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Third Quarter * Financial Statement And Dividend Announcement

* Asterisks denote mandatory information


Name of Announcer *	FEDERAL INT(2000) LTD
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Announcement submitted on behalf of	FEDERAL INT(2000) LTD
Announcement is submitted with respect to *	FEDERAL INT(2000) LTD
Announcement is submitted by *	Chng Geok
Designation *	Director/Company Secretary
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>> Announcement Details

The details of the announcement start here ...

For the Financial Period Ended *	30-09-2009
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Third Quarter Financial Statement And Dividend Announcement for the Period Ended 30 September 2009

FEDERAL INTERNATIONAL (2000) LTD

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

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	<-----Group----->			<-----Group----->		
	S\$ ' 000		Change	S\$ ' 000		Change
	3 mths ended	3 mths ended		9 mths ended	9 mths ended	
	Sep 09	Sep 08		Sep 09	Sep 08	
Revenue	26,539	42,142	-37.02%	143,350	133,023	7.76%
Cost of sales	(17,261)	(28,864)	-40.20%	(107,783)	(93,478)	15.30%
Gross profit	9,278	13,278	-30.13%	35,567	39,545	-10.06%
Other income	2,506	203	1134.48%	3,538	1,643	115.34%
Selling and Distribution costs	(7,172)	(2,703)	165.33%	(18,541)	(13,111)	41.42%
Administrative and General costs	(3,635)	(7,154)	-49.19%	(9,869)	(13,572)	-27.28%
Finance costs	(2,334)	(678)	244.25%	(5,524)	(2,829)	95.26%
Share of results of associates	(110)	161	-168.32%	207	676	-69.38%
(Loss)/Profit before income tax	(1,467)	3,107	-147.22%	5,378	12,352	-56.46%
Taxation	(135)	(1,442)	-90.64%	(2,275)	(4,131)	-44.93%
(Loss)/Profit after tax	(1,602)	1,665	-196.22%	3,103	8,221	-62.26%
Other comprehensive (expense)/income						
Net gain on fair value of financial derivative instruments	102	223	-54.26%	352	96	266.67%
Foreign currency translation	(983)	2,512	-139.13%	(1,538)	430	-457.67%
Other comprehensive (expense)/ income for the period	(881)	2,735	-132.21%	(1,186)	526	-325.48%
Total comprehensive (expense)/ income for the period	(2,483)	4,400	-156.43%	1,917	8,747	-78.08%

(Loss)/Profit attributable to:

Owners of the parent	(823)	1,109	-174.21%	4,061	6,740	-39.75%
Minority Interests	(779)	556	-240.11%	(958)	1,481	-164.69%
	<u>(1,602)</u>	<u>1,665</u>	-196.22%	<u>3,103</u>	<u>8,221</u>	-62.26%

Total comprehensive (expense)/income attributable to:

Owners of the parent	(1,011)	3,459	-129.23%	3,314	7,029	-52.85%
Minority Interests	(1,472)	941	-256.43%	(1,397)	1,718	-181.32%
	<u>(2,483)</u>	<u>4,400</u>	-156.43%	<u>1,917</u>	<u>8,747</u>	-78.08%

(Loss)/Profit from operating activities included the followings:

Interest income	(1,942)	(192)	911.46%	(2,122)	(827)	156.59%
Interest on borrowings	2,334	678	244.25%	5,524	2,829	95.26%
Depreciation and amortisation	2,208	1,474	49.80%	8,096	4,312	87.76%
Impairment loss / (reversal of impairment loss) on doubtful receivables	1,761	(137)	-1385.40%	3,595	(336)	1169.94%
Allowance for obsolete inventories	50	50	-	150	150	-
Foreign exchange loss	3,205	609	426.27%	3,533	3,774	-6.39%
Gain on disposal in investment in associated companies	-	-	NM	-	(209)	NM
(Gain)/loss on fair value adjustment on forward currency contracts	(684)	3,501	-119.54%	(1,075)	4,088	-126.30%

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.

