

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

#### 1. Basis of Preparation

- 1.1) The interim financial report is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard ("FRS") 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.
- 1.2) The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 July 2013.
- 1.3) The accounting policies and methods of computation adopted by the Group are consistent with those adopted in the audited financial statements for the year ended 31 July 2013, except for the adoption of the following Revised Financial Reporting Standards (FRSs) and Amendments to FRSs and IC Interpretations:

#### Effective for annual periods beginning on or after 1 January 2013:

FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangements
FRS 12	Disclosure of interests in Other Entities
FRS 13	Fair Value Measurement
FRS 119	Employee Benefits
FRS 127	Separate Financial Statements
FRS 128	Investment in Associates and Joint Ventures
Amendments to FRS 1	Government Loans
Amendments to FRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
IC interpretation 20	Stripping costs in the Production Phase of a Surface Mine
Amendments to FRSs	'Improvements to FRSs (2012)'
Amendments to FRS 10, FRS 11 and FRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance
Amendments to FRS 101	Presentation of Financial Statement (Improvements to FRSs (2012))
Amendments to FRS 116	Property, Plant and Equipment (Improvements to FRSs (2012))
Amendments to FRS 132	Financial Instruments: Presentation (Improvements to FRSs (2012))
Amendments to FRS 134	Interim Financial Reporting (Improvements to FRSs (2012))
Amendments to IC Interpretation 2	Member's shares in Co-operative Entities and Similar Instruments (Improvements to FRSs (2012))

The above Revised FRSs and Amendments to FRSs and IC Interpretations do not have any significant impact on the financial performance and position of the Group, except for:

#### FRS 11 Joint Arrangements

FRS 11 replaces FRS 131 Interests in Joint Ventures and IC interpretation 113 Jointly-Controlled Entities-Non Monetary Contributions by Venturers for annual periods beginning on or after 1 January 2013. Therefore, the Group and the Company will be required to comply with the requirements of FRS 11 with effect from the financial statements for the year ending 31 July 2014.

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

#### 1. Basis of Preparation (cont'd)

##### 1.3) (cont'd)

##### FRS 11 Joint Arrangements (cont'd)

Pursuant to the previous accounting standard (FRS 131), the Group recognised its interests in joint ventures using proportionate consolidation instead of equity method (the allowed alternative method), as proportionate consolidation better reflects the Group's interests in the joint ventures. Under the proportionate consolidation, the Group combines its share of each of the assets, liabilities, income and expenses of the joint ventures in its consolidated financial statements.

Pursuant to the new accounting standard (FRS 11), a joint arrangement can be either a joint operation or a joint venture. A joint operator recognises and measures its assets, liabilities, revenue and expenses in accordance with the terms of the arrangement. A joint venturer recognises its interest in a joint venture using the equity method, whereby an investment is initially recognised at cost and the carrying amount is increased or decreased by the joint venturer's share of the profit and loss in the joint venture.

Some of the Group's joint arrangements met the characteristics of a joint operation and therefore, the Group continues to recognise its share of each of the assets, liabilities, income and expenses in its consolidated financial statements. However, some of the Group's joint arrangements met the characteristics of a joint venture and therefore, the Group recognises its interests in the joint venture using equity method. A change from proportionate consolidation to equity method would affect the Group's assets, liabilities, income and expenses but not the net profit or equity. This change would be applied retrospectively.

The following are the effects arising from the above change in accounting policy:

	Before FRS 11 RM'000	Effect of adopting FRS 11 RM'000	After FRS 11 RM'000
<b><u>For the quarter ended 31 January 2014</u></b>			
<b>Consolidated Income Statement</b>			
Revenue	1,334,363	(816,735)	517,628
Operating expenses	(1,164,953)	756,587	(408,366)
Other income	18,201	(5,320)	12,881
Profit from operations	187,611	(65,468)	122,143
Finance costs	(22,786)	3,350	(19,436)
Share of profits of joint ventures	-	42,104	42,104
Share of profits of associated companies	55,994	-	55,994
Profit before taxation	220,819	(20,014)	200,805
Taxation	(45,584)	20,014	(25,570)
Profit for the period	175,235	-	175,235
Profit attributable to :-			
Owners of the Company	170,115	-	170,115
Non-controlling interests	5,120	-	5,120
	175,235	-	175,235

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

#### 1. Basis of Preparation (cont'd)

##### 1.3) (cont'd)

##### FRS 11 Joint Arrangements (cont'd)

The following are the effects arising from the above change in accounting policy: (cont'd)

