

# Lingkaran Trans Kota Holdings Berhad (335382-V)

## Notes To The Interim Financial Statements For The Year Ended 31 March 2011

### 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 and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 July 2009, 1 January 2010 and 31 March 2010:

#### FRSs, Amendments to FRSs and Interpretations

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

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

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

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

Amendments to FRS 132	Classification of Rights Issues
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Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and of the Company except for those discussed below:

#### FRS 7 Financial Instruments: Disclosures

Prior to 1 April 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group and the Company's financial statements for the year ended 31 March 2011.

#### FRS 8 Operating Segments

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively.

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

### **FRS 101 Presentation of Financial Statements (Revised)**

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group and the Company to make new disclosures to enable users of the financial statements to evaluate the Group's and Company's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

### **FRS 139 Financial Instruments: Recognition and Measurement**

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company 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 details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

#### **Financial liabilities:**

##### **(a) Borrowings**

Prior to 1 April 2010, the difference between the fair value and nominal value of Sukuk Musyarakah Medium Term Notes ("IMTNs") are recognised as an expense and accreted to the principal at a constant charge per annum up to the maturity of each series. Upon the adoption of FRS 139, the IMTNs are measured subsequently at amortised cost using the effective interest method. As at 1 April 2010, the Group has remeasured such IMTNs at their amortised cost of RM1,359,447,000. The adjustments to their previous carrying amounts of RM4,556,000 are credited to the opening balance of retained earnings as at 1 April 2010.

As at 31 March 2011, the difference between the previous amortisation method and the effective interest method under FRS 139 amounting to RM1,712,000 is recognised in profit or loss.

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

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

#### Financial liabilities:

##### (b) Interests in a jointly controlled entity

Prior to 1 April 2010, borrowings of a jointly controlled entity are stated at cost, being the fair value of the consideration received. Upon the adoption of FRS 139, the borrowings are initially measured at fair value and subsequently at amortised cost using the effective interest method. As at 1 April 2010, the jointly controlled entity has remeasured such borrowings at their amortised cost and debited opening retained earnings by RM56,654,000. The Group's share of this adjustment is RM28,327,000.

As at 31 March 2011, the difference between the previous amortisation method and the effective interest method under FRS 139 amounting RM12,778,000 is recognised in profit or loss by the jointly controlled entity. The Group's share of this adjustment is RM6,389,000.

The following are effects arising from the above changes in accounting policies:

	Increase/(decrease)	
	As at 31 March 2011 RM'000	As at 1 April 2010 RM'000
<b>Statements of financial position</b>		
<b>Group</b>		
Interests in a jointly controlled entity	(21,938)	(28,327)
Deferred tax liabilities	1,567	1,139
Borrowings	(6,268)	(4,556)
Retained earnings	<u>(17,237)</u>	<u>(24,910)</u>
<b>Company</b>		
Amount due to a subsidiary company	(38,104)	(44,933)
Investments in subsidiaries	(50,000)	(50,000)
Retained earnings	<u>(11,896)</u>	<u>(5,067)</u>

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

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

The following are effects arising from the above changes in accounting policies:

	Increase/(decrease)	
	Group	Company
	2011	2011
	RM'000	RM'000
<b>Statements of comprehensive income</b>		
Finance costs	(1,712)	6,829
Share of losses of jointly controlled entity	(6,389)	-
Income tax expense	428	-
Profit net of tax	7,673	(6,829)
		<b>Increase/ (decrease)</b>
		<b>Group</b>
		<b>2011</b>
		<b>Sen per share</b>
Earnings per share		
Basic		1.53
Diluted		1.53

### Standards issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but not yet effective:

### FRSs, Amendments to FRSs and Interpretations

#### Effective for annual 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 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)

### Standards issued but not yet effective (Cont'd)

#### FRSs, Amendments to FRSs and Interpretations

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

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

Except for the changes in accounting policies arising from the adoption of the revised FRS 3, amendments to FRS 127 and IC Interpretation 12, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3, amendments to FRS 127 and IC Interpretation 12 are described below.

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

### **Standards issued but not yet effective (Cont'd)**

#### **Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements**

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 *Statement of Cash Flows*, FRS 112 *Income Taxes*, FRS 121 *The Effects of Changes in Foreign Exchange Rates*, FRS 128 *Investments in Associates* and FRS 131 *Interests in Joint Ventures*. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

#### **IC Interpretation 12: Service Concession Arrangements**

This IC applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The adoption of IC Interpretation 12 is likely to have impact to the financial statements and the Group is in the process of assessing the possible impact. The transitional provision exempts the disclosure of the possible impact to the financial statements upon the initial application of the IC.

