

Lingkar Trans Kota Holdings Berhad (335382-V)

Notes To The Interim Financial Statements For The Period Ended 30 June 2006

1. Basis of preparation

The interim financial statements have been prepared in compliance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 March 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2006.

2. Changes in accounting policies

The significant accounting policies and methods of computation adopted by the Group in this interim financial reports are consistent with those adopted in the audited financial statements for the year ended 31 March 2006 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006:

FRS 2	Share-based payment
FRS 3	Business Combinations
FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of financial statements
FRS 108	Accounting policies, changes in estimates and errors
FRS 110	Events after the balance sheet date
FRS 116	Property, plant and equipment
FRS 127	Consolidated and separate financial statements
FRS 128	Investment in associates
FRS 131	Investment in joint ventures
FRS 132	Financial instruments: Disclosure and presentation
FRS 133	Earnings per share
FRS 136	Impairment of assets
FRS 138	Intangible assets

The adoption of the above FRS does not have significant financial impact on the Group except for FRS 2. The principal effects of the change in accounting policies resulting from the adoption of FRS 2 are discussed below: -

FRS 2: Share-based payment

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

2. Changes in accounting policies (cont'd)

The Company operates an equity-settled, share-based compensation plan for the eligible employees of the Group, the Lingkaran Trans Kota Holdings Berhad Employee Share Options Scheme ("ESOS"). Prior to 1 January 2006, no compensation expense was recognised in profit or loss for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using a binomial model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 January 2006. The application is retrospective and accordingly, the comparative amounts as at 31 March 2006 are restated and the opening balance of retained earnings as at 1 April 2006 has been adjusted. The financial impact to the Group arising from this change in accounting policy is as follows: -

	As at 1.4.2006 RM'000
Decrease in retained earnings	(1,164)
Decrease in investment in joint venture companies	(194)
Increase in equity compensation reserve (other reserves)	1,358
Increase in amount due from a joint venture company	388
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	Quarter ended		Period to-date	
	Jun 06	Jun 05	Jun 06	Jun 05
	RM'000	RM'000	RM'000	RM'000
Decrease in profit for the period	218	147	218	147
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3. Audit report of preceding annual financial statements

There was no qualification in the audit report of the financial statements of the Group for the year ended 31 March 2006.

4. Seasonality and cyclicity of operations

There was no significant fluctuation in the seasonality or cyclicity of operations affecting the Group.

5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the current quarter and financial year-to-date except as disclosed in Note 2.

6. Changes in estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The group has conducted a review and concluded that no revision on the residual value and remaining useful life of property, plant and equipment is required. Hence, there were no changes in estimates that have had a material effect in the current quarter results.

7. Debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year-to-date except for the following:

- (a) The issuance of 1,465,000 new ordinary shares of RM1 each for cash pursuant to the Company's ESOS at exercise price ranging between RM1.79 and RM2.42 per ordinary share; and
- (b) A bonus issue of 121,722,904 ordinary shares of RM1 each on the basis of 1 new share for every 4 shares held capitalised from the share premium of the Company. The new bonus shares were immediately cancelled under Section 64 of the Companies Act, 1965 in tandem with the Company's cash distribution proposal completed on 31 May 2006.

8. Dividends paid

There was no dividend paid during the current quarter and financial year-to-date.

9. Segment information

Segment information by business segments for current financial year-to-date are as follows:

	Tolling operations and highway maintenance RM'000	Investment holding and others RM'000	Elimination RM'000	Total RM'000
Revenue				
Revenue - external	60,175	32	-	60,207
Inter-segment revenue	-	375	(375)	-
Total Revenue	60,175	407	(375)	60,207
Result				
Segment results	46,102	23	18	46,143
Finance costs	(25,910)	-	8,080	(17,830)
Finance income	1,707	8,461	(8,080)	2,088
Share of results in joint venture companies	(2,983)	-	-	(2,983)
Taxation	(6,863)	(2,367)	-	(9,230)
Net profit for the year				18,188

10. Valuation of property, plant and equipment

All property, plant and equipment of the Group are carried at cost less accumulated depreciation and impairment losses.

11. Material events subsequent to the balance sheet date

There were no material events subsequent to the balance sheet date.

12. Changes in composition of the Group

There were no changes in the composition of the Group for the current quarter ended 30 June 2006.

13. Changes in contingent liabilities and contingent assets

There were no material changes in other contingent liabilities or contingent assets since the last annual balance sheet date.