	Before FRS 11 RM'000	Effect of adopting FRS 11 RM'000	After FRS 11 RM'000
<b><u>For 6 months ended 31 January 2014</u></b>			
<b>Consolidated Income Statement</b>			
Revenue	2,540,440	(1,536,692)	1,003,748
Operating expenses	(2,215,030)	1,410,494	(804,536)
Other income	32,709	(7,088)	25,621
Profit from operations	358,119	(133,286)	224,833
Finance costs	(39,530)	6,083	(33,447)
Share of profits of joint ventures	-	87,441	87,441
Share of profits of associated companies	113,433	-	113,433
Profit before taxation	432,022	(39,762)	392,260
Taxation	(90,397)	39,762	(50,635)
Profit for the period	341,625	-	341,625
Profit attributable to :-			
Owners of the Company	335,595	-	335,595
Non-controlling interests	6,030	-	6,030
	341,625	-	341,625

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

#### 1. Basis of Preparation (cont'd)

##### 1.3) (cont'd)

##### FRS 11 Joint Arrangements (cont'd)

The following are the effects arising from the above change in accounting policy: (cont'd)

<b>As at 31 January 2014</b>	Before	Effect of	After
<b>Consolidated Statement of Financial Position</b>	FRS 11	adopting	FRS 11
	RM'000	FRS 11	FRS 11
		RM'000	RM'000
<b>ASSETS</b>			
Property, plant and equipment	394,683	(101,407)	293,276
Land held for property development	1,048,220	(53,654)	994,566
Investment properties	85,666	(8,933)	76,733
Motorway development expenditure	315,210	(315,210)	-
Interests in joint ventures	-	546,323	546,323
Deferred tax assets	42,389	(4,577)	37,812
Non current receivables	317,621	(110,581)	207,040
Property development costs	2,063,326	(154,965)	1,908,361
Inventories	104,641	(5,553)	99,088
Current receivables	1,310,916	(308,091)	1,002,825
Amount due from customers for construction contracts	633,293	(247,746)	385,547
Tax recoverable	51,551	(2,663)	48,888
Investment securities	270,123	(73,000)	197,123
Cash and bank balances	1,405,423	(381,731)	1,023,692
<b>LIABILITIES</b>			
Non current payables	160,964	(50,317)	110,647
Deferred tax liabilities	85,834	(2,551)	83,283
Long term borrowings	2,073,676	(200,921)	1,872,755
Short term borrowings	515,607	(231,520)	284,087
Current payables	1,458,144	(568,318)	889,826
Amount due to customers for construction contracts	224,265	(148,304)	75,961
Provision for liabilities	46,476	(19,790)	26,686
Tax payable	33,079	(67)	33,012

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

#### 1. Basis of Preparation (cont'd)

##### 1.3) (cont'd)

##### FRS 11 Joint Arrangements (cont'd)

The following comparatives have been restated:

	As previously stated RM'000	Effect of adopting FRS 11 RM'000	As Restated RM'000
<b><u>For the quarter ended 31 January 2013</u></b>			
<b>Consolidated Income Statement</b>			
Revenue	875,225	(375,044)	500,181
Operating expenses	(725,324)	327,839	(397,485)
Other income	11,316	5,985	17,301
Profit from operations	161,217	(41,220)	119,997
Finance costs	(20,157)	1,940	(18,217)
Share of profits of joint ventures	-	24,138	24,138
Share of profits of associated companies	61,302	-	61,302
Profit before taxation	202,362	(15,142)	187,220
Taxation	(40,927)	15,142	(25,785)
Profit for the period	161,435	-	161,435
Profit attributable to :-			
Owners of the Company	156,890	-	156,890
Non-controlling interests	4,545	-	4,545
	161,435	-	161,435

	As previously stated RM'000	Effect of adopting FRS 11 RM'000	As Restated RM'000
<b><u>For 6 months ended 31 January 2013</u></b>			
<b>Consolidated Income Statement</b>			
Revenue	1,646,564	(693,120)	953,444
Operating expenses	(1,366,286)	614,363	(751,923)
Other income	25,060	2,029	27,089
Profit from operations	305,338	(76,728)	228,610
Finance costs	(36,829)	4,730	(32,099)
Share of profits of joint ventures	-	47,946	47,946
Share of profits of associated companies	116,005	-	116,005
Profit before taxation	384,514	(24,052)	360,462
Taxation	(75,380)	24,052	(51,328)
Profit for the period	309,134	-	309,134
Profit attributable to :-			
Owners of the Company	302,328	-	302,328
Non-controlling interests	6,806	-	6,806
	309,134	-	309,134

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

#### 1. Basis of Preparation (cont'd)

##### 1.3) (cont'd)

##### FRS 11 Joint Arrangements (cont'd)

The following comparative have been restated: (cont'd)

