

Lingkaran Trans Kota Holdings Berhad (335382-V)

Notes To The Interim Financial Statements For The Period Ended 30 June 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 2011. 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 2011.

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 2011.

On 1 April 2011, the Group and the Company adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 July 2010 and 1 January 2011:

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)

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

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.

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

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.

IC Interpretation 12 Service Concession Arrangements

The IC Interpretation 12 Service Concession Arrangements ("IC 12") provides guidance on accounting treatment of a service concession arrangement involving the provision of public services sector by private operators. Pursuant to IC 12, infrastructure shall not be recognised as tangible operating assets of the operator as the operator does not control but has the right to charge users for using the infrastructure until end of concession when it is surrendered to the grantor i.e. the government. Hence, the infrastructure is to be recognised as intangible asset.

2. Changes in accounting policies (Cont'd)

IC Interpretation 12 Service Concession Arrangements (Cont'd)

IC 12 also requires that the recognition of contractual obligations to maintain the infrastructure to a specified standard condition to be recognised and measured in accordance with FRS 137 Provisions, Contingent Liabilities and Contingent Assets.

The changes to the Group's accounting policies and financial statements upon application of IC 12 are described as follows:

(i) Change in classification of Highway Development Expenditure

HDE comprises construction and development expenditure (including interest and fee charges relating to financing of the construction and development of the highway) incurred by the subsidiary company in connection with the Concession.

Prior to the adoption of IC 12, Highway Development Expenditure ("HDE") were treated as part of tangible operating assets, and were stated at cost less accumulated amortisation and impairment losses. Upon adoption of IC 12, HDE are reclassified as intangible assets and will continue to be stated at cost less accumulated amortisation and impairment losses.

(ii) Write off of heavy repair expenditure and provision for heavy repairs

Heavy repair expenditure relates to costs incurred for the rectification of any settlements and pavement rehabilitation along the highway.

Prior to the adoption of IC 12, the Group's heavy repair expenditure were capitalised and amortised on a straight line basis over 7 years. Upon adoption of IC 12, the carrying value is written off to retained earnings.

In addition, provision for heavy repairs being the contractual obligations to maintain and restore the infrastructure to a specified standard of serviceability, is recognised and measured at the present value of estimated expenditures expected to be required to settle the present obligation at the reporting date.

(iii) Amortisation of HDE

The Group amortise the HDE based on the following formula:

$$\left\{ \begin{array}{l} \text{(Cumulative Actual} \\ \text{Toll Revenue to date)} \\ \text{(Cumulative Actual} \\ \text{Toll Revenue to date} \\ \text{plus Projected Total} \\ \text{Toll Revenue for the} \\ \text{remaining concession} \\ \text{period)} \end{array} \right\} \times \left\{ \begin{array}{l} \text{(Cumulative} \\ \text{Actual HDE)} \end{array} \right\} \text{ Less Accumulated Amortisation at beginning of the financial year}$$

2. Changes in accounting policies (Cont'd)

IC Interpretation 12 Service Concession Arrangements (Cont'd)

(iii) Amortisation of HDE (Cont'd)

Although the Group has adopted IC 12 in the current quarter, the consensus in determining the appropriateness of prevailing method used in amortising the HDE is still pending deliberation by the accounting profession in Malaysia. Subject to the finalisation of the consensus by the accounting profession in Malaysia over this matter, the Group continues to amortise its HDE using the existing formula and will continue to monitor the progress and outcome of the ongoing deliberation, and will review the existing amortisation method should such need arise.

(iv) Financial impact

In accordance with the transitional provisions of IC 12, the changes in accounting policies have been applied retrospectively and comparative figures have been restated accordingly. The financial impact arising from the adoption of this Interpretation is tabulated below.

	As previously stated RM'000	Effects of adopting IC Interpretation 12 RM'000	As restated RM'000
<u>As at 31 March 2011</u>			
Consolidated Statement of Financial Position			
Heavy repair expenditure	40,244	(40,244)	-
Interests in a jointly controlled entity	219,392	(23,381)	196,011
Deferred tax liabilities	248,716	(11,472)	237,244
Provision for heavy repairs	-	5,645	5,645
Retained earnings	295,225	(57,798)	237,427
<u>For 3 months ended 30 June 2010</u>			
Consolidated Statement of Comprehensive Income			
Maintenance expenses	(2,264)	(1,406)	(3,670)
Depreciation and amortisation	(10,958)	2,211	(8,747)
Share of losses of jointly controlled entity	(468)	(569)	(1,037)
Profit before tax	41,151	236	41,387
Income tax expense	(11,690)	(201)	(11,891)
Profit net of tax	29,461	35	29,496

2. Changes in accounting policies (Cont'd)

At the date of authorisation of these interim financial statements, the following standard and interpretations were issued but not yet effective and have not been applied by the Group and the Company:

Effective for annual periods beginning on or after 1 July 2011:

Amendments to IC Interpretation 14 IC Interpretation 19	Prepayments of a Minimum Funding Requirement Extinguishing Financial Liabilities with Equity Instruments
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Effective for annual periods beginning on or after 1 January 2012:

IC Interpretation 15 FRS 124	Agreements for the Construction of Real Estate Related Party Disclosures
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The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

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 2011.

