

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Financial Quarter Ended 31 October 2009

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 financial year ended 31 July 2009.
- 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 2009 except for the adoption of FRS 8 – Operating Segments which became effective for financial periods beginning on and after 1 July 2009. The adoption of FRS 8 does not have any financial impact on the Group.

2. Audit Report of Preceding Annual Financial Statements

The audit report of the Group’s annual financial statements for the year ended 31 July 2009 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 of equity securities during the financial year, except for the issuance of 6,774,000 new ordinary shares of RM1 each, pursuant to the exercise of the Employees’ Share Option Scheme.

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7. Segmental Analysis

	Engineering and Construction	Property Development and Club Operations	Water related and Expressway Concessions	Inter- segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
3 months period ended 31 October 2009					
Revenue					
External	466,754	127,824	29,382	-	623,960
Inter segment	2,792	-	-	(2,792)	-
	<u>469,546</u>	<u>127,824</u>	<u>29,382</u>	<u>(2,792)</u>	<u>623,960</u>
Segment results					
Profit from operations	18,886	21,014	16,228	(661)	55,467
Finance costs	(6,479)	(2,777)	(2,572)	661	(11,167)
Share of results of associated companies	-	3,278	35,910	-	39,188
Profit before tax	<u>12,407</u>	<u>21,515</u>	<u>49,566</u>	<u>-</u>	<u>83,488</u>
Percentage of segment results	15%	26%	59%		
Taxation					<u>(17,464)</u>
Profit for the period					<u><u>66,024</u></u>
Attributable to:-					
Equity holders of the Company					63,017
Minority interests					<u>3,007</u>
					<u><u>66,024</u></u>
3 months period ended 31 October 2008					
Revenue					
External	490,464	98,243	25,257	-	613,964
Inter segment	5,679	-	-	(5,679)	-
	<u>496,143</u>	<u>98,243</u>	<u>25,257</u>	<u>(5,679)</u>	<u>613,964</u>
Segment results					
Profit from operations	15,649	17,745	14,662	-	48,056
Finance costs	(6,226)	(834)	(3,713)	-	(10,773)
Share of results of associated companies	-	3,685	31,009	-	34,694
Profit before tax	<u>9,423</u>	<u>20,596</u>	<u>41,958</u>	<u>-</u>	<u>71,977</u>
Percentage of segment results	13%	29%	58%		
Taxation					<u>(14,503)</u>
Profit for the period					<u><u>57,474</u></u>
Attributable to:-					
Equity holders of the Company					55,036
Minority interests					<u>2,438</u>
					<u><u>57,474</u></u>

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8. Valuation of Property, Plant and Equipment

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

9. Material Events Subsequent to Balance Sheet Date

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

10. Changes in Composition of the Group

There were no material changes in the composition of the Group during the financial period ended 31 October 2009.

11. Dividends

- a) The Board of Directors declared an interim dividend in respect of financial year ending 31 July 2010 as follows:
- i) An interim dividend of 6.00 sen per ordinary share less 25% taxation;
 - ii) An interim dividend of 4.00 sen per ordinary share less 25% was declared in previous corresponding period;
 - iii) The payment date of the interim dividend is on 8 February 2010;
 - iv) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 28 January 2010.
- b) The total dividend per share for the current financial period is 6.00 sen less 25% taxation. For the preceding year's corresponding period, a total dividend per share of 4.00 sen less 25% taxation was declared.

12. Dividends Paid

	3 months ended	
	31 Oct	
	2009	2008
	RM'000	RM'000
Second Interim Dividend		
For the year ended 31 July 2009 : 4.00 sen less 25% taxation		
(2008 : Nil)	60,405	-

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13. Changes in Contingent Liabilities or Contingent Assets

	<u>31 Oct 2009</u> RM'000	<u>31 July 2009</u> RM'000
Performance and retention sum guarantees	662,153	676,315

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

14. Review of Performance

For the current quarter under review, the Group recorded revenue and profit before tax of RM624.0 million and RM83.5 million respectively as compared to RM614.0 million and RM72.0 million respectively in the corresponding preceding quarter. The increase in profit before tax is due to higher contributions from all divisions.

15. Comparison with Immediate Preceding Quarter's Results

For the current quarter under review, the Group recorded profit before tax of RM83.5 million, which is higher than the immediate preceding quarter's profit before tax of RM80.4 million. The higher profit before tax is primarily due to higher contribution from the property division arising from strong property sales with effect from the middle of the last financial year.

16. Current Year Prospects

Overall Prospects

With the existing construction projects progressing on schedule and the recovery of the property market, the Group's performance is expected to improve in the remaining quarters of the current financial year. The performance for each division is as follows:-

(a) Construction Division

Electrified Double Track Project

The work progress was behind schedule due to delays in design approval and late handover of land by the authorities. Under the terms of the contract signed by the Government of Malaysia ("GOM") and the project company, all land should be handed over to the project company early this year, but to-date, only 90% has been handed over. As a result of the delays, on 9 November 2009, GOM has granted the project company an interim extension of time of 11 months to complete the project. The project completion date is now revised from January 2013 to December 2013. The work progress is expected to pick up in the remaining quarters of the financial year.