<b><u>As at 31 July 2013</u></b>	As previously stated RM'000	Effect of adopting FRS 11 RM'000	As Restated RM'000
<b>Consolidated Statement of Financial Position</b>			
<b>ASSETS</b>			
Property, plant and equipment	395,050	(95,511)	299,539
Land held for property development	1,101,703	(52,968)	1,048,735
Investment properties	66,822	(7,500)	59,322
Motorway development expenditure	316,440	(316,440)	-
Interests in joint ventures	-	500,798	500,798
Deferred tax assets	49,854	(4,388)	45,466
Non current receivables	260,044	(55,044)	205,000
Property development costs	1,912,009	(122,543)	1,789,466
Inventories	96,266	(14)	96,252
Current receivables	1,183,338	(331,259)	852,079
Amount due from customers for construction contracts	732,648	(486,465)	246,183
Tax recoverable	47,155	(4,060)	43,095
Investment securities	514,922	(3,479)	511,443
Cash and bank balances	1,230,210	(435,569)	794,641
<b>LIABILITIES</b>			
Non current payables	414,282	(253,434)	160,848
Deferred tax liabilities	83,228	(2,213)	81,015
Long term borrowings	1,717,265	(204,196)	1,513,069
Short term borrowings	741,435	(281,731)	459,704
Current payables	1,367,889	(468,780)	899,109
Amount due to customers for construction contracts	289,449	(183,517)	105,932
Provision for liabilities	44,078	(13,722)	30,356
Tax payable	35,263	(6,849)	28,414

# **Gamuda Berhad (29579-T)**

## **Quarterly Report On Consolidated Results For The Period Ended 31 January 2014**

### **Notes To The Interim Financial Statements**

(The figures have not been audited)

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#### **1. Basis of Preparation (cont'd)**

##### **Malaysian Financial Reporting Standards (“MFRS Framework”)**

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework). This is in line with the need for convergence with International Financial Reporting Standards (IFRS) in 2012.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called ‘Transitioning Entities’).

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for three years and adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2015.

The Company falls within the scope definition of Transitioning Entities and accordingly, the Group and the Company will be required to prepare financial statements using the MFRS Framework in the first MFRS financial statements for the year ending 31 July 2016. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

#### **2. Audit Report of Preceding Annual Financial Statements**

The audit report of the Group’s annual financial statements for the year ended 31 July 2013 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 were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review.

#### **5. Changes in Estimates**

There were 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 for the current quarter, except for the issuance of 14,327,000 and 9,222,801 new ordinary shares of RM1 each, pursuant to the exercise of the Employees’ Share Option Scheme and the conversion of warrants respectively.

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

#### 7. Segmental Analysis

	Engineering and Construction	Property Development and Club Operations	Water and Expressway Concessions	Total
	RM000	RM000	RM000	RM000
<b>6 months period ended 31 January 2014</b>				
<b>REVENUE</b>				
Total revenue	1,895,628	577,137	72,292	2,545,057
Less: Inter segment revenue	(4,617)	-	-	(4,617)
Less: Share of revenue of joint ventures	(1,327,446)	(199,993)	(9,253)	(1,536,692)
External revenue as reported	563,565	377,144	63,039	1,003,748
<b>RESULTS</b>				
Profit from operations	110,425	80,215	34,193	224,833
Finance costs	(9,179)	(16,609)	(7,659)	(33,447)
Share of profits of joint ventures	26,615	60,472	354	87,441
Share of profits of associated companies	-	3,456	109,977	113,433
Profit before taxation	127,861	127,534	136,865	392,260
<b>Percentage of segment results</b>	<b>33%</b>	<b>32%</b>	<b>35%</b>	
Taxation				(50,635)
Profit for the period				341,625
Profit attributable to:-				
Owners of the Company				335,595
Non-controlling interests				6,030
				341,625

#### **6 months period ended 31 January 2013**

<b>REVENUE</b>				
Total revenue	1,065,914	517,376	67,528	1,650,818
Less: Inter segment revenue	(4,254)	-	-	(4,254)
Less: Share of revenue of joint ventures	(550,588)	(133,703)	(8,829)	(693,120)
External revenue as reported	511,072	383,673	58,699	953,444
<b>RESULTS</b>				
Profit from operations	105,624	87,873	35,113	228,610
Finance costs	(11,606)	(8,833)	(11,660)	(32,099)
Share of profits of joint ventures	10,971	38,540	(1,565)	47,946
Share of profits of associated companies	-	1,755	114,250	116,005
Profit before taxation	104,989	119,335	136,138	360,462
<b>Percentage of segment results</b>	<b>29%</b>	<b>33%</b>	<b>38%</b>	
Taxation				(51,328)
Profit for the period				309,134
Profit attributable to:-				
Owners of the Company				302,328
Non-controlling interests				6,806
				309,134



# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

#### 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 were 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 for the period ended 31 January 2014, except for the following:-

On 3 December 2013, the Company has acquired the entire issued and paid-up share capital of Dinamik Atlantik Sdn Bhd ("DASB") comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2.00.

#### 11. Dividends

- a) The Board of Directors does not recommended any dividend for the current financial quarter. No dividend was declared in the previous corresponding quarter.
- b) The total dividend declared for the current financial period is a single tier interim dividend of 6.00 sen per ordinary share. In respect of the preceding year's corresponding period, a total single tier interim dividend of 6.00 sen per ordinary share was declared.