## **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 3,275,000 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

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

	RM'000
First single tier interim dividend of 10 sen per ordinary share of 20 sen each for the financial year ending 31 March 2011 paid on 27 September 2010	50,169
Second single tier interim dividend of 7 sen per ordinary share of 20 sen each for the financial year ending 31 March 2011 paid on 24 March 2011	35,223
<b>Total</b>	<b>85,392</b>

## 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	Eliminations RM'000	Total RM'000
<b>Revenue</b>				
Revenue - external	318,590	-	-	318,590
Inter-segment revenue	-	86,513	(86,513)	-
<b>Total Revenue</b>	<b>318,590</b>	<b>86,513</b>	<b>(86,513)</b>	<b>318,590</b>
<b>Result</b>				
Segment results	239,285	84,481	(84,920)	238,846
Finance costs	(88,148)	(6,829)	6,829	(88,148)
Interest income	16,718	1,057	(6,829)	10,946
Share of losses of jointly controlled entity	(24,902)	-	-	(24,902)
Income tax expense	(37,699)	(604)	-	(38,303)
<b>Profit for the year</b>				<b>98,439</b>



**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.
- (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 March 2011 are as follows:

	RM'000
Capital expenditure	
Approved and contracted for:	
Highway development expenditure	222,281
Heavy repair expenditure	1,706
Property, plant and equipment	158
Approved but not contracted for:	
Highway development expenditure	63,000
Share of capital commitments of a jointly controlled entity	5,565
Total	292,710

#### 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	4,977	19,674
Deferred tax	(746)	18,629
Total	4,231	38,303

As for the current quarter and financial year-to-date, the effective tax rate is lower than the statutory tax rate due to recognition of temporary difference for amortised discount in the Group borrowings.

#### 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 March 2011 are as follows:

	RM'000
Secured: Long Term Borrowings	1,464,501
Total	1,464,501

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

The breakdown of the retained earnings of the Group as at 31 March 2011 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	As at 31-Mar-11 RM'000	As at 31-Dec-10 RM'000
Total retained earnings of the Company and its subsidiaries		
Realised	670,197	673,753
Unrealised	(248,716)	(249,462)
	<u>421,481</u>	<u>424,291</u>
Total share of accumulated losses from a jointly controlled entity		
Realised	(173,536)	(151,576)
Unrealised	-	-
	<u>247,945</u>	<u>272,715</u>
Add: Consolidation adjustments	47,280	42,184
Retained earnings as per financial statements	<u>295,225</u>	<u>314,899</u>

## 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 RM19.8 million is lower than the Group's profit before taxation of RM37.5 million achieved in the immediate preceding quarter. This is mainly due to the higher share of losses in interests in a jointly controlled entity, Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd ("SPRINT Group") from RM1.3 million recorded in the immediate preceding quarter to RM22.0 million in the current quarter.

The higher share of losses in SPRINT Group in the current quarter is mainly attributable to higher amortisation of highway development expenditure based on the latest toll revenue projections prepared by independent consultants which was concluded at the end of the current fourth quarter and hence the entire adjustment has been accounted for in the current quarter.

**24. Review of performance for the current quarter and financial year-to-date**

For the current quarter, the Group recorded a higher revenue of RM83.6 million as compared to RM78.7 million recorded in the immediate preceding quarter and RM79.5 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 scheduled toll increase due on 1 January 2011 which the Government has decided to defer until further notice. The Group has made the necessary accruals based on the terms of the Concession Agreement.

For the current year-to-date, the Group recorded revenue and profit before taxation of RM318.6 million and RM136.7 million respectively as compared to RM310.5 million and RM127.3 million achieved in the immediate preceding year. Similarly, the increase in revenue and profit before tax for the current year-to-date is mainly attributable to the abovementioned matter.

**25. Next 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 toll rate for LDP was scheduled for increase on 1 January 2011 but the Government has decided to defer 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 Lebuhraya 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

No dividend is recommended for the current quarter. Dividend for the current financial period and the preceding year corresponding period are as follows: -

2011	2010
(i) First interim dividend of 10 sen per share (single tier dividend)	(i) First interim dividend of 10 sen per share (single tier dividend)
(ii) Second interim dividend of 7 sen per share (single tier dividend)	(ii) Second interim dividend of 7 sen per share (single tier dividend)
Total dividend declared for the financial year was 17 sen per share (single tier interim dividend)	Total dividend declared for the financial year was 17 sen per share (single tier interim dividend)

## 28. Earnings per share

The basic earnings per share amount is calculated by dividing the Group's profit for the year, net of tax, attributable to owners of the parent of RM98.439 million by the weighted average number of ordinary shares outstanding during the financial year of 501.674 million.

The diluted earnings per share amount is calculated by dividing the Group's profit for the year, net of tax, attributable to owners of the parent of RM98.439 million by the weighted average number of ordinary shares outstanding during the financial year including dilutive potential ordinary shares, of 502.122 million calculated as follows:

	Million shares
Weighted average number of ordinary shares	501.674
Effects of dilution: Exercise of Employee Share Option Scheme	0.448
Weighted average number of ordinary shares for diluted earnings per share computation	502.122