Group		Company	
S\$ ' 000		S\$ ' 000	
Sep 09	Dec 08	Sep 09	Dec 08

Non-current assets

Property, plant and equipment	154,995	145,348	33	27
Subsidiary companies	-	-	62,622	62,330
Associated companies	10,730	11,066	9,058	9,058
Intangible assets	1,142	1,172	-	-
Other assets	570	846	-	-
Other investments	20	20	-	-
Other receivables	1	1	-	-
Finance lease receivables	21,166	21,231	-	-
Deferred tax assets	391	602	34	34
	189,015	180,286	71,747	71,449

Current assets

Inventories	41,872	44,483	-	-
Trade receivables	50,820	71,824	-	-
Other receivables	3,014	1,852	164	522
Advance payment to suppliers	22,582	16,672	-	-
Prepayments and deposits	5,995	4,226	93	47
Deferred expenditure	6,519	6,032	-	-
Finance lease receivables	736	726	-	-
Amounts due from subsidiary companies	-	-	56,725	47,093
Amounts due from associated companies	5,545	5,064	2,738	2,199
Amounts due from related parties	28,172	17,212	-	-
Fixed deposits	7,126	1,144	-	250
Cash and bank balances	6,682	6,737	1,738	872
	179,063	175,972	61,458	50,983

Group		Company	
S\$ ' 000		S\$ ' 000	
Sep 09	Dec 08	Sep 09	Dec 08

Current liabilities

Trade payables	17,964	19,111	-	-
Other payables and accruals	16,953	9,698	3,734	1,969
Advances from customers	21,620	21,101	-	-
Deferred revenue	-	15	-	-
Amounts due to subsidiary companies	-	-	581	689
Amounts due to associated companies	350	228	-	-
Amounts due to related parties	2,318	2,467	-	-
Amounts due to bankers	64,142	66,884	-	-
Term loans	32,281	33,610	7,064	17,298
Hire purchase creditors	2,487	1,672	-	-
Derivative financial instruments	6	8,830	-	-
Provision for taxation	4,601	4,902	1,248	754
	162,722	168,518	12,627	20,710

Net current assets

16,341	7,454	48,831	30,273
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Non-current liabilities

Term loans	65,213	63,637	-	-
Hire purchase creditors	2,954	2,947	-	-
Provision for post employment benefits	99	81	-	-
Deferred tax liabilities	169	220	-	-
	68,435	66,885	-	-

Net assets

136,921	120,855	120,578	101,722
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Equity attributable to equity holders of the parent

Share capital	94,929	79,208	94,929	79,208
Foreign currency translation reserve	(2,232)	(1,133)	-	-
Capital reserve	2,775	2,773	-	-
Revaluation reserve	1,030	1,030	-	-

	Group		Company	
	S\$ ' 000		S\$ ' 000	
	Sep 09	Dec 08	Sep 09	Dec 08
Hedging reserve	-	(352)	-	-
Revenue reserve	30,255	27,768	25,649	22,514
	126,757	109,294	120,578	101,722
Minority interests	10,164	11,561	-	-
Total equity	136,921	120,855	120,578	101,722

**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 September 2009		As at 31 December 2008	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
57,888	41,022	55,850	46,316

Amount repayable after one year

As at 30 September 2009		As at 31 December 2008	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
55,119	13,048	64,721	1,863

Details of any collateral

The Group's secured borrowings comprised term loans and trust receipts which are secured by way of the subsidiary companies' properties at 11 Tuas Avenue 1, Singapore 639496 and at 12 Chin Bee Drive Singapore 619868, as well as, the subsidiary companies' vessels, Federal I and Federal II, co-generation plant and land rig.

