

Half Year Financial Statement And Dividend Announcement for the Period Ended 30 June 2006

FEDERAL INTERNATIONAL (2000) LTD

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-----> S\$ ' 000		%
	6 mths ended Jun 06	6 mths ended Jun 05	Change
Revenue	58,968	37,160	58.69%
Cost of Sales	(40,921)	(27,228)	50.29%
Gross Profit	18,047	9,932	81.71%
Other Income	1,454	982	48.07%
Selling and Distribution costs	(6,695)	(3,960)	69.07%
Administrative and General costs	(4,055)	(3,663)	10.70%
Finance costs	(920)	(475)	93.68%
Share of results of associates	(206)	230	NM
Profit before taxation and minority interest	7,625	3,046	150.33%
Tax expense	(1,466)	(551)	166.06%
Profit for the period	6,159	2,495	146.85%
Attributable to:			
Equity holders of the company	5,548	2,448	
Minority Interests	611	47	
	6,159	2,495	
Profit before taxation included the following charges/(credits):			
Interest income	(973)	(309)	214.89%
Interest on borrowings	920	475	93.68%
Depreciation and amortisation	925	410	125.61%
Allowance for doubtful debts (trade)	61	420	-85.48%
Provision for stock obsolescence	700	100	600.00%
Foreign exchange loss/(gain)	657	(1,387)	NM

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	
	Jun 06	Dec 05	Jun 06	Dec 05
Long-term assets				
Fixed assets	53,140	10,484	9	3
Subsidiary companies	-	-	37,725	30,832
Associated companies	9,032	5,860	8,170	4,266
Intangible assets	1,050	992	-	-
Other investments	20	20	-	-
Other debtors	153	180	-	-
Deferred tax assets	16	16	16	16
	63,411	17,552	45,920	35,117
Current assets				
Stocks and work-in-progress	29,005	24,222	-	-
Trade debtors	34,419	28,450	-	-
Other debtors	830	2,042	1	1,274
Advance payment to suppliers	225	237	-	-
Prepayments and deposits	1,056	280	-	-
Deposit for purchase of fixed asset	-	3,632	-	-
Amounts due from subsidiary companies	-	-	9,037	10,169
Amounts due from associated companies	3,165	15,984	138	108
Amounts due from related parties	188	168	29	-
Fixed deposits	27,823	6,582	5,996	-
Cash and bank balances	6,279	11,193	143	408
	102,990	92,790	15,344	11,959
Current liabilities				
Trade creditors	6,103	9,234	110	37
Other creditors	5,031	2,087	592	331
Advance payment from customers	11,373	5,159	-	-
Deferred revenue	6,566	-	-	-

	Group		Company	
	S\$ ' 000		S\$ ' 000	
	Jun 06	Dec 05	Jun 06	Dec 05
Amount due to subsidiary company	-	-	88	9
Amounts due to associated companies	194	667	2	2
Amounts due to related parties	4	-	-	-
Amounts due to bankers	16,496	28,671	-	-
Term loans	6,486	34	-	-
Hire purchase creditors	65	64	-	-
Derivative financial instruments	537	302	-	-
Provision for taxation	2,164	1,756	108	14
	55,019	47,974	900	393
Net current assets	47,971	44,816	14,444	11,566
Long-term liabilities				
Term loans	26,861	36	-	-
Hire purchase creditors	89	127	-	-
Deferred tax liability	99	99	-	-
	27,049	262	-	-
Net assets	84,333	62,106	60,364	46,683
Equity attributable to equity holders of the company				
Share capital	53,617	35,066	53,617	35,066
Share premium	-	3,371	-	3,371
Revaluation reserve	2,398	2,398	-	-
Capital reserve	2,773	-	-	-
Warrants reserve	1,984	2,436	1,984	2,436
Foreign currency translation	(638)	5	-	-
Revenue reserves	21,069	17,001	4,763	5,810
	81,203	60,277	60,364	46,683
Minority interests	3,130	1,829	-	-
Total equity	84,333	62,106	60,364	46,683

**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 June 2006		As at 31 December 2005	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
10,581	12,466	14,850	13,897

Amount repayable after one year

As at 30 June 2006		As at 31 December 2005	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
26,950	-	149	36

Details of any collateral

The secured borrowings are secured by the Company's property at 11 Tuas Avenue 1, Singapore 639496, except for one of the subsidiary's borrowings which is secured by its fixed asset.