14. Income tax expense

Breakdowns of tax charge for the current quarter and financial year-to-date are as follows:

	Current quarter RM'000	Financial year-to-date RM'000
Corporate tax	2,845	2,845
Deferred tax	6,385	6,385
Total	9,230	9,230

The effective tax rate is higher than the statutory tax rate for the financial year-to-date due to certain expenditure not being allowed as a deduction for tax purposes.

15. Sale of unquoted investments and / or properties

There were no sales of unquoted investments and / or properties for the current quarter and financial year-to-date.

16. Purchase and disposal of quoted securities

(a) There was no purchase or disposal of quoted securities during the current quarter and financial year-to-date.

(b) Particulars of investments in quoted securities as at 30 June 2006 are as follows:

	RM'000
Total investments at cost	2,577
Total investments at book value	2,577
Total investments at market value	4,112

17. Status of corporate proposals

There were no corporate proposals announced and uncompleted at a date not earlier than 7 days from the date of issue of this report.

18. Group borrowings

Group borrowings as at 30 June 2006 are as follows:

	RM'000
Secured:	
Long Term Borrowings	875,703
Short Term Borrowings	81,800
	957,503
Unsecured:	
Long Term Borrowings	150,000
Total	1,107,503

The Group borrowings are Ringgit denominated.

19. Off balance sheet financial instruments

There were no off balance sheet financial instruments entered into by the Group at a date not earlier than 7 days from the date of issue of this announcement.

20. Material litigations

There were no pending material litigations since the last annual balance sheet date to a date not earlier than 7 days from the date of issue of this announcement.

21. Comparison of profit before taxation with the immediate preceding quarter

The Group's profit before taxation for the current quarter of RM27.4 million is 7% lower than the Group's profit before taxation of RM29.6 million achieved in the immediate preceding quarter. The lower result is mainly attributable to share of higher loss of a joint venture company, Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd ("Sprint") due to higher finance cost.

22. Review of performance for the current quarter

For the current quarter, the Group achieved a 1% growth in revenue as compared to the preceding year corresponding quarter and a 2% growth as compared to the immediate preceding quarter.

The Group's profit before tax recorded a decrease of 8% from RM30 million registered in the preceding year corresponding quarter to RM27.4 million in the current quarter. This is mainly attributable to gain arising from disposal of quoted shares undertaken in the preceding year corresponding quarter.

23. Current year's prospects

Barring any unforeseen circumstances, the Board of Directors expects better revenue to be generated from the continuous growth in the traffic plying the LDP. As mentioned in the last quarter financial results announcement, the partial closure of the MRR2 has had a negative impact to the traffic volume at the Penchala Toll Plaza though it is not significant to the overall results of the Group. Since then the affected stretch has been reopened to light traffic on 1 August 2006.

Other than the abovementioned, the Board of Directors also expects an increase in the finance cost of Sprint commencing from the second quarter of the current financial year, which will result in share of higher loss in Sprint.

24. Profit forecast or profit guarantee

- (a) There is no profit forecast applicable for comparison.
- (b) There is no profit guarantee by the Group.

25. Dividend

No dividend is recommended for the current quarter and financial year-to-date.

26. Earnings per share

The basic earnings per share is calculated based on the Group profit after taxation of RM18.188 million and weighted average number of ordinary shares in issue during the period of 486.656 million.

The diluted earnings per share is calculated based on the Group profit after taxation of RM18.188 million and weighted average number of ordinary shares including dilutive potential shares, of 488.824 million calculated as follows:

	Million shares
Weighted average number of ordinary shares	486.656
Effect of Employees Share Option Scheme	2.168
Weighted average number of ordinary shares (diluted)	488.824

27. Comparatives

The following comparative amounts have been restated due to adoption of new FRS 2:

	Previously stated RM'000	Adjustments FRS 2 (Note 2) RM'000	Restated RM'000
At 31 March 2006			
Investment in joint venture companies	316,492	(194)	316,298
Other reserves	-	1,358	1,358
Amount due from a joint venture company	2,659	388	3,047
Retained earnings	229,879	(1,164)	228,715
3 months ended 30 June 2005			
Share of results in joint venture companies	4,897	22	4,919
Expenses	13,318	125	13,443
Profit before tax	30,105	(147)	29,958
Net profit for the period	21,120	(147)	20,973