#### 12. Dividend Paid

	<b>6 months ended 31 January</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>First Interim Dividends</u>		
First interim dividend comprising single tier dividend of 6.00 sen per ordinary share for the year ending 31 July 2014 was paid on 28 January 2014.	137,993	-
(First interim dividend comprising single tier dividend of 6.00 sen per ordinary share for the year ended 31 July 2013 was paid on 23 January 2013.	-	125,337
	<u>137,993</u>	<u>125,337</u>

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

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#### 13. Review of Performance

##### Overall Performance

For the current quarter, the Group recorded revenue and profit before taxation of RM517.6 million and RM200.8 million respectively as compared to RM500.2 million and RM187.2 million respectively in the preceding year comparative quarter.

For the current year to date, the Group recorded revenue and profit before taxation of RM1,003.7 million and RM392.3 million respectively as compared to RM953.4 million and RM360.5 million respectively in the preceding corresponding quarter.

The increase in profit before taxation for the current year to date resulted from higher contributions from all divisions.

The performances of the respective divisions of the Group are as follows:

(a) CONSTRUCTION DIVISION

The increase in profit before taxation for the current year to date resulted from higher work progress from the Klang Valley Mass Rapid Transit Project.

(b) PROPERTY DIVISION

The increase in profit before taxation for the current year to date resulted from higher profit contribution from the Horizon Hills project.

(c) WATER AND EXPRESSWAY CONCESSIONS DIVISION

The increase in profit before taxation for the current year to date resulted from higher contribution from the Group's various expressways.

#### 14. Comparison with immediate Preceding Quarter's Results

The Group recorded profit before taxation of RM200.8 million for the current quarter which was slightly higher than the immediate preceding quarter's profit before taxation of RM191.5 million.

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

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#### 15. Current Year Prospects

##### Overall Prospects

The Group anticipates an improved performance this year from on-going construction projects, substantial unbilled sales of the property division and steady earnings from the water and expressway concessions division.

The status of projects and prospects for the respective divisions of the Group are as follows:

##### (a) CONSTRUCTION DIVISION

###### Klang Valley Mass Rapid Transit Project : Sungai Buloh – Kajang Line

###### **Project Delivery Partner (“PDP”) :**

Through MMC Gamuda KVMRT (PDP) Sdn Bhd, our role as PDP is to deliver to the owner, Mass Rapid Transit Corporation Sdn Bhd, a fully operational railway system within the agreed target cost and completion date.

The construction progress of the major civil works i.e. elevated viaducts, stations and underground tunnels continued to pick up pace. Major works centered on foundation and pier construction, launching of segmental box girders for the elevated guideway of the twin rail tracks, stations and tunnelling works. Stringent measures on work site safety and diligent traffic management have enabled safe and smooth work progress for the project. The designs for the systems works continued to progress well.

Cumulative progress at the end of February 2014 was 39% completion. The project is targeted for full completion by July 2017.

###### **Underground Works Package :**

Seven TBMs have been launched in stages with the balance to be deployed from May 2014. The tunnel section from Cochrane Station to Pasar Rakyat Station has been completed and works on the remaining four tunnel sections are in progress. Construction of the seven underground stations is progressing satisfactorily.

Cumulative progress at the end of February 2014 was 54% completion.

###### Electrified Double Tracking Railway Project

Civil works and track works are substantially completed with current works centered on systems installation. Progress is on schedule with 99% of the overall works completed. The scheduled completion date of the section from Padang Besar to Ipoh (Spine line) is June 2014, and the section from Bukit Mertajam to Butterworth (Spur line) is November 2014.

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

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#### 15. Current Year Prospects

##### (b) PROPERTY DIVISION

For the first half of this financial year, the division achieved sales of RM980 million, a 63% increase from the first half of the previous financial year. Unbilled sales at the end of this quarter were RM1.7 billion.

##### Malaysia

The division's on-going projects at Bandar Botanic in Klang, Jade Hills in Kajang, Madge Mansions and The Robertson in Kuala Lumpur and Horizon Hills in the Iskandar Johor region, continued to achieve good take-up rates. The Robertson, a condominium development in Kuala Lumpur city centre, registered strong take-up rate of 80% while Horizon Hills continued to attract local buyers as well as those from Singapore.

Projects still in the planning stage include a 5-acre high rise development at Kelana Jaya and two parcels of land, 724 acres at Serai and 89 acres at Kundang, which will be developed into a comprehensive integrated township comprising residential and commercial properties. The total Gross Development Value for these new projects is estimated at RM6 billion.

In the immediate future, property sales in Malaysia is expected to be more challenging as a result of the various measures announced by the authorities to cool the property market. Nevertheless, the division, with its well-established brand and trusted reputation for delivery of quality lifestyle properties, should continue to do well with its projects being in strategic locations.