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

	Jan- Jun 2006	Jan- Dec 2005
	\$'000	\$'000
Cash flows from operating activities:		
Operating profit before taxation	7,625	6,516
Add / (Less) :		
Amortisation of development costs	55	119
Currency realignment	423	373
Depreciation of fixed assets	870	683
Loss on partial sale of interest in a subsidiary company	-	54
Gain on disposal of investment	-	(417)
Gain on disposal of fixed assets	(7)	(73)
Loss on fair value adjustment of forward currency contracts	235	363
Interest income	(973)	(868)
Interest expense	920	1,295
Allowance for doubtful debts	61	547
Provision for stock obsolescence	700	234
Share of associated companies' loss/(profits)	206	(1,185)
Stock written off	2	2
Operating income before reinvestment in working capital	10,117	7,643

Inflow / (Outflow) :		
(Increase)/decrease in stocks and work-in-progress	(5,485)	1,699
Increase in trade debtors	(6,030)	(7,258)
Decrease in other debtors	1,239	17,827
Decrease/(increase) in payments to suppliers	12	(150)
Decrease/(increase) in prepayments and deposits	2,856	(3,666)
Decrease in amounts due from associated companies	12,951	7,231
(Increase)/decrease in amounts due from related parties	(20)	211
Decrease in trade creditors	(3,131)	(1,576)
Increase/(decrease) in other creditors	2,944	(1,713)
Increase in advances from customers	6,214	4,693
(Decrease)/increase in trust receipts and bills payable	(12,799)	12,223
Increase in deferred revenue	6,566	-
Decrease in amounts due to associated companies	(473)	(133)
Increase in amounts due to related parties	4	-
Cash generated from operations	14,965	37,031
Income tax paid	(1,059)	(954)
Interest received	841	666
Interest paid	(920)	(1,295)
Net cash generated from operating activities	13,827	35,448
Cash flows from investing activities		
Inflow / (Outflow) :		
Purchase of fixed assets	(44,481)	(271)
Proceeds from partial sale of interest in a subsidiary company	-	50
Proceeds from sale of fixed assets	30	121
Investment in associated companies	(870)	(3,150)
Purchase of Intangible assets	(31)	-
Decrease in fixed deposit pledged	199	1,437
Proceeds from disposal of other investments	-	315
Net cash used in investing activities	(45,153)	(1,498)
Cash flows from financing activities		
Inflow / (Outflow) :		
Dividend payment in respect of prior year	(1,480)	(841)
Increase/(decrease) in secured bank overdrafts	839	(3,709)
Proceeds from issuance of shares	15,067	3
Expenses arising on issuance of shares	(339)	(19)
Principal repayments of hire purchase financing	(37)	(131)
Proceeds from/(repayment of) additional term loans	33,277	(14,082)
Capital contribution from minority shareholders of a subsidiary company	741	1,558
Net cash provided by/(used in) financing activities	48,068	(17,221)
Net increase in cash & cash equivalents	16,742	16,729
Cash and cash equivalents at beginning of period/year	17,294	565
Cash and cash equivalents at end of period/year	34,036	17,294

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 equity holders of the company							Minority interests	Total equity	
	Share capital	Share premium	Warrants reserve	Revenue reserves	Currency translation reserve	Capital reserve	Revaluation reserve			Total reserves
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
The Group										
Balance as at 1 January 2005	35,049	3,363	2,462	12,671	(287)	-	2,398	17,244	106	55,762
Effect of adopting FRS103	-	-	-	32	-	-	-	32	-	32
At 1 January 2005 as restated	35,049	3,363	2,462	12,703	(287)	-	2,398	17,276	106	55,794
Net effect of exchange differences	-	-	-	-	117	-	-	117	111	228
Net income recognised directly in equity	-	-	-	-	117	-	-	117	111	228
Profit for the period	-	-	-	2,448	-	-	-	2,448	47	2,495
Total recognised income and expenses for the period	-	-	-	2,448	-	-	-	2,448	47	2,495
Dividends on ordinary shares	-	-	-	(841)	-	-	-	(841)	-	(841)
Issuance of shares	2	1	-	-	-	-	-	-	-	3
Transfer from warrants reserve as a result of exercise of warrants	-	1	(1)	-	-	-	-	(1)	-	-
Expenses on issuance of shares	-	-	(11)	-	-	-	-	(11)	-	(11)
Balance as at 30 June 2005	35,051	3,365	2,450	14,310	(170)	-	2,398	18,988	264	57,668

	Attributable to the equity holders of the company							Minority interests	Total equity	
	Share capital	Share premium	Warrants reserve	Revenue reserves	Currency translation reserve	Capital reserve	Revaluation reserve			Total reserves
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000			S\$'000
The Group										
Balance as at 1 January 2006	35,066	3,371	2,436	17,001	5	-	2,398	21,840	1,829	62,106
Net effect of exchange differences	-	-	-	-	(643)	-	-	(643)	690	47
Net income recognised directly in equity	-	-	-	-	(643)	-	-	(643)	690	47
Profit for the period	-	-	-	5,548	-	-	-	5,548	611	6,159
Total recognised income and expenses for the period	-	-	-	5,548	-	-	-	5,548	611	6,159
Dividends on ordinary shares	-	-	-	(1,480)	-	-	-	(1,480)	-	(1,480)
Transfer to share capital	3,371	(3,371)	-	-	-	-	-	-	-	-
Issuance of shares	15,067	-	-	-	-	-	-	-	-	15,067
Transfer from warrants reserve as a result of exercise of warrants	439	-	(439)	-	-	-	-	(439)	-	-
Expenses on issuance of shares	(326)	-	(13)	-	-	-	-	(13)	-	(339)
Share of changes in associate's equity taken directly into equity	-	-	-	-	-	2,773	-	2,773	-	2,773
Balance as at 30 June 2006	53,617	-	1,984	21,069	(638)	2,773	2,398	27,586	3,130	84,333

