

Lingkaran Trans Kota Holdings Berhad (335382-V)

Notes To The Interim Financial Statements For The Year Ended 31 March 2007

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 Malaysian Accounting Standards Board has issued a number of new and revised FRSs and Interpretations that are effective for financial periods beginning on or after 1 January 2006.

Except for the effects as discussed below, the new and revised FRSs and Interpretations did not have any other significant impact on the financial statements of the Group.

(a) 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.

The Company operates an equity-settled, share-based compensation plan for the eligible employees and directors of the Group, the Lingkaran Trans Kota Holdings Berhad Employee Share Option Scheme ("ESOS"). With the adoption of FRS 2, the compensation expense ("ESOS expense") relating to share options is recognised in the income statement over the vesting periods of the grants with a corresponding increase in capital contribution within the equity.

Prior to 1 April 2006, no compensation expense was recognised in income statement for share options granted to eligible employees and directors. The Group recognised an increase in share capital and share premium when the options were exercised. Upon the adoption of FRS 2, the total fair value of share options granted to eligible employees and directors is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period.

2. Changes in accounting policies (cont'd)

(a) FRS 2: Share-based Payment (cont'd)

The Group has applied FRS 2 in accordance with its transitional provisions which allow this change in accounting policy to be applied to share options that were granted after 31 December 2004 but had not yet vested on 1 January 2006. The application is retrospective and accordingly, the comparative amounts as at 31 March 2006 have been restated and the opening balance of retained earnings as at 1 April 2006 has been adjusted. The financial impact to the Group arising from the adoption of the FRS 2 is described further under Note 28.

(b) FRS 101: Presentation of Financial Statements

(i) Classification of Group's share of taxation of associate and jointly controlled entities

Prior to 1 April 2006, the Group's share of taxation of associate and jointly controlled entities accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associate and jointly controlled entities accounted for using the equity method are now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax. The effects of such revision on prior year's financial results are summarised further under Note 28.

(ii) Classification of interest income

Prior to 1 April 2006, the interest income of the Group was reported on a net basis by setting off against the Group's reported finance costs in the income statement of the Group. With the adoption of revised FRS 101, the interest income is now reported under other income in the financial statements. The effects of such revision on prior year's financial results are summarised further under Note 28.

(c) FRS 138: Intangible Assets

Prior to 1 April 2006, the Group has classified acquired computer software and licences which do not form an integral part of the related hardware as system development expenditures under Plant and equipment in the balance sheet of the Group. With the adoption of FRS 138, the Group has change its classification for such acquired computer software and licences which do not form an integral part of the related hardware as intangible assets. These intangible assets are amortised on a straight line basis over their estimated useful lives of ten years. The carrying value of intangible assets is reviewed for impairment whenever event or changes in circumstances indicate the carrying value may not be recoverable. The effect of such revision on prior year's financial results is summarised further under Note 28.

2. Changes in accounting policies (cont'd)

Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these interim financial statements, the following FRSs, Amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Group:

FRSs, Amendments to FRS and Interpretations		Effective for financial periods beginning on or after
FRS 117	Leases	1 October 2006
FRS 124	Related Party Disclosures	1 October 2006
FRS 139	Financial Instruments: Recognition and Measurement	Deferred
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119 ₂₀₀₄	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Investment in a Foreign Operations	1 July 2007
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities Arising from Participation in a Specific Market - Waste Electrical and Electronical Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The above FRSs, amendments to FRS and interpretations are expected to have no significant impact on the financial statements of the Group upon their initial application except for FRS 117, 124, 139, and Amendment to 119₂₀₀₄.

The Group is exempted from disclosing the possible impact to the financial statements upon the initial application of FRS 117, 124 and 139.

2. Changes in accounting policies (cont'd)

Standards and Interpretations Issued but Not Yet Effective (cont'd)

The Amendment to FRS 119₂₀₀₄: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures introduces the option of an alternative recognition approach for actuarial gains and losses arising from post-employment defined benefit plans. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements. The Group will apply this amendment from financial periods beginning 1 April 2007.

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 plant and equipment is required.

