

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Financial Quarter Ended 31 July 2008

Notes To The Financial Statements

1. Basis of Preparation

- a) The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting.
- b) The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 July 2007.
- c) The accounting policies and methods of computation adopted by the Group are consistent with those adopted in the preparation of the financial statements for the year ended 31 July 2007 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) which are effective for the financial year beginning 1 August 2007 :

FRS 117 Leases
FRS 124 Related Party Disclosures
FRS 107 Cash Flow Statements
FRS 111 Construction Contracts
FRS 112 Income Taxes
FRS 118 Revenue
FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
FRS 134 Interim Financial Reporting
FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The adoption of the FRS 124, 107, 111, 112, 118, 120, 134 and 137, do not have any significant financial impact on the results of the Group.

The principal effect of the changes in accounting policies resulting from the adoption of FRS 117, is as follows:

(i) FRS 117 : Leases

Prior to 1 August 2007, leasehold land held for own use was disclosed as property, plant and equipment and was stated at cost less accumulated depreciation and impairment loss.

With the revised FRS 117, the unamortised carrying amounts of leasehold land are now classified as prepaid lease payment and amortised over the period of its remaining lease term. The reclassification of leasehold land as prepaid lease payment has been accounted for retrospectively and the comparatives in the balance sheet have been restated.

	<u>As previously reported</u> RM'000	<u>Reclassification FRS 117</u> RM'000	<u>As restated</u> RM'000
Balance Sheet			
<u>As at 31 July 2007</u>			
Property , plant and equipment	301,879	(7,727)	294,152
Prepaid lease payment	-	7,727	7,727

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2. Audit Report of Preceding Annual Financial Statements

The audit report of the Group's annual financial statements for the year ended 31 July 2007 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The business operations of the Group are not affected by any significant seasonal or cyclical factors.

4. Unusual Items

There are no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review.

5. Changes in Estimates

There are no changes in estimates of amounts reported previously that have any material effect in the current quarter under review.

6. Changes in Debt and Equity Securities

There were no cancellations, repurchases, resale and repayment of debts and equity securities during the financial period, except for the following:

- a) The issuance of 17,667,000 and 10,858,000 new ordinary shares of RM1 each, pursuant to the exercise of the Employees' Share Option Scheme and the conversion of warrants respectively. The Warrants 2001/2007 had expired on 21 August 2007.
- b) The Company has increased its issued and paid-up share capital by way of a Bonus Issue of 994,963,054 new ordinary shares of RM1 on the basis of one (1) new ordinary share of RM1 each in Gamuda Berhad ("Bonus Shares") for every one (1) existing ordinary share of RM1 in Gamuda share held on the entitlement date of 25 October 2007. The Bonus Issue has been effected by capitalising the Company's share premium.
- c) Redeemable Unsecured Bonds of RM400 million was fully repaid on 28 September 2007 by utilising internal generated funds.

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7. Segmental Reporting

Segment information is presented in respect of the Group's business segment.

	Engineering and Construction	Property Development	Water related and Expressway Concessions	Inter- segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
12 months ended					
31 July 2008					
Revenue					
External	1,825,161	472,810	105,689	-	2,403,660
Inter segment	(26,203)	-	-	26,203	-
	<u>1,798,958</u>	<u>472,810</u>	<u>105,689</u>	<u>26,203</u>	<u>2,403,660</u>
Segment results					
Profit from operations	141,550	123,575	57,177	-	322,302
Finance costs	(12,282)	(2,136)	(10,522)	-	(24,940)
Share of results of associated companies	-	30,755	142,697	-	173,452
Profit before tax	<u>129,268</u>	<u>152,194</u>	<u>189,352</u>	<u>-</u>	<u>470,814</u>
<i>Percentage of segment results</i>	<i>28%</i>	<i>32%</i>	<i>40%</i>		
Income tax expense					<u>(131,886)</u>
Profit for the year					<u><u>338,928</u></u>
Attributable to:-					
Equity holders of the Company					325,078
Minority interests					<u>13,850</u>
					<u><u>338,928</u></u>

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8. Dividends Paid

	12 months ended 31 July	
	2008	2007
	RM'000	RM'000
<u>Interim Dividends</u>		
For the year ended 31 July 2008: 25 sen less 26% taxation (2007 : 23 sen* less 27% taxation)	370,312	323,649
<u>Final Dividend</u>		
For the year ended 31 July 2006: 4.5 sen* less 27% taxation	-	54,439

* Comparative dividend per share has been adjusted for the Bonus Issue exercise on the basis of one (1) new ordinary share for every one (1) existing share held.