1(d)(i)

Attributable to the equity holders of the company					Total equity
Share capital	Share premium	Warrants reserve	Revenue reserves	Total reserves	
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000

The Company

Balance as at 1 January 2005	35,049	3,363	2,462	6,658	9,120	47,532
Profit for the period	-	-	-	80	80	80
Total recognised income and expenses for the period	-	-	-	80	80	80
Dividends on ordinary shares	-	-	-	(841)	(841)	(841)
Issuance of shares	2	1	-	-	-	3
Transfer from warrants reserve as a result of exercise of warrants	-	1	(1)	-	(1)	-
Expenses on issuance of shares	-	-	(11)	-	(11)	(11)
Balance as at 30 June 2005	35,051	3,365	2,450	5,897	8,347	46,763
Balance as at 1 January 2006	35,066	3,371	2,436	5,810	8,246	46,683
Profit for the period	-	-	-	375	375	375
Total recognised income and expenses for the period	-	-	-	375	375	375
Dividends on ordinary shares	-	-	-	(1,422)	(1,422)	(1,422)
Transfer to share capital	3,371	(3,371)	-	-	-	-
Issuance of shares	15,067	-	-	-	-	15,067
Transfer from warrants reserve as a result of exercise of warrants	439	-	(439)	-	(439)	-
Expenses on issuance of shares	(326)	-	(13)	-	(13)	(339)
Balance as at 30 June 2006	53,617	-	1,984	4,763	6,747	60,364

- 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.**

During the current financial period, the balance standing to the credit of the Share Premium account as at 30 January 2006 was transferred to the Share Capital account in accordance with the Singapore Companies (Amendments) Act 2005.

On 12 January 2006, the Company had allotted and issued 42,000,000 new ordinary shares in the capital of the Company at \$0.33 per share to two Indonesian strategic investors.

The Company had also allotted and issued 5,795,992 new ordinary shares upon the exercise of 5,795,992 warrants at the exercise price of \$0.22 per warrant. As at the date of this announcement, a total of 29,166,783 warrants remain unexercised.

- 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 2005, except as described in the following paragraph.

- 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 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	
	June 06	June 05
(i) Based on the weighted average number of ordinary shares on issue	2.49 cents	1.40 cents
(ii) On a fully diluted basis	2.30 cents	1.34 cents

- 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	
	Jun 06	Dec 05	Jun 06	Dec 05
Net asset value per ordinary share as at the end of the year	36.44 cents	34.38 cents	34.44 cents	26.63 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.**

Group revenue for the six months ended 30 June 2006 increased by 58.6% from S\$37.2 million to S\$59.0 million compared to the corresponding period last year. The increase in revenue was mainly attributable to an improvement in the Group's core businesses and the newly-established marine vessel chartering business.

Gross profit margin rose from 26.7% in 1H2005 to 30.6% in 1H2006. This was the result of the Group's strategy of being more selective in taking up low margin EPC (Engineering, Procurement and Construction) projects while entering into high margin and recurring business segments such as marine logistics.

Selling and distribution expenses increased as a result of foreign exchange loss due to a sharp decline in the US dollar against the Singapore dollar during the year and an increase in provision for stock obsolescence in accordance with the Group's stock provision policy.

Interest on borrowing increased mainly due to funding of purchase and conversion cost of our floating and storage and off-loading (“FSO”) vessel, Federal I.

Net profit stood at S\$6.2 million, which represented a 148.0% increase over S\$2.5 million in 1H2005. Group operating profit increased by 153.3% from S\$3.0 million to S\$7.6 million. This was due to a relatively low increase in operating overheads which reflects the Group’s continuous efforts in managing its operating cost while growing the business. In addition, an increase of S\$0.5m in other income was due to an increase in interest earned on cash balances during the period under review.

Fixed Assets increased mainly due to the purchase and conversion cost of our FSO and there is a corresponding increase in term loan (both short and long term) to partially fund the said cost in 1H2006.

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

The results are in line with the prospect statement made in the full year results dated 27 February 2006.

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 continual efforts in exploring and seeking strategic investment and business alliances both locally and overseas to expand its core business and new services in the oil and gas industry have yielded some success.

A case in point is the commissioning of Federal I, the first FSO vessel owned by Federal’s subsidiary, Federal Offshore Services Pte Ltd (“FOS”) in April 2006. The vessel was acquired to fulfil a 10-year contract of US\$91.325 million for the provision of time charter of FSO vessel services in Indonesia.

Given the sustained uptrend of crude oil prices and the increased investment by oil majors in upstream activities, the Directors anticipate that the demand for marine logistics support services would continue to remain robust. Going forward, the Group will build on the marine logistics vessel chartering segment by acquiring more FSOs to meet the strong demand in this market segment.

Barring any unforeseen circumstances, the Directors are optimistic that the Group would remain profitable in the second half of FY2006.

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.

No dividend has been declared for the current financial period ended 30 June 2006.

BY ORDER OF THE BOARD

**Chng Geok
Director/Company Secretary
11 August 2006**