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

	Jul-Sep 2009	Jul-Sep 2008	Jan- Sep 2009	Jan- Sep 2008
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
Operating (loss)/profit before taxation	(1,467)	3,107	5,378	12,352
Add / (Less) :				
Amortisation of deferred expenditure	265	-	816	-
Amortisation of intangible assets	14	31	41	95
Amortisation of other assets	131	-	374	-
Depreciation of property, plant and equipment	1,798	1,443	6,865	4,217
Loss on property, plant and equipment written off	-	-	3	-
(Gain)/Loss on fair value adjustment of forward currency contracts	(285)	3,501	(676)	4,088
Loss on disposal of investment in other investment	-	-	-	56
Gain on disposal in investment in associated companies	-	-	-	(209)
(Gain)/loss on disposal of property, plant and equipment	-	(42)	4	(53)
Interest income	(1,942)	(192)	(2,122)	(827)
Interest expense	2,334	678	5,524	2,829
Impairment loss/(reversal of impairment loss) on doubtful receivables	1,761	(137)	3,595	(336)
Bad debts (recovered)/written off	(143)	-	6	(2)
Allowance for stock obsolescence	50	50	150	150
Share of results of associates	110	(161)	(207)	(676)
Operating income before reinvestment in working capital	2,626	8,278	19,751	21,684
Inflow / (Outflow) :				
(Increase)/decrease in inventories	(107)	(7,419)	2,460	(9,395)
Decrease/(increase) in trade receivables	5,072	3,829	17,401	(14,560)
Decrease in lease payment receivables	-	156	56	448
Decrease/(increase) in other receivables	26	1,159	(1,161)	1,083
(Increase)/decrease in advance payments to suppliers	(1,160)	24,068	(5,910)	(11,556)
(Increase)/decrease in prepayments and deposits	(1,013)	(3,817)	(1,768)	(8,105)

Increase in deferred expenses	(815)	(1,457)	(1,304)	(3,744)
Increase in project in progress	-	(1,967)	-	(1,967)
Decrease/(increase) in amounts due from associated companies	139	345	(426)	152
Decrease/(increase) in amounts due from related parties	905	943	(10,960)	1,591
Increase/(decrease) in trade payables	512	(9,397)	(1,147)	(5,769)
Increase in other payables	3,599	1,412	7,254	3,147
Increase/(decrease) in advances from customers	292	256	517	(2,309)
(Decrease)/increase in trust receipts and bills payable	(10,533)	6,176	(2,725)	39,150
(Decrease)/increase in deferred revenue	(1,032)	206	(15)	373
Increase/(decrease) in amounts due to associated companies	71	(112)	122	(173)
(Decrease)/increase in amounts due to related parties	(161)	2,629	(149)	823
(Decrease)/increase in provision for post employment benefits	(1)	-	18	-
Cash (used in)/generated from operations	(1,580)	25,288	22,014	10,873
Income taxes paid	(265)	(535)	(2,419)	(1,915)
Interest received	1,881	108	2,067	1,029
Interest paid	(2,334)	(678)	(5,524)	(2,829)
Net cash (used in)/generated from operating activities	(2,298)	24,183	16,138	7,158
Cash flows from investing activities				
Inflow / (Outflow) :				
Decrease in fixed deposits pledged	-	-	-	8,381
Purchase of property, plant and equipment	(1,374)	(40,956)	(15,308)	(51,583)
Proceeds from disposal of investment in associated companies	-	-	-	2,526
Proceeds from sale of property, plant and equipment	404	375	404	403
Increase in intangible assets	-	(50)	-	(51)
Investment in associated companies	-	(15)	-	(3,403)
Net cash used in from investing activities	(970)	(40,646)	(14,904)	(43,727)
Cash flows from financing activities				
Inflow / (Outflow) :				
Dividend received from associated company	26	-	26	-
Dividend payment in respect of prior year	(954)	-	(954)	(5,037)
Dividends of subsidiary paid to minority interests	(447)	-	(447)	-

Increase/(decrease) in secured bank overdrafts	228	298	(174)	(2,948)
Net proceeds from issuance of rights shares	15,101	-	15,101	-
(Repayments of)/proceeds from hire purchase financing	(595)	4,857	(1,615)	4,911
(Repayments of)/proceeds from additional term loans	(14,900)	20,234	(7,548)	36,241
Net cash (used in)/provided by financing activities	(1,541)	25,389	4,389	33,167
Net currency translation adjustments	1,578	(1,459)	147	1,589
Net (decrease)/increase in cash & cash equivalents	(3,231)	7,467	5,770	(1,813)
Cash and cash equivalents at beginning of period	13,105	13,608	4,104	22,888
Cash and cash equivalents at end of period	9,874	21,075	9,874	21,075

