# Lingkaran Trans Kota Holdings Berhad (335382-V)

## Notes To The Interim Financial Statements
## For The Period Ended 30 September 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 the income statement for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in the income statement 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 the income statement 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 |

| | **Quarter ended** | | **Period to-date** | |
|---|---|---|---|---|
| | **Sep 06** | **Sep 05** | **Sep 06** | **Sep 05** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Decrease in profit for the period | 160 | 211 | 378 | 358 |

## 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 cyclicality of operations

There was no significant fluctuation in the seasonality or cyclicality 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 2,142,000 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

During the year, the Group paid a final dividend of 5% less income tax in respect of ordinary shares for financial year ended 31 March 2006 amounting to RM17,537,710 on 8 September 2006.

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 | 123,814 | 36 | - | 123,850 |
| Inter-segment revenue | - | 750 | (750) | - |
| Total Revenue | 123,814 | 786 | (750) | 123,850 |
| | | | | |
| **Result** | | | | |
| Segment results | 95,972 | (76) | 32 | 95,928 |
| Finance costs | (51,880) | - | 16,249 | (35,631) |
| Finance income | 3,088 | 16,946 | (16,249) | 3,785 |
| Share of results in joint venture companies | (8,048) | - | - | (8,048) |
| Taxation | (14,904) | (4,712) | - | (19,616) |
| Net profit for the year | | | | 36,418 |

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 September 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 | 2,731 | 5,576 |
| Deferred tax | 7,655 | 14,040 |
| Total | 10,386 | 19,616 |

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 September 2006 are as follows:

| | RM'000 |
|---|---|
| Total investments at cost | 2,577 |
| Total investments at book value | 2,577 |
| Total investments at market value | 4,660 |

**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 announcement.

**18. Group borrowings**

Group borrowings as at 30 September 2006 are as follows:

| | RM'000 |
|---|---|
| Secured: | |
| Long Term Borrowings | 763,889 |
| Short Term Borrowings | 83,800 |
| | 847,689 |
| Unsecured: | |
| Long Term Borrowings | 150,000 |
| Total | 997,689 |

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 RM28.6 million is 4.4% higher than the Group's profit before taxation of RM27.4 million achieved in the immediate preceding quarter. The higher result is mainly attributable to the higher revenue recorded in the current quarter especially for the Penchala Toll Plaza. Higher traffic volumes were achieved as a result of the re-opening of the partial closure of the Middle Ring Road 2 ("MRR2") on 1 August 2006. The higher revenue recorded was partially offset by the share of higher losses in 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 2.2% growth in revenue as compared to the corresponding quarter of the preceding year and a 5.7% growth as compared to the immediate preceding quarter.

The Group's profit before tax recorded an increase of 5.5% from RM27.1 million registered in the preceding year corresponding quarter to RM28.6 million in the current quarter. This is mainly attributable to higher revenue achieved in the current quarter as mentioned above.

## 23. Current year's prospects

Barring any unforeseen circumstances, the Board of Directors expects gradual growth in revenue to be generated from the continuous growth in the traffic plying the LDP. In accordance with the provisions of the Concession Agreement, the Board of Directors expects an increase in toll rate for LDP on 1 January 2007, subject to the Government's approval. As mentioned in the financial results announcement of the last quarter, the Board of Directors expects an increase in the finance cost of Sprint commencing from the current quarter, which will result in share of higher losses in Sprint for this current financial year.

**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**

An interim dividend has been recommended as follows: -

( i ) 5 Sen per share (before taxation of 28%);
( ii ) 5 Sen per share (before taxation of 28%) was declared in the quarter ended 31 December 2005 in the previous financial year;
( iii) The interim dividend shall be paid at a date to be determined and in respect of deposited securities, entitlement to dividend will be determined on the basis of the record of depositors at the book closure date.

**26. Earnings per share**

The basic earnings per share is calculated based on the Group profit after taxation of RM36.418 million and weighted average number of ordinary shares in issue during the period of 486.959 million.

The diluted earnings per share is calculated based on the Group profit after taxation of RM36.418 million and weighted average number of ordinary shares including dilutive potential shares, of 489.007 million calculated as follows:

| | Million shares |
|---|---|
| Weighted average number of ordinary shares | 486.959 |
| Effect of Employees Share Option Scheme | 2.048 |
| Weighted average number of ordinary shares (diluted) | 489.007 |

## 27. Comparatives

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

| | Previously stated RM'000 | Adjustment 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 September 2005** | | | |
| Share of results in joint venture companies | 4,417 | 33 | 4,450 |
| Staff costs | 3,067 | 178 | 3,245 |
| Profit before tax | 27,341 | (211) | 27,130 |
| Net profit for the period | 17,749 | (211) | 17,538 |
| **6 months ended 30 September 2005** | | | |
| Share of results in joint venture companies | 9,314 | 55 | 9,369 |
| Staff costs | 5,951 | 303 | 6,254 |
| Profit before tax | 57,446 | (358) | 57,088 |
| Net profit for the period | 38,869 | (358) | 38,511 |

For the 3 months ended 30 September 2005, the basic earnings per share was restated from 3.68 sen to 3.63 sen and the diluted earnings per share was restated from 3.67 sen to 3.63 sen in line with the restated net profit for the period.

For the 6 months ended 30 September 2005, the basic earnings per share was restated from 8.05 sen to 7.98 sen and the diluted earnings per share was restated from 8.04 sen to 7.97 sen in line with the restated net profit for the period.