Lingkaran Trans Kota Holdings Berhad (335382-V)

Explanatory Notes Pursuant to MFRS 134
For The Six-month Period Ended 30 September 2012

1. First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

These condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board ("IASB"). For the periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 March 2013. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

The adoption of MFRS 1 did not result in any significant changes in accounting policies and presentation of the financial statements of the Group.

2. Significant accounting policies

The audited financial statements of the Group for the year ended 31 March 2012 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 March 2012.

MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective

At the date of authorisation of these condensed consolidated interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

		Effective for financial periods beginning on or after
MFRS 3	Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013

2. Significant accounting policies (Cont'd)

MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective (Cont'd)

		Effective for financial periods beginning on or after
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2004	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendment to MFRS 1	Annual Improvements 2009–2011 Cycle	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendment to MFRS 101	Annual Improvements 2009–2011 Cycle	1 January 2013
Amendment to MFRS 116	Annual Improvements 2009–2011 Cycle	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendment to MFRS 132	Annual Improvements 2009–2011 Cycle	1 January 2013
Amendment to MFRS 134	Annual Improvements 2009–2011 Cycle	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendment to IC Interpretation 2	Annual Improvements 2009-2011 Cycle	1 January 2013

In connection with the application of MFRS 1, the Group has early adopted Amendments to MFRS 1 Government Loan effective for financial periods beginning on or after 1 January 2013. As a result of the early adoption, the carrying amount of borrowing recognised in previous FRS for financial year ended 31 March 2012 is the same as the carrying amount at date of transition of MFRS.

Adoption of the above standards and interpretations will not have any material impact on the financial statements in the period of initial application.

3. 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.

Although the Group has adopted IC 12, 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.

The Group amortise the HDE based on the following formula:

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

4. 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 2012.

5. Seasonality and cyclicality of operations

There was no significant fluctuation in the seasonality or cyclicality of operations affecting the Group.

6. 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.

7. Changes in estimates

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

8. 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 972,000 new ordinary shares of RM0.20 each for cash pursuant to the Company's ESOS at exercise price ranging between RM1.65 and RM3.60 per ordinary share.

9. Dividends paid

During the financial 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 2013 amounting to RM50,885,761.80 on 27 September 2012.

10. Segment information

Segment information by business segments are as follows:

6 months period ended 30 September 2012

	Highway RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue				
Revenue - external	184,187	-	-	184,187
Inter-segment revenue	-	50,823	(50,823)	-
Total Revenue	184,187	50,823	(50,823)	184,187
Result				
Segment results	137,847	49,906	(49,955)	137,798
Interest income	7,429	673	(3,884)	4,218
Finance costs	(44,656)	(3,884)	3,884	(44,656)
Share of losses of jointly controlled entity	(3,367)	-	-	(3,367)
Income tax expense	(27,167)	(281)	-	(27,448)
Profit for the year	70,086	46,414	(49,955)	66,545

10. Segment information (Cont'd)

Segment information by business segments are as follows:

6 months period ended 30 September 2011

	Highway RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue				
Revenue - external	179,518	-	-	179,518
Inter-segment revenue	-	50,759	(50,759)	-
Total Revenue	179,518	50,759	(50,759)	179,518
Result				
Segment results	141,047	49,989	(49,962)	141,074
Interest income	8,689	506	(3,647)	5,548
Finance costs	(44,306)	(3,647)	3,647	(44,306)
Share of losses of jointly controlled entity	(3,842)	-	-	(3,842)
Income tax expense	(28,466)	(332)	-	(28,798)
Profit for the year	73,122	46,516	(49,962)	69,676

The major operating segment of the Group is highway business. Explanatory comment on the performance of the highway business is provided in Note 22 and Note 23.

11. Valuation of plant and equipment

All plant and equipment of the Group are carried at cost less accumulated depreciation and impairment losses.

12. Material events subsequent to the end of the current quarter

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

13. 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.

14. Contingent liabilities and contingent assets

There were no material changes in other contingent liabilities or contingent assets since 31 March 2012.

15. **Capital Commitments**

The amount of commitments for capital expenditure not provided for in the interim financial statements as at 30 September 2012 are as follows:

	RM'000
Capital expenditure	
Approved and contracted for:	
Highway development expenditure	9,883
Plant and equipment	158
Approved but not contracted for:	
Highway development expenditure	63,000
Total	73,041

16. **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	5,772	11,545
Deferred tax	7,476	15,903
Total	13,248	27,448

For the current quarter and 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.

17. **Status of corporate proposals**

There were no corporate proposals announced but not completed at a date not earlier than 7 days from the date of issue of this announcement.