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the balance sheet date:

Cash and short term deposits	13,808	21,868
	13,808	21,868
Bank overdrafts (unsecured)	(3,934)	(793)
Cash and cash equivalents	<u>9,874</u>	<u>21,075</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 the owners of the parent							Minority interests	Total equity
	Share capital	Revenue reserves	Foreign currency translation reserve	Capital reserve	Revaluation reserve	Hedging reserve	Total reserves		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
The Group									
At 1 January 2008	79,208	31,549	(1,612)	2,773	1,030	(377)	33,363	8,796	121,367
Total comprehensive income/(expenses) for the period	-	2,463	(3,854)	-	-	(206)	(1,597)	1,205	(392)
At 31 March 2008	79,208	34,012	(5,466)	2,773	1,030	(583)	31,766	10,001	120,975
Total comprehensive income/(expenses) for the period	-	3,168	1,920	-	-	79	5,167	(428)	4,739
Dividends on ordinary shares	-	(5,037)	-	-	-	-	(5,037)	-	(5,037)
At 30 June 2008	79,208	32,143	(3,546)	2,773	1,030	(504)	31,896	9,573	120,677
Total comprehensive income for the period	-	1,109	2,127	-	-	223	3,459	941	4,400
Balance as at 30 September 2008	79,208	33,252	(1,419)	2,773	1,030	(281)	35,355	10,514	125,077

	Attributable to the owners of the parent							Minority interests	Total equity
	Share capital	Revenue reserves	Foreign currency translation reserve	Capital reserve	Revaluation reserve	Hedging reserve	Total reserves		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		
The Group									
At 1 January 2009	79,208	27,768	(1,133)	2,773	1,030	(352)	30,086	11,561	120,855
Total comprehensive income for the period	-	3,809	630	-	-	94	4,533	1,212	5,745
At 31 March 2009	79,208	31,577	(503)	2,773	1,030	(258)	34,619	12,773	126,600
Total comprehensive income/(expenses) for the period	-	1,075	(1,439)	-	-	156	(208)	(1,137)	(1,345)
At 30 June 2009	79,208	32,652	(1,942)	2,773	1,030	(102)	34,411	11,636	125,255
Total comprehensive (expenses)/income for the period	-	(823)	(290)	-	-	102	(1,011)	(1,472)	(2,483)
Shares of reserves of associate	-	-	-	2	-	-	2	-	2
Issuance of rights shares	15,101	-	-	-	-	-	-	-	15,101
Shares issued in lieu of dividends	620	(620)	-	-	-	-	(620)	-	-
Dividends on ordinary shares	-	(954)	-	-	-	-	(954)	-	(954)
Balance as at 30 September 2009	94,929	30,255	(2,232)	2,775	1,030	-	31,828	10,164	136,921

1(d)(i)

	Attributable to the owners of the parent			
	Share capital	Revenue reserves	Total reserves	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
The Company				
At 1 January 2008	79,208	22,422	22,422	101,630
Total comprehensive income for the period	-	635	635	635
At 31 March 2008	79,208	23,057	23,057	102,265
Total comprehensive income for the period	-	2,209	2,209	2,209
Dividends on ordinary shares	-	(5,037)	(5,037)	(5,037)
At 30 June 2008	79,208	20,229	20,229	99,437
Total comprehensive income for the period	-	1,331	1,331	1,331
Balance as at 30 September 2008	79,208	21,560	21,560	100,768
Balance as at 1 January 2009	79,208	22,514	22,514	101,722
Total comprehensive income for the period	-	1,384	1,384	1,384
At 31 March 2009	79,208	23,898	23,898	103,106
Total comprehensive income for the period	-	1,476	1,476	1,476
At 30 June 2008	79,208	25,374	25,374	104,582
Total comprehensive income for the period	-	1,849	1,849	1,849
Issuance of rights shares	15,101	-	-	15,101
Shares issued in lieu of dividends	620	(620)	(620)	-
Dividends on ordinary shares	-	(954)	(954)	(954)
Balance as at 30 September 2009	94,929	25,649	25,649	120,578

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.

