

# Lingkaran Trans Kota Holdings Berhad (335382-V)

## Notes To The Interim Financial Statements For The Period Ended 31 December 2010

### 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 2010. 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 2010.

### 2. Changes in accounting policies

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the audited financial statements for the year ended 31 March 2010.

On 1 April 2010, the Group and the Company adopted the following new/revised Financial Reporting Standards ("FRSs"), Amendments to FRSs, Interpretations and Amendments to Interpretations which were effective for annual periods beginning on or after 1 July 2009, 1 January 2010 and 31 March 2010:

#### FRSs, Amendments to FRSs and Interpretations

##### Effective for financial periods beginning on or after 1 July 2009:

FRS 8	Operating Segments
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##### Effective for financial periods beginning on or after 1 January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations

## 2. Changes in accounting policies (Cont'd)

### FRSs, Amendments to FRSs and Interpretations (Cont'd)

#### Effective for financial periods beginning on or after 1 January 2010: (Cont'd)

Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments: Recognition and Measurement, Disclosures and Reassessment of Embedded Derivatives
Amendments to FRSs IC Interpretation 9	'Improvements to FRSs (2009)' Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

#### Effective for financial periods beginning on or after 1 March 2010:

Amendments to FRS 132	Classification of Rights Issues
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The above new/revised FRSs, Amendments to FRSs, Interpretations and Amendments to Interpretations are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except FRS 7, FRS 139, and FRS 101.

The Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application of FRS 7 and FRS 139.

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

### FRSs, Amendments to FRSs and Interpretations

#### Effective for financial periods beginning on or after 1 July 2010:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (revised)
FRS 127	Consolidated and Separate Financial Statements (amended)
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

## 2. Changes in accounting policies (Cont'd)

### FRSs, Amendments to FRSs and Interpretations (Cont'd)

#### Effective for financial periods beginning on or after 1 January 2011:

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRSs	'Improvements to FRSs (2010)'
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers

#### Effective for financial periods beginning on or after 1 July 2011:

Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

#### Effective for financial periods beginning on or after 1 January 2012:

Amendments to IC Interpretation 15	Agreements for the Construction of Real Estate
FRS 124	Related Party Disclosures

The above new/revised FRSs, Amendments to FRSs, Interpretations and Amendments to Interpretations are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except IC Interpretation 12.

The Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application of IC Interpretation 12.

### FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. Pursuant to the revised standard, the Group have elected to present this statement as one single statement.

This is a disclosure standard with no impact on the financial position or financial performance of the Group and of the Company.

## 2. Changes in accounting policies (Cont'd)

### Amendments to FRS 120: Accounting for Government Grants and Disclosures of Government Assistance

Pursuant to this Amendment, the benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan shall be recognised and measured in accordance with FRS 139 Financial Instruments: Recognition and Measurement. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with FRS 139 and the proceeds received. An entity shall apply those amendments prospectively to government loans received in periods beginning on or after 1 January 2010.

The adoption of this Amendment does not apply to reimbursable land cost payable to the Government as it was received prior to 1 January 2010.

### FRS 139: Financial Instruments: Recognition and Measurement ("FRS 139")

The Group have adopted FRS 139 prospectively on 1 April 2010 in accordance with the transitional provisions. The effects arising from the adoption of this standard has been accounted for by adjusting the opening balance of retained earnings as at 1 April 2010. Comparatives are not restated. The effects arising from the adoption of FRS 139 are discussed below:

	Note	Retained earnings RM'000	Net asset attributable to owners of the Parent RM'000
At 1 April 2010, as previously stated		307,088	427,877
Gains/(losses) arising from fair value changes due to adoption of FRS 139:			
- Fair value adjustment of IMTNs	(i)	3,417	3,417
- Share of losses of jointly controlled entities due to fair value adjustment of borrowings			
- BG Bonds	(ii)	(17,693)	(17,693)
- Restructured BaIDS	(iii)	(10,634)	(10,634)
		<u>(28,327)</u>	<u>(28,327)</u>
Net impact		(24,910)	(24,910)
At 1 April 2010, as restated		<u>282,178</u>	<u>402,967</u>

## **2. Changes in accounting policies (Cont'd)**

### **FRS 139: Financial Instruments: Recognition and Measurement (“FRS 139”) (Cont'd)**

#### **(i) Sukuk Musyarakah Medium Term Notes (IMTNs)**

Prior to the adoption of FRS 139, the IMTNs were initially stated at cost, being the fair value of the consideration received. After initial recognition, the difference between the fair value and the nominal value are recognised as an expense and accreted to the principal at a constant charge per annum up to the maturity of each series. With the adoption of FRS 139, the difference between the fair value and the nominal value is measured at amortised cost using the effective interest rate method based on the appropriate interest rate at inception. The difference between the remeasured amount arising from the adoption of FRS 139 and the carrying amount as at 31 March 2010 has been accounted for by adjusting the opening balance of retained earnings as at 1 April 2010.