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 803,000 new ordinary shares of RM0.20 each for cash pursuant to the Company's ESOS at exercise price ranging between RM1.42 and RM3.16 per ordinary share.

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 is as follows:

	Highway RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue				
Revenue - external	89,629	-	-	89,629
Inter-segment revenue	-	377	(377)	-
Total Revenue	89,629	377	(377)	89,629
Result				
Segment results	72,039	(8)	19	72,050
Finance costs	(22,049)	(1,813)	1,813	(22,049)
Interest income	4,039	228	(1,813)	2,454
Share of losses of jointly controlled entity	(1,233)	-	-	(1,233)
Income tax expense	(14,576)	(135)	-	(14,711)
Profit for the year				36,511

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 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.

13. Contingent liabilities and contingent assets

There were no material changes in other contingent liabilities or contingent assets since 31 March 2011.

14. Capital Commitments

The amount of commitments for capital expenditure not provided for in the interim financial statements as at 30 June 2011 are as follows:

	RM'000
Capital expenditure	
Approved and contracted for:	
Highway development expenditure	203,066
Heavy repair expenditure	1,643
Plant and equipment	158
Approved but not contracted for:	
Highway development expenditure	63,000
Share of capital commitments of a jointly controlled entity	4,647
Total	272,514

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	6,682	6,682
Deferred tax	8,029	8,029
Total	14,711	14,711

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 30 June 2011 are as follows:

	RM'000
Secured: Long Term Borrowings	1,466,377
Total	1,466,377

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 and 30 June 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 30 June 11 RM'000	As at 31 Mar 11 RM'000 Restated
Total retained earnings of the Company and its subsidiaries		
Realised	677,280	629,953
Unrealised	(252,490)	(242,889)
	<u>424,790</u>	<u>387,064</u>
Total share of accumulated losses from jointly controlled entity		
Realised	(178,049)	(176,711)
Unrealised	(20,101)	(20,206)
	<u>226,640</u>	<u>190,147</u>
Add: Consolidation adjustments	47,298	47,280
Retained earnings as per financial statements	<u>273,938</u>	<u>237,427</u>

22. Material litigations

There were no pending material litigations. There has been no change in the situation since 31 March 2011 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 RM51.2 million is higher than the Group's profit before taxation of RM19.8 million achieved in the immediate preceding quarter. This is mainly due to the lower share of losses in interests in a jointly controlled entity, Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd ("SPRINT Group") from RM1.2 million recorded in the current quarter as compared to RM22.0 million in the immediate preceding quarter.

The higher share of losses in SPRINT Group in the immediate preceding 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 and accounted for in that 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 RM89.6 million as compared to RM83.6 million recorded in the immediate preceding quarter and RM78.9 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 higher traffic volume recorded in the current quarter.

For the current year-to-date, the Group recorded revenue and profit before taxation of RM89.6 million and RM51.2 million respectively as compared to RM78.9 million and RM41.4 million achieved in the immediate preceding year. The increase in revenue and profit before tax for the current year-to-date is mainly attributable to the accruals made for the toll increase based on the terms of the Concession Agreement.

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 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

On 26 August 2011, the Board of Directors has approved a single tier interim dividend of 10 sen per share for the financial year ending 31 March 2012.

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.

The Board of Directors had approved a single tier interim dividend of 10 sen per share for the financial year ending 31 March 2011 in the previous year corresponding quarter ended 30 June 2010.

28. Earnings per share

The basic earnings per share amount is calculated by dividing the Group's profit for period, net of tax, attributable to owners of the parent of RM36.511 million by the weighted average number of ordinary shares outstanding during the period of 503.717 million.

The diluted earnings per share amount is calculated by dividing the Group's profit for the period, net of tax, attributable to owners of the parent of RM36.511 million by the weighted average number of ordinary shares outstanding during the period including dilutive potential ordinary shares, of 504.355 million calculated as follows:

	Million shares
Weighted average number of ordinary shares	503.717
Effects of dilution: Exercise of Employee Share Option Scheme	0.638
Weighted average number of ordinary shares for diluted earnings per share computation	504.355