The Company had issued and allotted 2,432,970 new ordinary shares at an issue price of 25.5 cents per share on 28 July 2009 pursuant to the Scrip Dividend Scheme in respect of the Company's first and final dividend of 0.5 cents per ordinary share declared for the financial year ended 31 December 2008.

On 17 September 2009, the Company had also issued and allotted 158,628,149 new ordinary shares ("rights shares") at an issue price of 10 cents for each rights share on the basis of 10.0 cents on the basis of one rights share for every two existing shares in the capital of the Company.

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 year.

	Sep 09	Dec 08
Total no. of issued shares (excluding treasury shares)	475,884,447	314,823,328

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

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

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 a 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 financial period compared with those of the audited financial statements for the year ended 31 December 2008, except as described in note 5.

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 adoption of the new/revised FRS, in particular FRS 1 (Presentation of Financial Statements- Revised Presentation) and FRS 108 (Operating Segments), are assessed to have no material impact on the results of the Group.

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	
	Sep 09	Sep 08
(i) Based on the weighted average number of ordinary shares on issue	1.01 cents	1.72 cents
(ii) On a fully diluted basis	1.01 cents	1.72 cents

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

	Group		Company	
	Sep 09	Dec 08	Sep 09	Dec 08
Net asset value per ordinary share as at the end of period/year	26.64 cents	34.72 cents	25.34 cents	32.31 cents

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.

Review of income statement

9 Months Ended 30 September 2009 ("9M2009") vs 9 Months Ended 30 September 2008 ("9M2008")

Third Quarter Ended 30 September 2009 ("3Q2009") vs Third Quarter Ended 30 September 2008 ("3Q2008")

Group revenue increased 7.8% to \$143.3 million from \$133.0 million compared to the same period last year. However, Group revenue in 3Q2009 fell by 37.0% to \$26.5 million from \$42.1 million in 3Q2008. The weaker performance in 3Q2009 was due to an overall decline in the contribution from the Group's Trading segment due to the Group being more selective in extending credit to its customers amid the weaker economic conditions, despite of the revenue increase in the first half year of the year which was driven by a

substantial contribution from the Integrated Project Management (“IPM”) project and supply of Oil Country Tubular Goods (“OCTG”) in Indonesia and increased business activities in the Marine Logistic segment which includes the sale of a tugboat and higher charter rates of Federal II. In addition, there is also a decrease in sales contribution from the Energy & Utilities segment due to a halt in the operations of a plant of a subsidiary company pending resolution of the financial problems faced by its major customer, as well as, the parent company of the customer.

Due to the lower margins for the IPM project and trading activities in China, the Group’s gross profit margin decreased to 24.8% from 29.7%.

Profit before taxation and minority interest decreased by 56.4% to \$5.4 million in 9M2009 from \$12.4 million in 9M2008 and by 147.2% from \$3.1 million in 3Q2008 to a loss of \$1.5 million in 3Q2009, as a result of combination of the factors mentioned below.

Depreciation and amortisation charges recorded an increase of 87.8% and 49.8% for 9M2009 and 3Q2009 respectively. This was due to the Group’s investment in property, plant and equipment in FY2008 which commenced depreciation in the last quarter of FY2008 and in FY2009 when the assets were put in use for the various projects. These include the various equipment required to carry out the logistical activities for coal mining operations in Indonesia and the land rig of Alton International (S) Pte Ltd respectively.

Selling and Distribution costs increased in 9M2009 by 41.4% to \$18.5 million. This was due to an increase in impairment loss on doubtful receivables which includes a specific debt where the parent company of a customer had appointed a voluntary administrator to restructure its financial affairs (as disclosed in the announcement for six months ended 30 June 2009), as well as, higher depreciation charges attributable to land rig in 9M2009. Selling and Distribution costs increased by 165.3% to \$7.2 million in 3Q2009 due to impairment loss on debtors, as well as, higher foreign exchange losses arising from the weakening of US Dollar affecting the accounts receivable denominated in US Dollar as compared to the then appreciating US Dollar for the corresponding period of prior year. These increases were partially offset by decrease in incentives to staff in 3Q2009.