##### Vietnam

At Gamuda City in Hanoi, the first batch of residential landed properties will be handed over to buyers in April 2014. A reputable international school is setting up its campus there signalling its strong confidence in the project and the long term potential of the country.

At Celadon City in Ho Chi Minh City, the second block of apartments is scheduled for hand over to buyers in April 2014. Sales have picked up recently following the successful opening of Aeon retail mall in January 2014.

The sales outlook for these projects remains cautious due to the state of Vietnam's economy.

##### (c) WATER AND EXPRESSWAY CONCESSIONS DIVISION

###### (i) Expressway

Traffic volumes of the division's various expressways have been stable and resilient.

The Company had made offers to the remaining shareholders of Kesas Holdings Berhad ("Kesas Holdings"), namely, Perbadanan Kemajuan Negeri Selangor ("PKNS"), Permodalan Nasional Berhad ("PNB") and Amcorp Properties Berhad ("Amcorp Properties"), to acquire their entire equity interest, collectively representing 70% equity interest, in Kesas Holdings for RM980 million. Kesas Holdings is the holding company of Kesas Sdn Bhd - the concession holder of Shah Alam Expressway.

On 16 January 2014, the Company entered into a conditional share purchase agreement ("SPA") with Amcorp Properties for the acquisition of up to 20% equity interest in Kesas Holdings held by Amcorp Properties. However, PKNS and PNB did not accept the Company's offers within the offer period and accordingly, the Company's offers to PKNS and PNB lapsed.

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

#### 15. Current Year Prospects

##### (c) WATER AND EXPRESSWAY CONCESSIONS DIVISION (CONT'D)

###### (ii) Water

On 26 February 2014, the Company received an offer from Kumpulan Darul Ehsan Berhad ("KDEB"), an entity wholly-owned by the Selangor State Government, to purchase 100% equity in Syarikat Pengeluar Air Selangor Holdings Berhad ("Splash Holdings"). Splash Holdings is the holding company of Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("Splash") - the concession holder of Sungai Selangor Water Supply Scheme Phase 1 and 3. The Company has a 40% equity interest in Splash Holdings. The offer was part of the Selangor State Government's effort to consolidate the various entities involved in the treatment, supply and distribution of water in the state of Selangor.

On 6 March 2014, Splash received a letter from Lembaga Urus Air Selangor informing Splash that its existing license to extract raw water expiring on 30 June 2014 will not be renewed after its expiry.

On 10 March 2014, the Company informed KDEB that while it appreciates the Menteri Besar's best efforts to consolidate the Selangor water industry, it is constrained from accepting the said offer due to the adverse consequences on the Company. The net offer of RM250.6 million for Splash Holdings when compared to the net asset value ("NAV") of Splash Holdings amounting to RM2.54 billion as at 31 December 2013 will result in a huge divestment loss of RM920 million to the Company. The offer of RM250.6 million is below 10% of Splash Holdings' NAV. The offer is therefore not reasonable for acceptance by the Company.

The Company informed KDEB that it is however, amenable to accepting an offer by KDEB to acquire the equity of Splash Holdings upon mutually agreed terms on a 'willing buyer – willing seller' basis, based on the following conditions which were already included in KDEB's earlier offers and accepted by the Company :

- (aa) Payment of Splash Holdings' NAV (as agreed by KDEB in its letter of offer dated 20 February 2013 page 6 item 2(vi) and the State's offer dated 15 July 2009 page 2 item 6).
- (bb) The retention of the operations and maintenance operators of Splash Holdings (Gamuda Water Sdn Bhd and Sungai Harmoni Sdn Bhd) at existing terms (as agreed by the State in its letter of offer dated 15 July 2009 page 2 item 4).

#### 16. Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

#### 17. Taxation

The taxation is derived as below:

	3 months ended 31 January		6 months ended 31 January	
	2014	(Restated) 2013	2014	(Restated) 2013
	RM'000	RM'000	RM'000	RM'000
Malaysian & foreign income tax	25,570	25,785	50,635	51,328

The Group's effective tax rate (excluding the results of joint ventures and 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.

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

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#### 18. Status of Corporate Proposals

- 1) The Company had made offers to the remaining shareholders of Kesas Holdings Berhad ("Kesas Holdings"), namely, Perbadanan Kemajuan Negeri Selangor ("PKNS"), Permodalan Nasional Berhad ("PNB") and Amcorp Properties Berhad ("Amcorp Properties"), to acquire their entire equity interest, collectively representing 70% equity interest, in Kesas Holdings for RM980 million. Kesas Holdings is the holding company of Kesas Sdn Bhd - the concession holder of Shah Alam Expressway.

On 16 January 2014, the Company entered into a conditional share purchase agreement ("SPA") with Amcorp Properties for the acquisition of up to 20% equity interest in Kesas Holdings held by Amcorp Properties. However, PKNS and PNB did not accept the Company's offers within the offer period and accordingly, the Company's offers to PKNS and PNB lapsed.