#### **(ii) Bank Guaranteed Serial Fixed Rate Bonds (“BG Bonds”)**

Prior to the adoption of FRS 139, the BG Bonds were initially stated at cost, being the fair value of the consideration received. The fixed coupon rate ranges from 4.00% to 10.35% per annum. With the adoption of FRS 139, the difference between the fair value and the nominal value is measured at amortised cost using the effective interest rate method based on the appropriate interest rate at inception. The difference between the remeasured amount arising from the adoption of FRS 139 and the carrying amount as at 31 March 2010 has been accounted for by adjusting the opening balance of retained earnings as at 1 April 2010.

#### **(iii) Al-Bai Bithaman Ajil Islamic Debts Securities Issuance Facility (“Restructured BaIDS”)**

Prior to the adoption of FRS 139, the Restructured BaIDS were initially stated at cost, being the fair value of the consideration received. After initial recognition, the difference between the fair value and the nominal value are recognised as an expense and accreted to the principal at a constant charge per annum up to maturity. The coupon rate ranges from 3.00% to 6.30% per annum. With the adoption of FRS 139, the difference between the fair value and the nominal value is measured at amortised cost using the effective interest rate method based on the appropriate interest rate at inception. The difference between the remeasured amount arising from the adoption of FRS 139 and the carrying amount as at 31 March 2010 has been accounted for by adjusting the opening balance of retained earnings as at 1 April 2010.

## **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 2010.

**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.

**6. Changes in estimates**

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter and financial year-to-date.

**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 issuance of 2,633,000 new ordinary shares of RM0.20 each for cash pursuant to the Company's ESOS at exercise price ranging between RM1.42 and RM3.05 per ordinary share.

**8. Dividends paid**

During the year, the Group paid a single tier interim dividend of 10 sen per share in respect of ordinary shares for financial year ending 31 March 2011 amounting to RM50,169,061.80 on 27 September 2010.

## 9. Segment information

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

	Tolling operations and highway maintenance RM'000	Investment holding and others RM'000	Elimination RM'000	Total RM'000
<b>Revenue</b>				
Revenue - external	234,960	-	-	234,960
Inter-segment revenue	-	51,090	(51,090)	-
Total Revenue	234,960	51,090	(51,090)	234,960
<b>Result</b>				
Segment results	178,381	49,574	(49,949)	178,006
Finance costs	(66,392)	(5,145)	5,145	(66,392)
Interest income	12,629	806	(5,145)	8,290
Share of losses of jointly controlled entities	(2,942)	-	-	(2,942)
Income tax expense	(33,647)	(425)	-	(34,072)
Profit for the year				82,890

## 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 end of the current quarter

There were no material events subsequent to the end of the current quarter.

## 12. Changes in composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year- to-date except for the following:

- (a) On 1 April 2010, the Company entered into Sale of Shares Agreements with Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd and Kesas Holdings Berhad to acquire the balance of shares in ETC Links Sdn Bhd ("ETC Links") not already owned by the Company totalling 400,002 ordinary shares of RM1.00 each and representing 66.67% of the issued and paid-up capital of ETC Links, for a total cash consideration of RM260,344 ("the Acquisition"). Upon the Acquisition, ETC Links which was an associate company, became a wholly-owned subsidiary of the Company.

## 12. Changes in composition of the Group (Cont'd)

- (b) Semarak Zaman Sdn Bhd, a wholly-owned subsidiary of the Company, had been struck off from the Register of Companies Commission of Malaysia and dissolved with effect from 4 April 2010. Semarak Zaman Sdn Bhd has not commenced operation since its incorporation.

The above is part of rationalisation and streamlining exercise and not expected to have any material impact on the Group and the Company.

## 13. Contingent liabilities and contingent assets

There were no material changes in other contingent liabilities or contingent assets since 31 March 2010.

