## Lingkaran Trans Kota Holdings Berhad (335382-V)

## Notes To The Interim Financial Statements
## For The Year Ended 31 March 2012

### 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 new and amended FRS and IC 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 |

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Group and the Company except for those discussed below:

**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 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.

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

**Amendments to FRS 7: Improving Disclosures about Financial Instruments**

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2 and Level 3), by class, for all financial instruments recognised at fair value. A reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between levels of the fair value hierarchy and the reasons for those transfers need to be disclosed. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

**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.

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")

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, 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.

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

**IC Interpretation 12 Service Concession Arrangements (Cont'd)**

(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:

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

Although the Group has adopted IC 12 in the current period, 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.

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

**IC Interpretation 12 Service Concession Arrangements (Cont'd)**

(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 |
|---|---|---|---|
| **As at 31 March 2011** | | | |
| **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 |
| | | | |
| **For 3 months ended 31 March 2011** | | | |
| **Consolidated Statement of Comprehensive Income** | | | |
| Maintenance expenses | (4,215) | (4,058) | (8,273) |
| Depreciation and amortisation | (12,403) | 2,348 | (10,055) |
| Share of losses of jointly controlled entity | (21,960) | (486) | (22,446) |
| Profit before tax | 19,780 | (2,196) | 17,584 |
| Income tax expense | (4,231) | 427 | (3,804) |
| Profit net of tax | 15,549 | (1,769) | 13,780 |
| | | | |
| Basic earnings per share (sen per share) | 3.09 | (0.35) | 2.74 |
| Diluted earnings per share (sen per share) | 3.09 | (0.35) | 2.74 |

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

### IC Interpretation 12 Service Concession Arrangements (Cont'd)

(iv) Financial impact (Cont'd)

| | As previously stated RM'000 | Effects of adopting IC Interpretation 12 RM'000 | As restated RM'000 |
|---|---|---|---|
| **For 12 months ended 31 March 2011** | | | |
| **Consolidated Statement of Comprehensive Income** | | | |
| Maintenance expenses | (12,263) | (9,776) | (22,039) |
| Depreciation and amortisation | (44,152) | 9,111 | (35,041) |
| Share of losses of jointly controlled entity | (24,902) | (2,156) | (27,058) |
| Profit before tax | 136,742 | (2,821) | 133,921 |
| Income tax expense | (38,303) | 166 | (38,137) |
| Profit net of tax | 98,439 | (2,655) | 95,784 |
| | | | |
| Basic earnings per share (sen per share) | 19.62 | (0.53) | 19.09 |
| Diluted earnings per share (sen per share) | 19.60 | (0.52) | 19.08 |

### Malaysian Financial Reporting Standards ("MFRS")

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture ("MFRS 141") and IC Interpretation 15 Agreements for the Construction of Real Estate ("IC 15"), including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 March 2013. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 March 2012 could be different if prepared under the MFRS Framework.

**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 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 other than the following:

(i) changes in accounting policies due to the adoption of IC Interpretation 12 Service Concession Arrangements as disclosed in Note 2; and

(ii) higher amortisation of highway development expenditure recognised by Lingkaran Trans Kota Sdn Bhd, a subsidiary company of the Group based on the latest toll revenue projections prepared by independent consultants as discussed further in Note 21.

**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 4,695,000 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**

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 2012 paid on 28 September 2011 | 50,488 |
| Second single tier interim dividend of 7 sen per ordinary share of 20 sen each for the financial year ending 31 March 2012 paid on 26 March 2012 | 35,545 |
| Total | 86,033 |

**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 | 358,731 | - | - | 358,731 |
| Inter-segment revenue | - | 86,646 | (86,646) | - |
| Total Revenue | 358,731 | 86,646 | (86,646) | 358,731 |
| **Result** | | | | |
| Segment results | 207,538 | 84,638 | (84,780) | 207,396 |
| Interest income | 16,810 | 1,091 | (7,273) | 10,628 |
| Finance costs | (88,598) | (7,273) | 7,273 | (88,598) |
| Share of losses of jointly controlled entity | (9,969) | - | - | (9,969) |
| Income tax expense | (35,612) | (669) | - | (36,281) |
| Profit for the year | 90,169 | 77,787 | (84,780) | 83,176 |

**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 31 March 2012 are as follows:

| | RM'000 |
|---|---|
| Capital expenditure | |
| Approved and contracted for: | |
| Highway development expenditure | 43,127 |
| Plant and equipment | 158 |
| | |
| Approved but not contracted for: | |
| Highway development expenditure | 63,000 |
| | |
| Total | 106,285 |

## 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 | 8,951 | 35,534 |
| Deferred tax | (15,179) | 747 |
| Total | (6,228) | 36,281 |

For the current quarter, the reversal of income tax expense is in line with loss for the quarter due to higher amortisation of highway development expenditure as mentioned in Note 21.