Administrative and General costs decreased by 27.3% to \$9.9 million and by 49.2% to \$3.6 million in 9M2009 and 3Q2009 respectively. This was largely due to reversal of fair value adjustment on forward currency contracts in 9M2009 and 3Q2009. This decrease was offset by increases in consultancy fees for the construction of the waste water treatment plant of Federal Environmental (Panzhihua) Co., Ltd (“FE PZH”), staff welfare expenses and overseas tax dues for business activities in China and Indonesia in 9M2009.

Other income increased by 115.3% to \$3.5 million and by 1,134.5% to \$2.5 million in 9M2009 and 3Q2009 respectively due to charging of interest on overdue trade receivables and receipts in relation to the job credit scheme.

Finance costs increased by 95.3% to \$5.5 million in 9M2009 due to the term loan undertaken for purchase of the land rig, as well as trust receipts and bills payable to support projects such as the IPM and other trading activities such as sale of casing and tubings. The interest payment for the financing of the investment in FE PZH’s waste water treatment project in China further contributed to the increase in finance costs by 244.3% to \$2.3 million in 3Q2009.

The Group’s share of results of associates decreased by 69.4% to a profit of \$0.2 million in 9M2009 and by 168.3% to a loss of \$0.1 million in 3Q2009, due mainly to share of losses of an associated company in Indonesia which had recorded additional corporate taxes arising from changes in local tax laws in Indonesia, as well as, accrued for additional contract costs due to delay in completion of projects.

Review of Balance sheet

Total non-current assets for 30 September 2009 stood at \$189.0 million compared to \$180.3 million in FY2008. The increase in non-current assets was mainly a result of increases in property, plant and equipment.

Property, plant and equipment increased to \$155.0 million in 9M2009 from \$145.3 million in FY2008, due mainly to construction-in-progress for the Build-Operate-Own ("BOO") power plant in Indonesia by subsidiary PT Gasuma Federal Indonesia, the BOO waste water treatment of FE PZH, as well as bulk equipment for the coal mining operations of PT Alton International Resources.

Total current assets for 30 September 2009 stood at \$179.1 million compared to \$176.0 million in FY2008. The increase was due to increase in amounts due from related parties, other receivables, prepayments and deposits and fixed deposits, offset by a decrease in inventories and trade receivable balances.

The increase in amount due from related parties by \$11.0 million is a result of increased business activities for the procurement of drilling and casing, project management for the oil pipeline installation and the IPM project in Indonesia.

The decrease in trade receivables by \$21.0 million was due to an impairment loss on doubtful receivables of \$3.6 million which includes the specific debt of approximately \$1.5 million, where the parent company of the customer had appointed a voluntary administrator to restructure its financial affairs. In addition, the receipt of advanced billing for the supply of line pipe project in Algeria and improved collection due to tighter controls imposed contributed to a decrease in trade receivables. Consequently, this resulted in a net increase in fixed deposits and cash at bank of \$6.0 million.

Other receivables increased to \$3.0 million from \$1.9 million in FY2008, due mainly to higher value added tax refundable balances as a result of increased business activities of companies in China.

The increase in prepayments and deposits by \$1.8 million to \$6.0 million from \$4.2 million in FY2008 is mainly attributable to agency commission, insurance, bank and related charges being paid in advance for the supply of line pipe project in Algeria.

Advance payment to suppliers as at 30 September 2009 increased to \$22.6 million compared with \$16.7 million in FY2008. This was due to the advance payment to suppliers for purchases required for the supply of line pipe project in Algeria, as well as, for the tugboat which is targeted for delivery in the last quarter of the year.

Other payables and accruals increased to \$17.0 million from \$9.7 million in FY2008, due mainly to increased business activities of marine logistics segment and new companies which were incorporated in FY2008 and accrual of expenses related to the rights issue in September 2009.