## 14. Capital Commitments

The amount of commitments for capital expenditure not provided for in the interim financial statements as at 31 December 2010 are as follows:

	RM'000
Capital expenditure	
Approved and contracted for:	
Highway development expenditure	268,002
Heavy repair expenditure	4,144
Plant and equipment	196
Approved but not contracted for:	
Highway development expenditure	63,000
Share of capital commitments of jointly controlled entities	8,194
Total	343,536

## 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	7,489	14,697
Deferred tax	3,579	19,375
Total	11,068	34,072

As for the current quarter and financial year-to-date, the effective tax rate is slightly higher than the statutory tax rate due to certain expenditure not being allowed as a deduction for tax purposes.



**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 or disposal of quoted securities during the current quarter and financial year-to-date.

**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 December 2010 are as follows:

	RM'000
Secured: Long Term Borrowings	1,462,737
Total	1,462,737

The Group borrowings are denominated in Ringgit Malaysia.

**20. Disclosure of Derivatives**

There are no derivatives at the date of issue of this announcement.

## 21. Realised and unrealised profits/losses

Disclosure of realised and unrealised profits/losses as at 31 December 2010 as per Bursa's directive SR/RPA/TAC(RO)/LD09/10 and SR/RPA/TAC(RO)/LD26/10 dated 25 March 2010 and 20 December 2010 respectively:

	Current financial period RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries:	
- Realised	673,753
- Unrealised (Note)	(249,462)
	<hr/> 424,291
Total share of retained profits / (accumulated losses) from jointly controlled entities	
- Realised	(151,576)
- Unrealised	-
	<hr/> 272,715
Add / (less): Consolidation adjustments	42,184
Total group retained profits / (accumulated losses) as per consolidated accounts	<hr/> 314,899 <hr/>

### Note

This unrealised loss represents deferred tax liabilities recognised in a subsidiary company as at 31 December 2010.

## 22. Material litigations

There were no pending material litigations. There has been no change in the situation since 31 March 2010 to a date not earlier than 7 days from the date of issue of this announcement.

## 23. Comparison of profit before taxation with the immediate preceding quarter

The Group's profit before taxation for the current quarter of RM37.5 million is slightly lower than the Group's profit before taxation of RM38.3 million achieved in the immediate preceding quarter. This is mainly due to higher operating expenses in the current quarter.

## 24. Review of performance for the current quarter

For the current quarter, the Group recorded a higher revenue of RM78.7 million as compared to RM77.3 million recorded in the immediate preceding quarter and RM78.5 million recorded in the preceding year corresponding quarter. The higher revenue in the current quarter as compared to the immediate preceding quarter is mainly due to the effect of higher traffic volume.

**25. Current year's prospects**

In April 2009, the Government had announced that it will come out with a long term solution to the recurring public pressure it faces with respect to toll increases and had instructed the Economic Planning Unit to come out with recommendations. The decision from the Government is still being awaited. According to the Concession Agreement, the next toll increase is on 1 January 2011 but the Government has decided that the toll rate increase to be deferred until further notice. Based on our past negotiations with the Government, the Group is, however, optimistic that terms of the Concession Agreement will be observed by all parties concerned.

Barring any unforeseen circumstances, particularly significant increase in fuel prices, the Board of Directors is optimistic that a low but gradual increase in revenue will be generated from the projected growth in traffic plying the Lebu Raya Damansara-Puchong ("LDP").

**26. Profit forecast or profit guarantees**

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

**27. Dividend**

On 25 February 2011, the Board of Directors has approved a second single tier interim dividend of 7 sen per share for the financial year ending 31 March 2011.

The second 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.

The Board of Directors had approved a second single tier interim dividend of 7 sen per share for the financial year ending 31 March 2010 in the previous year corresponding quarter ended 31 December 2009.

The total dividend per share for the current financial year-to-date is 17 sen inclusive of the first single tier interim dividend of 10 sen, paid on 27 September 2010. For the preceding year corresponding period, a total single tier interim dividend per share of 17 sen was declared.

## 28. Earnings per share

The basic earnings per share is calculated based on the Group's profit for the period from continuing operations, net of tax, attributable to owners of the parent of RM82.890 million and weighted average number of ordinary shares outstanding during the period of 501.253 million.

The diluted earnings per share is calculated based on the Group's profit for the period from continuing operations, net of tax, attributable to owners of the parent of RM82.890 million and weighted average number of ordinary shares outstanding during the period including dilutive potential shares, of 501.734 million calculated as follows:

	Million shares
Weighted average number of ordinary shares	501.253
Effect of Employees Share Option Scheme	0.481
Weighted average number of ordinary shares (diluted)	501.734