9. Valuation of Property, Plant and Equipment

The valuation of land and buildings has been brought forward without amendment from the previous audited financial statements.

10. Material Events Subsequent to Balance Sheet Date

There are no material events subsequent to the end of the quarter under review.

11. Changes in Composition of the Group

The changes of the Group for the year ended 31 July 2008 are as follows:

- 1) On 26 September 2007, Gamuda-NamLong Development Limited Liability (“Gamuda-NamLong”), a 70% subsidiary of Gamuda, in the Socialist Republic of Vietnam was incorporated. The remaining 30% of the issued and paid up capital of Gamuda-NamLong is held by Nam Long Investment Corporation.

The principal activity of Gamuda-NamLong is that of development and sale of villas and houses in Ho Chi Minh City.

- 2) On 30 December 2007, Gamuda Land Vietnam Limited Liability Company, a wholly owned subsidiary of Gamuda, in the Socialist Republic of Vietnam was incorporated to undertake the Yen So Project.
- 3) On 17 January 2008, Jade Homes Sdn Bhd, a wholly-owned subsidiary of Gamuda, has acquired the entire issued and paid up share capital of Jade Homes Resort Berhad (“JHRB”- formerly known as Parkland Greenery Sdn Bhd) comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2.00.

JHRB is presently dormant and is intended to be a proprietor and operator of a recreational clubhouse serving the Jade Hills housing development located in Kajang, Selangor Darul Ehsan.

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12. Changes in Contingent Liabilities or Contingent Assets

	<u>31 July 2008</u> RM'000	<u>31 July 2007</u> RM'000
Performance and retention sum guarantees	1,013,329	516,477

The contingent liabilities mainly relate to advance payment guarantees and performance bonds for the construction projects undertaken by the Group.

13. Review of Performance

For the current quarter under review, the Group recorded revenue and profit before tax of RM851.3 million and RM136.2 million respectively as compared to RM522.1 million and RM85.0 million respectively in the corresponding preceding quarter. For the current year to date, the Group recorded revenue and profit before tax of RM2,403.7 million and RM470.8 million respectively as compared to RM1,516.4 million and RM276.6 million respectively in the corresponding preceding period. The increase in revenue and profit before tax in the current quarter and current year to date is due to higher contributions from all divisions.

14. Comparison with Immediate Preceding Quarter's Results

For the current quarter under review, the Group recorded profit before tax of RM136.2 million as compared to RM114.7 million in the immediate preceding quarter. The higher profit before tax is mainly due to higher contributions from the Property Division and Water related and Expressway Division.

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15. Next Year's Prospects

Electrified Double Tracking Railway Project

Further to the Letter of Acceptance from the Government of Malaysia ("Government") to carry out the Electrified Double Tracking Railway Project from Ipoh to Padang Besar ("Project"), MMC-Gamuda Joint Venture Sdn Bhd has, on 25 July 2008, signed the contract for the Project with the Government.

To-date, the project company has awarded approximately 81% of the contract works and services to various subcontractors and suppliers. The contract for the System Works which is comprised of Electrification System, Signaling & Control System and Communication & Related Systems has been awarded. The project company has also entered into an agreement for the supply of Rail Tracks valued at approximately RM300 million. The construction works is currently progressing on schedule and the pace is expected to pick up in the next financial year.

The Government has recently issued a circular that enables the project company to claim for Variation of Price ("VOP") for a range of materials used in the project. Additionally, the cost pressures arising from the high material prices have eased following the recent drop in commodity prices globally.

Nam Theun 1 Project

Since the Tariff MOU with Electricity Generating Authority of Thailand ("EGAT") lapsed in mid June 2008, the project company has commenced negotiation for a new tariff agreement with EGAT which will take into account the increase in construction cost as a result of higher material prices. However, the political uncertainty in Thailand has affected the pace of the negotiation. Nevertheless, the Group is optimistic that the new tariff can be concluded in the next financial year.

Yen So Project

Construction works on the Park Development is progressing well on schedule. The awarding of contract works and services for the construction of the Sewage Treatment Plant are currently being carried out. Hence, the pace of construction is expected to pick up significantly in the next financial year. The project company is in the midst of negotiation with interested parties to jointly develop / sell certain parcels of the land with at least one major deal expected to be concluded in the next financial year.

Overall Prospects

All divisions are expected to face a challenging business environment in the next financial year. Amidst this challenging business environment, the Group's performance is expected to remain satisfactory in the next financial year.