18. **Group borrowings**

Group borrowings as at 30 September 2012 are as follows:

	RM'000
Secured:	
Long Term Borrowings	1,377,198
Short Term Borrowings	69,400
Total	1,446,598

The Group borrowings are denominated in Ringgit Malaysia.

19. Disclosure of Derivatives

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

20. Realised and unrealised profits/losses

The breakdown of the retained earnings of the Group as at 31 March 2012 and 30 September 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 30 Sep 12 RM'000	**As at 31 Mar 12 RM'000**
Total retained earnings of the Company and its subsidiaries		
Realised	682,228	643,881
Unrealised (Note)	(269,290)	(249,924)
	412,938	393,957
Total share of accumulated losses from jointly controlled entity		
Realised	(191,725)	(188,484)
Unrealised	(18,528)	(18,402)
	202,685	187,071
Add: Consolidation adjustments	47,544	47,499
Retained earnings as per financial statements	250,229	234,570

Note
This unrealised loss represents deferred tax liabilities and provision for heavy repairs recognised in a subsidiary company as at 31 March 2012 and 30 September 2012.

21. Material litigations

There were no pending material litigations. There has been no change in the situation since 31 March 2012 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 RM44.6 million is lower than the Group’s profit before taxation of RM49.3 million recorded in the immediate preceding quarter. This is mainly due to the lower revenue, higher share of losses in interests in a jointly controlled entity, Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd (“SPRINT” Group”), lower other income and slightly higher operating expenses in the current quarter.

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

For the current quarter, the Group achieved a slightly lower revenue of RM91.5 million as compared to RM92.7 million recorded in the immediate preceding quarter. The slight decrease in revenue in the current quarter as compared to the immediate preceding quarter is mainly attributable to discounts given during major national festivals in the current quarter. The Group achieved a higher revenue of RM91.5 million as compared to the preceding year corresponding quarter of RM89.9 million. The increase in revenue in the current quarter as compared to preceding year corresponding quarter is mainly due to higher traffic volume recorded in the current quarter.

For the current year-to-date, the Group recorded revenue and profit before taxation of RM184.2 million and RM94.0 million respectively as compared to RM179.5 million and RM98.5 million respectively in the immediate preceding corresponding period. The increase in revenue in the current financial year-to-date as compared to the immediate preceding corresponding period is mainly attributable to higher traffic volume recorded in the current financial period.

The decrease in profit before taxation in the current financial year-to-date as compared to the immediate preceding corresponding period is mainly due to higher amortisation of highway development expenditure.

24. 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 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").

25. Profit forecast or profit guarantees

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

26. Dividend

No dividend is recommended for the current quarter. For the current financial year-to-date, the Board of Directors had declared a single tier (exempt from tax) interim dividend of 10 sen per share which was paid on 27 September 2012.

No dividend was declared in the previous year corresponding quarter ended 30 September 2011.

27. Earnings per share

The basic earnings per share amounts are calculated by dividing the Group's profit for the period, net of tax, attributable to owners of the parent of RM66.545 million by the weighted average number of ordinary shares outstanding during the period of 508.458 million.

The diluted earnings per share amounts are calculated by dividing the Group's profit for the period, net of tax, attributable to owners of the parent of RM66.545 million by the weighted average number of ordinary shares outstanding during the period including dilutive potential ordinary shares, of 508.896 million calculated as follows:

	Million shares
Weighted average number of ordinary shares	508.458
Effects of dilution:	
Exercise of Employee Share Option Scheme	0.438
Weighted average number of ordinary shares for diluted earnings per share computation	508.896

28. Fair value hierarchy

The Group classifies fair value measurement using a fair value that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at reporting date, the Group's investment management funds is classified as Level 1 whereas the borrowings are classified as Level 2.

No transfers between any levels of the fair value hierarchy took place during the current financial period and the comparative period. There were also no changes in the purpose of any financial asset and financial liability that subsequently resulted in a different classification of that asset.

29. Notes to the Condensed Consolidated Statements of Comprehensive Income

Total comprehensive income for the current quarter and financial year-to-date is arrived at after charging/ (crediting) the following items:

		Current Quarter 30 Sep 2012	Current Year-to-date 30 Sep 2012
		RM'000	RM'000
(a)	Interest income	(2,204)	(4,218)
(b)	Other income	(56)	(1,267)
(c)	Finance costs	22,432	44,656
(d)	Depreciation and amortisation	13,062	25,744
(e)	Provision for write off of receivables	-	-
(f)	Provision for and write off of inventories	-	-
(g)	Gain or loss on disposal of quoted or unquoted investments or properties	-	-
(h)	Impairment of assets	-	-
(i)	Foreign exchange gain or loss	-	-
(j)	Gain or loss on derivatives	-	-
(k)	Exceptional items	-	-