- 2) On 26 February 2014, the Company received an offer from Kumpulan Darul Ehsan Berhad ("KDEB"), an entity wholly-owned by the Selangor State Government, to purchase 100% equity in Syarikat Pengeluar Air Selangor Holdings Berhad ("Splash Holdings"). Splash Holdings is the holding company of Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("Splash") - the concession holder of Sungai Selangor Water Supply Scheme Phase 1 and 3. The Company has a 40% equity interest in Splash Holdings. The offer was part of the Selangor State Government's effort to consolidate the various entities involved in the treatment, supply and distribution of water in the state of Selangor.

On 6 March 2014, Splash received a letter from Lembaga Urus Air Selangor informing Splash that its existing license to extract raw water expiring on 30 June 2014 will not be renewed after its expiry.

On 10 March 2014, the Company informed KDEB that while it appreciates the Menteri Besar's best efforts to consolidate the Selangor water industry, it is constrained from accepting the said offer due to the adverse consequences on the Company. The net offer of RM250.6 million for Splash Holdings when compared to the net asset value ("NAV") of Splash Holdings amounting to RM2.54 billion as at 31 December 2013 will result in a huge divestment loss of RM920 million to the Company. The offer of RM250.6 million is below 10% of Splash Holdings' NAV. The offer is therefore not reasonable for acceptance by the Company.

The Company informed KDEB that it is however, amenable to accepting an offer by KDEB to acquire the equity of Splash Holdings upon mutually agreed terms on a 'willing buyer – willing seller' basis, based on the following conditions which were already included in KDEB's earlier offers and accepted by the Company :

- (a) Payment of Splash Holdings' NAV (as agreed by KDEB in its letter of offer dated 20 February 2013 page 6 item 2(vi) and the State's offer dated 15 July 2009 page 2 item 6).
- (b) The retention of the operations and maintenance operators of Splash Holdings (Gamuda Water Sdn Bhd and Sungai Harmoni Sdn Bhd) at existing terms (as agreed by the State in its letter of offer dated 15 July 2009 page 2 item 4).

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

#### 19. Group Borrowings and Debt Securities

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

	Foreign Currency '000	As at 31-Jan-14 RM Equivalent '000
<u>Short Term Borrowings</u>		
Revolving Credits		
-denominated in US Dollar (Gamuda)	50,000	167,275
Term Loan		
-denominated in US Dollar (Gamuda)	13,667	45,723
-denominated in Vietnamese Dong (Tan Thang)	166,269,280	26,570
Term Loan (Jade Homes)		44,519
		<u>284,087</u>
<u>Long Term Borrowings</u>		
Medium Term Notes (Gamuda)		1,120,000
Term Loan		
-denominated in US Dollar (Gamuda)	125,333	419,303
-denominated in Vietnamese Dong (Tan Thang)	1,787,528,528	285,647
Term Loan (Jade Homes)		47,805
		<u>1,872,755</u>
		<u>2,156,842</u>

#### 20. Derivative Financial Instruments and Fair Value Changes in Financial Liabilities

The Group has entered into the following Interest Rate Swap ("IRS") contracts to hedge the payment of interest on bank borrowings from a floating rate to a fixed rate.

Interest Rate Swap	Interest		Contract amount in foreign currency USD'000	Maturity		Fair value of Derivative Liabilities RM'000	Contract dates	Maturity dates
	From floating rate	To fixed rate		1 to 3 years RM'000	More than 3 years RM'000			
USD	3 month LIBOR	1.845% to 2.495%	45,000	150,525	-	3,417	Nov 2009 to July 2010	Nov 2014 to July 2015

The basis of fair value measurement is the difference between the contracted IRS rates and the market IRS rates. The losses are due to the unfavourable fluctuation in market interest rates.

There is minimal credit risk as the IRS were entered into with reputable banks.

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

#### 21. Changes in Contingent Liabilities or Contingent Assets

There is no significant contingent liabilities or contingent assets.

#### 22. Provision of Financial Assistance

Pursuant to paragraph 8.23(1)(ii) of Bursa Malaysia Securities Berhad's Listing Requirements, the financial assistance provided by Gamuda Berhad ("Gamuda") is as follows:

MMC Corporation Berhad ("MMC") and Gamuda Berhad Joint Venture was awarded the RM8.28 billion underground works package of the Klang Valley Mass Rapid Transit Project. MMC and Gamuda established a special purpose vehicle ("SPV") known as MMC Gamuda KVMRT (T) Sdn Bhd to undertake the works package. The SPV is equally owned by MMC and Gamuda. As the works package is undertaken by a SPV, MMC and Gamuda issued Parent Company Guarantees to guarantee the due performance and obligations of the SPV.