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16. Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

17. Tax Expense

The taxation is derived as below:

	3 months ended 31 July		12 months ended 31 July	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Malaysia income tax	61,224	14,781	131,886	51,748

The Group's effective tax rate (excluding the results of associates which is equity accounted net of tax) for the current period is higher than the statutory tax rate primarily due to certain expenses not being deductible for tax purposes.

18. Profits/(Losses) on Sale of Unquoted Investments/Properties

There is no sale of investments/properties for the current financial year under review.

19. Quoted Investments

There were no transactions on quoted investments in the current financial year under review.

20. Status of Corporate Proposal Announced

There is no corporate proposal announced but not completed at a date not earlier than 7 days from the issue of this report.

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21. Group Borrowings and Debt Securities

The details of the Group's borrowings as at end of current quarter are as follows:

	Note	Foreign Currency '000	At 31 Jul 08 RM Equivalent '000
<u>Short Term Borrowings</u>			
Revolving Credits:			
- denominated in US Dollar ("USD")		137,080	433,721
- denominated in Ringgit Malaysia ("RM")	1		288,531
Commercial Papers (Horizon Hills)			35,000
Term Loan (Gamuda Water)			25,000
			<u>782,252</u>
<u>Long Term Borrowings</u>			
Medium Term Notes (Bandar Botanic)			300,000
Medium Term Notes (Horizon Hills)			70,000
Medium Term Notes (Gamuda Berhad)			480,000
Term Loan (Smart Project)	2		161,500
Term Loan (Gamuda Water)			25,000
			<u>1,036,500</u>
Total			<u>1,818,752</u>

Note:

1. The revolving credit for Electrified Double Tracking Railway Project which was obtained by a jointly controlled entity, MMC-Gamuda Joint Venture Sdn. Bhd. in relation to design, construction, testing, commissioning and maintenance of the electrified double track between Ipoh and Padang Besar. The revolving credit is secured on the project and is on a non-recourse basis to Gamuda Group.
2. The term loan for Smart Project was obtained by a jointly controlled entity, Syarikat Mengurus Air Banjir & Terowong Sdn Bhd in relation to the motorway development of the Stormwater Channel and Motorway Works. The term loan is secured on the Smart Project and is on a non-recourse basis to Gamuda Group.

The revolving credit and term loan are consolidated into Gamuda Group's borrowings as a result of the Group's adoption of the revised FRS 131-Interests in Joint Ventures whereby the interests in the jointly controlled entities are proportionately consolidated.

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22. Off Balance Sheet Financial Instruments

The Group has entered into forward foreign currency contracts to limit its exposure to potential changes in foreign exchange rates with respect to estimated receipts and payments denominated in foreign currency.

The details of the outstanding forward foreign currency contracts are as follows:

	Contract amount	Maturity period
Forwards used to hedge receivables in USD	USD 66.24 mil	Sept 2008 – Mar 2010
Forwards used to hedge payables in Vietnamese Dong	USD 10.27 mil	Oct 2008 – Mar 2009

There is minimal credit and market risk as the contracts are entered with a reputable bank.

23. Material Litigation

Since the date of the last quarterly report, there has been no progress to the Civil Suit filed by Wayss & Freytag (Malaysia) Sdn Bhd (“W&F”) against MMC-Gamuda JV (“Joint Venture”) for alleged wrongful termination of W&F as the sub-contractor for the North Tunnel of the Smart Tunnel Project.

The Civil Suit is fixed for trial on 17 May 2010 and 18 May 2010.

Other than the above litigation, there is no other material litigation since the last annual balance sheet date to a date not earlier than 7 days from the date of issue of this report.

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24. Earnings Per Share

	Current Quarter 31 July 2008	Current Year To Date 31 July 2008
Basic		
Net profit attributable to shareholders (RM'000)	70,203	325,078
Number of ordinary shares in issue as at 1 August 2007 ('000)	981,528	981,528
Effect of shares issued during the year ('000)	27,620	21,434
Effect of bonus issued shares during the year ('000)	994,963	994,963
Weighted average number of ordinary shares in issue ('000)	2,004,111	1,997,925
Basic earnings per ordinary share (sen)	3.50	16.27
Diluted		
Net profit attributable to shareholders (RM'000)	70,203	325,078
Weighted average number of ordinary shares in issue ('000)	2,004,111	1,997,925
- Assumed shares issued from exercise of ESOS ('000)	4,672	12,956
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share ('000)	2,008,783	2,010,881
Fully diluted earnings per ordinary share (sen)	3.49	16.17