence, transportation and utilities markets have created numerous opportunities. The Group has successfully deployed some of these projects and will continue to develop this market and focus on providing IP and optical networks, integrated communication solutions, dedicated communication networks as well as payment solutions to customers in these sectors.

## **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/recommendedd, 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 2010**

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

<b>Name of Interested Person</b>	<b>Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)</b>
	<b>S\$'000</b>
<b>Purchases</b>	
Nera Networks AS	6,147
<b>Other Operating Revenues</b>	
Nera Networks AS	301

**BY ORDER OF THE BOARD**

Tan Cher Liang  
Company Secretary

19/4/2010