New Doha International Airport Project (Qatar)

Progress claims submitted to the Qatari Government are being settled within the contractual period. Qatar which is rich in oil & gas resource is unaffected by the Dubai debt crisis. The project is progressing on schedule.

Yenso Park and Sewage Treatment Plant Projects (Vietnam)

Yenso Park and Sewage Treatment Plant projects are progressing well. The recent devaluation of the Vietnamese Dong has no significant near term impact on the Group.

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(b) Property Division

Established developments like Kota Kemuning, Bandar Botanic and Valencia Development gained the most from the market turnaround in the middle of the last financial year. The property sector continues to gain momentum and the results for the quarter showed further improvement. The products in demand for the quarter were semi-detached houses, bungalow homes and commercial shops. With its substantial locked-in unbilled sales of RM700 million, the property division's performance is expected to improve further in the remaining quarters of the financial year.

(c) Water-related Concession Division

Early this year, Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("Splash") received an offer from the Selangor State Government ("SSG") in respect of the taking over of the water assets and operations of Splash.

However, on 30 November 2009, the SSG informed Splash that it was unable to proceed with its takeover offer due to Syarikat Bekalan Air Selangor Sdn Bhd's and Puncak Niaga (M) Sdn Bhd's disagreement with SSG's offer to them and as such, SSG's offer to Splash was deemed lapsed and of no effect.

17. Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

18. Taxation

The taxation is derived as below:

	3 months ended 31 Oct	
	2009 RM'000	2008 RM'000
Malaysia income tax	17,464	14,503

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.

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

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

20. Quoted Investments

There was no transaction on quoted investment in the current quarter year under review.

21. 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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22. Group Borrowings and Debt Securities

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

		Foreign Currency '000	At 31 Oct 09 RM Equivalent '000
<u>Short Term Borrowings</u>			
Revolving Credits		98,850	349,784
- denominated in US Dollar ("USD")			
Commercial Papers (Horizon Hills)			35,000
Term Loan (Gamuda Water)			18,750
			<hr/> 403,534
<u>Long Term Borrowings</u>			
Medium Term Notes (Bandar Botanic)			300,000
Medium Term Notes (Horizon Hills)			100,000
Medium Term Notes (Gamuda Berhad)			480,000
Term Loan (Smart Project)	1		161,500
Term Loan (Jade Homes)			169,000
			<hr/> 1,210,500
Total			<hr/> <hr/> 1,614,034

Note:

1. 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 term loan is 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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23. Off Balance Sheet Financial Instruments

Currency forwards

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	USD8.8 million	Dec 2009 – Mar 2010

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

24. Material Litigations

- 1) Wayss & Freytag (Malaysia) Sdn Bhd (“W&F”) filed the Writ of Summons and a Statement of Claim (“the Court Action”) against the MMC-Gamuda Joint Venture (“JV”) for inter-alia, a court declaration that the JV is in breach of the sub-contract dated 16 April 2003 (“the Sub-Contract”) by failing to make payment for the sum of RM102,366,880.42 awarded by the Dispute Adjudication Board (“DAB”) to W&F in respect of various claims arising out of the Sub-Contract and for damages of the same amount.
- 2) On 15 May 2009, the Court allowed the JV’s application for stay of proceedings of the Court Action and unconditionally stayed the Court Action initiated by W&F.
- 3) On 1 June 2009, W&F filed an appeal against the Court’s decision to stay the proceedings.
- 4) On 30 October 2009, the court dismissed W&F’s appeal against the Court’s earlier decision to stay the Court Action. The Court Action has now been fixed for mention on 6 September 2010.
- 5) On 17 December 2008, in accordance with the terms of the Sub-Contract, the JV commenced arbitration proceedings by serving on W&F a notice of arbitration. W&F also commenced arbitration proceedings by filing its Notice of Arbitration on 15 January 2009. A preliminary meeting between the Arbitral Tribunal members and the parties’ respective solicitors was held on 17 September 2009. At the preliminary meeting, the Arbitral Tribunal had set down various directions for the conduct of the arbitration. Among other things, it was directed that the arbitration proceedings commenced by both parties be heard together over the period 4 July 2011 till 15 July 2011.

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

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25. Earnings Per Share

	Current Quarter 31 October 2009
Basic	
Net profit attributable to shareholders (RM'000)	<u>63,017</u>
Number of ordinary shares in issue as at 1 August 2009 ('000)	2,009,257
Effect of shares issued during the period ('000)	<u>5,751</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,015,008</u>
Basic earnings per ordinary share (sen)	<u>3.13</u>
Diluted	
Net profit attributable to shareholders (RM'000)	<u>63,017</u>
Weighted average number of ordinary shares in issue ('000)	2,015,008
Assumed shares issued from exercise of ESOS ('000)	<u>12,752</u>
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share ('000)	<u>2,027,760</u>
Fully diluted earnings per ordinary share (sen)	<u>3.11</u>