Work on this package has commenced. The Parent Company Guarantees have not been called because the SPV has performed and met its obligations in compliance with the terms of the contract.

#### 23. Capital Commitments

The amount for commitments for capital expenditure not provided for in the interim financial statements as at 31 January 2014 are as follows:

	<b>RM'000</b>
Approved and contracted for :	
Land for property development	572,545
Property, plant & equipments	16,745
Investment property	37,000
	<u>626,289</u>



# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

#### 24. Realised and Unrealised Profit or Losses

The breakdown of retained profit of the Group into realised and unrealised profits or losses are as follows:

	<u>Notes</u>	<u>As at 31 Jan 14 RM'000</u>	<u>As at 31 Oct 13 RM'000</u>
Total retained profits of the Company and its subsidiaries			
- Realised		1,344,129	1,392,862
- Unrealised	1	<u>24,129</u>	<u>(3,099)</u>
		<u>1,368,258</u>	<u>1,389,763</u>
Total share of retained profits from joint arrangements			
- Realised		387,515	291,172
- Unrealised	1	<u>(880)</u>	<u>3,279</u>
		<u>386,635</u>	<u>294,451</u>
Total share of retained profits from associated companies			
- Realised		1,456,453	1,382,841
- Unrealised	1	<u>(364,052)</u>	<u>(359,986)</u>
		<u>1,092,401</u>	<u>1,022,855</u>
Less : Consolidated adjustments	2	(612,371)	(504,268)
Total Group retained profits		<u>2,234,923</u>	<u>2,202,801</u>

Note 1 Unrealised profits/losses are mainly deferred tax provision and translation gains or losses of monetary items denominated in a currency other than the functional currency.

Note 2 Consolidation adjustments are mainly elimination of pre-acquisition profits or losses, minorities share of retained profits or accumulated losses and other adjustments arising from the business combination.

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

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#### 25. Material Litigations

- a) The arbitral award (“the Award”) in respect of the arbitration between Wayss & Freytag (Malaysia) Sdn Bhd (“W&F”) and MMC Gamuda Joint Venture (“JV”) was issued by the arbitral tribunal (“Tribunal”) on 16 April 2013.

In the Award, the Tribunal determined that the W&F’s claims against the JV succeeded in substantial part and dismissed the JV’s claims against W&F. The Tribunal thus awarded the following reliefs to W&F:

1. That the JV pays to W&F the sum of RM 96,297,229.03;
2. That the JV pays to W&F interest at a simple rate of 4% per annum on the sum of RM96,297,229.03 from date of termination (23 January 2006) to date of the Award (amounting to RM28,247,187.18);
3. That JV pays to W&F interest at the simple rate of 5% per annum on the sum of RM96,297,229.03 from the date of the Award until payment in full; and
4. That the JV pays to W&F costs of RM9,000,000.

On 26 April 2013, W&F wrote to the Tribunal requesting some clerical corrections be made to the Award. Subsequently, on 15 May 2013, the JV also wrote to the Tribunal requesting additional clerical corrections be made to the Award. Pursuant to the afore-said requests, the Tribunal issued a corrective award on 30 May 2013 (the “Corrective Award”). As a result of the Corrective Award, the following changes were made to the reliefs awarded to W&F:

1. The amount awarded to W&F has increased to RM97,574,035.39;
2. The amount of interest payable from the date of termination to date of Award now amounts to RM28,229,638.73;
3. The post award interest at the simple rate of 5% per annum from the date of the Award until payment in full is to be imposed on the sum of RM97,574,035.39; and
4. That the JV pays to W&F costs of RM9,000,000.

On 23 May 2013, the JV filed an application for a reference to the High Court in Kuala Lumpur on questions of law arising out of the Award and on determination of the said questions, for the Award to be set aside (“JV’s Section 42 Application”). The JV’s Section 42 application was registered as Kuala Lumpur High Court Originating Summons No. 24C(ARB)-2-05/2013.

On 14 June 2013, a copy of W&F’s application for inter alia, recognition and enforcement of the Award under Section 38 of the Arbitration Act 2005 (“W&F’s Enforcement Application”) was served on the JV. W&F’s Enforcement Application was registered as Kuala Lumpur High Court Originating Summons No. 24NCC(ARB)-26-06/2013.