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 3,326,000 new ordinary shares of RM1 each for cash pursuant to the Company's ESOS at exercise price ranging between RM1.79 and RM2.48 per ordinary share; and

7. Debt and equity securities (cont'd)

- (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

The Group has paid the following dividend in respect of ordinary shares for the current quarter and the financial year-to-date:

	RM'000
Final dividend of 5% less tax for financial year ended 31 March 2006 paid on 8 September 2006	17,538
Interim dividend of 5% less tax for financial year ending 31 March 2007 paid on 22 December 2006	17,589
Total	35,127

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	255,816	96	-	255,912
Inter-segment revenue	-	5,798	(5,798)	-
Total Revenue	255,816	5,894	(5,798)	255,912
Result				
Segment results	201,253	10,544	(10,880)	200,917
Finance costs	(110,113)	-	40,512	(69,601)
Interest income	5,975	41,761	(40,512)	7,224
Gain on disposal of quoted investment		11,378		11,378
Share of profit in an associate	7	-	-	7
Share of loss in jointly controlled entities	(20,145)	-	-	(20,145)
Income tax expenses	(18,002)	(14,245)	2,953	(29,294)
Profit for the year				100,486

10. Valuation of plant and equipment

All 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 31 March 2007.

13. 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. Capital Commitments

The amount of commitments for the purchase of capital expenditure not provided for in the interim financial statements as at 31 March 2007 is as follows:

	RM'000
Capital expenditure	
Approved and contracted for:	
Highway development expenditure	1,680
Heavy repair expenditure	26,986
Approved but not contracted for:	
Highway development expenditure	2,354
Heavy repair expenditure	3,527
Plant and equipment	390
Share of capital commitments of jointly controlled entities	204
	35,141

15. 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	4,620	12,904
Deferred tax	(2,699)	16,390
Total	1,921	29,294

15. Income tax expense (cont'd)

The effective tax rate is lower than the statutory tax rate for the current quarter and financial year-to-date due to changes in statutory tax rate to 27% effective year of assessment 2007 and to 26% effective year of assessment 2008. In tandem with the gazette, the full effects of changes in tax rates have been reflected in current quarter.

16. 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.

17. Purchase and disposal of quoted securities

There was no purchase of quoted securities except for during the current quarter, Sukma Sinaran Sdn Bhd, a wholly owned subsidiary of the Company has disposed all of its investments in quoted shares for a total sales proceeds of RM14.0 million resulting in net realised gain of RM11.4 million.

18. 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.

19. Group borrowings

Group borrowings as at 31 March 2007 are as follows:

	RM'000
Secured:	
Long Term Borrowings	643,161
Short Term Borrowings	96,800
	<u>739,961</u>
Unsecured:	
Long Term Borrowings	150,000
Total	<u>889,961</u>

The Group borrowings are Ringgit denominated.

20. 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.

21. 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.

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

The Group's profit before taxation for the current quarter of RM46.5 million is higher than the Group's profit before taxation of RM27.3 million achieved in the immediate preceding quarter. The higher result achieved is mainly attributable to the gain on disposal of investments in quoted shares as mentioned in Note 17 as well as higher revenue generated arising from the toll review exercise effective from this current quarter onwards.

23. Review of performance for the current quarter

For the current quarter, the Group achieved an increase in revenue from RM59.1 million recorded in the preceding year corresponding quarter and RM62.4 million recorded in the immediate preceding quarter to RM69.6 million in the current quarter. This is mainly due to the higher revenue generated arising from the toll review exercise effective from this current quarter onwards.

The Group's profit before tax recorded an increase from RM29.6 million registered in the preceding year corresponding quarter to RM46.5 million in the current quarter. The gain on disposal of investments in quoted shares in the current quarter as mentioned in Note 17, apart from the normal growth in revenue, has contributed to this increase.

24. Next year's prospects

Barring any unforeseen circumstances, the Board of Directors expects better revenue to be generated from the projected growth in the traffic plying the Lebuhraya Damansara-Puchong ("LDP"), and the full effect from the revised toll rates approved by the Government as stated in the previous quarter's announcement.