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

## 16. 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.

## 17. Group borrowings

Group borrowings as at 31 March 2012 are as follows:

| | RM'000 |
|---|---|
| Secured: | |
| Long Term Borrowings | 1,442,606 |
| Short Term Borrowings | 29,400 |
| Total | 1,472,006 |

The Group borrowings are denominated in Ringgit Malaysia.

## 18. Disclosure of Derivatives

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

## 19. Realised and unrealised profits/losses

The breakdown of the retained earnings of the Group as at 31 March 2011 and 31 March 2012 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 12 RM'000** | **As at 31 Mar 11 RM'000 (Restated)** |
|---|---|---|
| Total retained earnings of the Company and its subsidiaries | | |
| Realised | 643,881 | 629,953 |
| Unrealised | (249,924) | (242,889) |
| | 393,957 | 387,064 |
| Total share of accumulated losses from jointly controlled entity | | |
| Realised | (188,484) | (176,711) |
| Unrealised | (18,402) | (20,206) |
| | 187,071 | 190,147 |
| Add: Consolidation adjustments | 47,499 | 47,280 |
| Retained earnings as per financial statements | 234,570 | 237,427 |

**20. 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.

**21. Comparison of profit before taxation with the immediate preceding quarter**

In the current quarter, the Group incurred a loss before taxation of RM25.1 million as compared to Group's profit before taxation of RM46.1 million achieved in the immediate preceding quarter. This is mainly due to higher amortisation of highway development expenditure recognised by Lingkaran Trans Kota Sdn Bhd, a subsidiary company of the Group based on the latest toll revenue projections prepared by independent consultants. As the projections were concluded at the end of the current fourth quarter, the entire adjustment has been accounted for in the current quarter in the financial statements of that subsidiary and the Group.

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

For the current quarter, the Group achieved a slightly lower revenue of RM89.1 million as compared to RM90.1 million recorded in the immediate preceding quarter and achieved a higher revenue as compared to the preceding year corresponding quarter of RM83.6 million. The slight decrease in revenue in the current quarter as compared to the immediate preceding quarter is mainly attributable to lower traffic volume recorded during the festive period of the current quarter.

For the current year-to-date, the Group recorded revenue and profit before taxation of RM358.7 million and RM119.5 million respectively as compared to RM318.6 million and RM133.9 million achieved in the immediate preceding year. The increase in revenue for the current year-to-date is mainly attributable to the accruals made for the toll rates increase effective 1 January 2011 based on the terms of the Concession Agreement. However, the Group's profit before tax for the current year-to-date is lower mainly attributable to higher amortisation of highway development expenditure charge recognised in the current quarter as mentioned in Note 21 above.

**23. 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 rates for LDP were 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 the 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 Lebuh Raya Damansara-Puchong ("LDP").

## 24. Profit forecast or profit guarantees

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

## 25. Dividend

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

| 2012 | 2011 |
|---|---|
| (i) First interim dividend of 10 sen per share (single tier dividend)<br><br>(ii) Second interim dividend of 7 sen per share (single tier dividend) | (i) First interim dividend of 10 sen per share (single tier dividend)<br><br>(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) |

## 26. 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 RM83.176 million by the weighted average number of ordinary shares outstanding during the financial year of 504.991 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 RM83.176 million by the weighted average number of ordinary shares outstanding during the financial year including dilutive potential ordinary shares, of 505.401 million calculated as follows:

| | Million shares |
|---|---|
| Weighted average number of ordinary shares | 504.991 |
| Effects of dilution: | |
| Exercise of Employee Share Option Scheme | 0.410 |
| Weighted average number of ordinary shares for diluted earnings per share computation | 505.401 |