Derivative financial instruments decreased by \$8.8 million to \$6,000 as at 30 September 2009 due to the expiration and crystallisation of losses of the outstanding forward currency contracts as at 31 December 2008. Federal Group had not and would not be entering into any new derivative financial instruments for its hedging requirements.

Amounts due to bankers decreased by \$2.7 million, due to utilisation of the net proceeds from the rights issue in September 2009 to reduce the short-term indebtedness. However, the repayment was offset by increases in trust receipts and bills payables for repayment to suppliers and advances to suppliers, as well as longer financing period as a result of longer trade cycle for supply of OCTG and supply for drilling activities.

Term loans increased marginally by \$0.2 million as a result of utilisation of the net proceeds from the rights issue to repay the existing bridging loan partially amounting to \$10.0 million although additional loan was obtained from a Fund for the purpose of investment in FE PZH's waste water treatment project in China. In addition, repayment of losses of forward currency contracts entered into in FY2008 were crystallised in FY2009 in the form of short term loans.

The share capital has increased by approximately \$15.7 million due to issuance of new shares pursuant to the scrip dividend scheme in respect of the Company's first and final dividend of 0.5 cents per ordinary share declared for the financial year ended 31 December 2008, as well as, completion of rights issue in September 2009.

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

No prospect statement was made in the second quarter financial statements released on 14 August 2009.

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.

In the last nine months, the Group's cash flow situation has been affected to some extent by the slow payment due to the longer trade cycle as a result of its supply of Oil Country Tubular Goods ("OCTG") which are related to drilling activities. Going forward, the Group has reviewed its strategy on this trading activity, and intends to pursue this business area only if it is able to shorten the collection cycle for OCTG trading to a reasonable period.

In line with our cautious stance on Build-Operate-Own ("BOO")/Build-Operate-Transfer ("BOT") projects, we have reviewed our BOO/BOT portfolio and decided to slow down BOO/BOT projects and if possible, to divest non-core projects. The Company has announced on 10 September 2009 that our wholly owned subsidiary Alton International (S) Pte Ltd has entered into a Sale and Purchase agreement ("SPA") with an individual to sell its entire 65% stake in Geo Link Nusantara Pte Ltd ("GLN") including the land rig and loan extended to carry out the project for US\$45.0 million. The transaction will be concluded pending fulfillment of certain conditions in the SPA.

The sale of our shareholding in GLN would help to strengthen the Group's balance sheet. However, further fund-raising exercises may still be explored to enable the Group to further pursue certain compelling business opportunities which may arise.

In the last few months, the Group's subsidiary Banyan Utilities Pte Ltd ("BUPL")'s plant on Jurong Island has stopped operations pending the resolution of the problem faced by its major customer Natural Fuel Pte Ltd which a receiver and manager is appointed. Subsequently, a liquidator is appointed under the winding up order of the company. BUPL's business future will also hinge on the outcome of its talks with the appointed receivers and liquidators, as well as, prospective customers. We will make an announcement on this new development when the outcome is more certain.

Globally, economic recovery has been gaining momentum, driven particularly by the strong performance of Asian economies such as China and India. Asia's developing economies are expected to grow faster than expected this year, with the region poised to lead the recovery from the global recession. While the recovery may be slow at times, the resilience of Asian economies combined with the strong government fiscal stimulus packages put in place should bring the regional economies back to a firm footing by next year.

Looking ahead, the Federal Group, with its diversified regional presence, should benefit from the improved business climate and can look forward to improved demand for its products and services.

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.

NA

13. Negative Assurance Confirmation Statement on Interim Financial Statements

There is a possibility of impairment loss on the finance lease receivables due from Natural Fuel Pte Ltd to a maximum of approximately \$21.9 million as a result of the winding up order on Natural Fuel Pte Ltd.

Save as disclosed in the preceding paragraph and any adjustment resulting from the impairment loss, the Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to their attention which may render the interim financial statements for the third quarter ended 30 September 2009 to be false or misleading in any material aspect .

BY ORDER OF THE BOARD
Koh Kian Kiong
Executive Chairman & CEO
Director

Chng Geok
Director

13 November 2009