## **Gamuda Berhad (29579-T)**

### **Quarterly Report On Consolidated Results For The Period Ended 31 January 2014**

#### **Notes To The Interim Financial Statements**

(The figures have not been audited)

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#### **25. Material Litigations (cont'd)**

In addition to the application made on 23 May 2013, on 4 July 2013, the JV filed another application to set aside the Award under Section 37 of the Arbitration Act 2005 whereby Mr Yusof Holmes was named as the 2<sup>nd</sup> Defendant ("JV's Section 37 Application"). The JV's Section 37 Application was registered as Kuala Lumpur High Court Originating Summons No. 24C(ARB)-3-07/2013. This application was made on the basis that there has been *inter alia*, a breach of Mr Holmes' statutory duty under the Arbitration Act 2005 and that the Award is in conflict with the public policy, in Malaysia. On 21 August 2013, Mr Holmes filed a notice of application to stay the JV's Section 37 Application ("Holmes' Stay Application") pending the final disposal or conclusion of the following criminal proceeding against Mr Holmes:

- 1) Penang Sessions Court (1) Case No: 62(R)-141-6/2013; and
- 2) Kuala Lumpur Sessions Court Case No: 62R-005-07-2013

(The JV's Section 42 Application, W&F's Enforcement Application and JV's Section 37 Application collectively referred to as "the 3 Applications").

On 6 September 2013, W&F filed an application under Order 15 rule 5(1) of the Rules of Court 2012 to have the JV's Section 37 Application heard separately against W&F and against Mr. Holmes ("W&F's Order 15 Application"). W&F's Order 15 Application was fixed for hearing on 30 September 2013.

On 30 September 2013, the learned High Court Judge directed that the JV's Section 42 Application be heard first and in the event this application is dismissed, the Court will hear the JV's Section 37 Application next. When dealing with the JV's Section 37 Application, the Court would first deal with the interlocutory applications therein i.e. Holmes' Stay Application and W&F's Order 15 Application. The hearing of the JV's Section 42 Application was fixed on 7 November 2013.

At the hearing on 7 November 2013, the JV's Section 42 Application was heard before The Honourable Dato' Mary Lim Thiam Suan. The learned Judge then fixed the JV's Section 42 Application for decision on 13 December 2013. The learned Judge also directed that in the event the JV's Section 42 Application is dismissed, the Court will proceed to deal with the JV's Section 37 Application beginning with the hearing of Holmes' Stay Application and W&F's Order 15 Application.

On 13 December 2013, the learned Judge directed parties to make further submission on certain legal points. The JV's Section 42 Application is fixed for further hearing on 7 March 2014. The interlocutory applications under the JV's Section 37 Application (i.e. Holmes' Stay Application and W&F's Order 15 Application) are also fixed for case management on 7 March 2014.

After hearing further submissions from the parties on 7 March 2014, the learned Judge fixed the JV's Section 42 Application for decision on 2 May 2014. The interlocutory applications under the JV's Section 37 Application (i.e. Holmes' Stay Application and W&F's Order 15 Application) are also fixed for case management on 2 May 2014.

Arising from the award rendered by the Tribunal in favour of W&F, costs incurred by the JV to complete the works that is not recovered amounting to RM50,319,000 has also been fully expensed off.

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

#### 26. Earnings Per Share

	<b>Current Quarter 31-Jan-14</b>	<b>Current Year To Date 31-Jan-2014</b>
<b>Basic</b>		
Net profit attributable to shareholders (RM'000)	170,115	335,595
Number of ordinary shares in issue as at 1 Aug 2013 ('000)	2,276,644	2,276,644
Effect of shares issued during the period ('000)	19,292	12,213
Weighted average number of ordinary shares in issue ('000)	2,295,936	2,288,857
Basic earnings per ordinary share (sen)	7.41	14.66
<b>Diluted</b>		
Net profit attributable to shareholders (RM'000)	170,115	335,595
Weighted average number of ordinary shares in issue ('000)	2,295,936	2,288,857
- Assumed shares issued from the exercise of ESOS ('000)	13,454	13,454
- Assumed issued from exercise of Warrants 1996/2006 ('000)	36,430	36,430
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share ('000)	2,345,820	2,338,741
Diluted earnings per ordinary share (sen)	7.25	14.35

# Gamuda Berhad (29579-T)

## Quarterly Report On Consolidated Results For The Period Ended 31 January 2014

### Notes To The Interim Financial Statements

(The figures have not been audited)

#### 27. Notes to the Consolidated Statement of Comprehensive Income

Total comprehensive income for the period is arrived at after charging/(crediting) the following items:

	<b>Current Quarter 31 Jan 2014 RM'000</b>	<b>Current Year To Date 31 Jan 2014 RM'000</b>
Interest income	(8,398)	(15,426)
Other income	(4,296)	(9,035)
Interest expense	19,436	33,447
Depreciation and amortisation	4,939	10,183
Provision for and write-off of receivables	-	-
Provision for and write-off of inventories	-	-
Gain on disposal of quoted or unquoted investment	-	-
Gain on disposal of property, plant and equipment	(187)	(1,160)
Impairment of assets	-	-
(Gain)/loss on foreign exchange	(1,335)	578
Gain on derivatives	(398)	(982)

The above disclosure is prepared in accordance with paragraph 16 of Appendix 9B of the Main Listing Requirements ("MLR") issued by Bursa Malaysia Securities Berhad. Except for the above, the rest of the items required for disclosures pursuant to paragraph 16 of MLR are not applicable to the Group.