25. Profit forecast or profit guarantee

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

26. Dividend

Final dividend has been recommended at 5 Sen per share (before taxation of 26%). Dividend for the current financial period and the preceding corresponding period are as follows: -

	2007	2006
Interim	5 Sen per share (before taxation of 28%)	5 Sen per share (before taxation of 28%)
Final	*5 Sen per share (before taxation of 26%)	5 Sen per share (before taxation of 28%)
Total	10 Sen per share (5 sen before taxation of 28% and 5 sen before taxation of 26% respectively)	10 Sen per share (before taxation of 28%)

***Note:**

The final dividend for the current financial year is subject to shareholders' approval at the forthcoming Annual General Meeting. Final 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 as at the book closure date.

27. Earnings per share

The basic earnings per share is calculated based on the Group profit after taxation of RM100.486 million and weighted average number of ordinary shares in issue during the year of 487.738 million.

The diluted earnings per share is calculated based on the Group profit after taxation of RM100.486 million and weighted average number of ordinary shares including dilutive potential shares, of 489.677 million calculated as follows:

	Million shares
Weighted average number of ordinary shares	487.738
Effect of Employees Share Option Scheme	1.939
Weighted average number of ordinary shares (diluted)	489.677

28. Restatement of comparatives

The following comparative amounts have been restated due to adoption of new and revised FRSs:

	Previously stated	Increase/(Decrease)			Restated
	RM'000	FRS 2 (Note 2(a)) RM'000	FRS 101 (Note 2(b)) RM'000	FRS 138 (Note 2(c)) RM'000	RM'000
Effects on balance sheets					
At 31 March 2006					
Plant and equipment	4,548	-	-	(592)	3,956
Intangible assets	-	-	-	592	592
Investments in jointly controlled entities	316,492	(194)	-	-	316,298
Amount due from a jointly controlled entity	2,659	388	-	-	3,047
Other reserves	-	1,358	-	-	1,358
Retained earnings	229,879	(1,164)	-	-	228,715

Effects on income statements

3 months ended 31 March 2006

Depreciation of plant and equipment	453	-	-	(23)	430
Amortisation of intangible assets	-	-	-	23	23
Plant and equipment written off	136	-	-	(82)	54
Intangible assets written off	-	-	-	82	82
Other Income	327	-	1,466	-	1,793
Finance costs	15,845	-	1,466	-	17,311
Employee benefits expense	2,713	306	-	-	3,019
Share of loss of jointly controlled entities	1,465	64	(26)	-	1,503
Profit before tax	29,907	(370)	26	-	29,563
Income tax expense	8,444	-	26	-	8,470
Profit for the period	21,463	(370)	-	-	21,093

28. Restatement of comparatives (cont'd)

The following comparative amounts have been restated due to adoption of new and revised FRSs:

	Previously stated RM'000	Increase/(Decrease)			Restated RM'000
		FRS 2 (Note 2(a)) RM'000	FRS 101 (Note 2(b)) RM'000	FRS 138 (Note 2(c)) RM'000	
Effects on income statements					
12 months ended 31 March 2006					
Depreciation of plant and equipment	1,672	-	-	(90)	1,582
Amortisation of intangible assets	-	-	-	90	90
Plant and equipment written off	145	-	-	(82)	63
Intangible assets written off	-	-	-	82	82
Other Income	6,645	-	5,821	-	12,466
Finance costs	65,376	-	5,821	-	71,197
Employee benefits expense	11,638	970	-	-	12,608
Share of loss in jointly controlled entities	13,446	194	(23)	-	13,617
Profit before tax	116,078	(1,164)	23	-	114,937
Income tax expense	36,340	-	23	-	36,363
Profit for the year	79,738	(1,164)	-	-	78,574

For the 3 months ended 31 March 2006, the basic earnings per share was restated from 4.44 sen to 4.35 sen and the diluted earnings per share was restated from 4.42 sen to 4.33 sen in line with the restated profit for the period.

For the 12 months ended 31 March 2006, the basic earnings per share was restated from 16.50 sen to 16.25 sen and the diluted earnings per share was restated from 16.45 sen to 16.21 sen in line with the restated profit for the year.