Lingkaran Trans Kota Holdings Berhad (335382-V)

Explanatory Notes Pursuant to MFRS 134
For The Period Ended 30 June 2013

1. Basis of preparation

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").

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 March 2013. 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 2013.

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 2013.

On 1 April 2013, the Group and the Company adopted the following Malaysian Financial Reporting Standards (MFRSs) and Amendments to MFRSs mandatory for annual periods beginning on or after 1 July 2012 and 1 January 2013:

MFRSs and Amendments to MFRSs

Effective for annual periods beginning on or after 1 July 2012:

Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income

Effective for annual periods beginning on or after 1 January 2013:

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

2. Changes in accounting policies (Cont'd)

The adoption of the above MFRS and Amendments to MFRSs will have no material impact on the financial statements of the Group and the Company in the period of initial application, except as discussed below:

MFRS 11 Joint Arrangements

Prior to 1 April 2013, the Group classified the investment in Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd ("SPRINT") as interests in a jointly controlled entity. Upon the adoption of MFRS 11 Joint Arrangements, the Directors are of the view that the investment in SPRINT is more appropriate to be classified as investment in an associate. The Group's existing shareholdings of 50% in SPRINT remains unchanged. Accordingly, the comparative figure of statement of financial position and statement of comprehensive income has been reclassified to conform with current year's presentation:

	As previously stated RM'000	Increase/ (decrease) RM'000	As reclassified RM'000
<u>As at 31 March 2013</u>			
Consolidated Statement of Financial Position			
Interests in a jointly controlled entity	179,330	(179,330)	-
Investment in an associate	-	179,330	179,330
Amount due from a jointly controlled entity	7,403	(7,403)	-
Amount due from an associate	-	7,403	7,403
<u>For 3 months ended 30 June 2012</u>			
Consolidated Statement of Comprehensive Income			
Share of losses of jointly controlled entity	(1,064)	1,064	-
Share of results of associate	-	(1,064)	(1,064)

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value when fair value is required or permitted. The Group is currently assessing the impact of adoption of MFRS 13.

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

2. Changes in accounting policies (Cont'd)

MFRSs and Amendments to MFRSs issued but not yet effective

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

MFRSs and Amendments to MFRSs

Effective for annual periods beginning on or after 1 January 2014:

Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities

Effective for annual periods beginning on or after 1 January 2015:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)

The adoption of the above MFRS and Amendments to MFRSs will have no material impact on the financial statements of the Group and the Company in the period of initial application, except as discussed below:

MFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. MFRS 9 requires all financial assets to be measured at either amortised cost or full fair value. Amortised cost provides decision-useful information for financial assets that are held primarily to collect cash flows that represent the payment of principal and interest. For all other financial assets, including those held for trading, fair value is the most relevant measurement basis. The adoption of the first phase of MFRS 9 is not expected to have a material impact on the Group, except on the classification and measurement of the Group's financial assets.

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.

3. IC Interpretation 12 Service Concession Arrangements (Cont'd)

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:

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

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 2013.

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 871,000 new ordinary shares of RM0.20 each for cash pursuant to the Company's ESOS at exercise price ranging between RM2.51 and RM3.86 per ordinary share.

9. Dividends paid

There was no dividend paid during the current quarter and financial year-to-date.

10. Segment information

Segment information by business segments are as follows:

3 months period ended 30 June 2013

	Highway RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue				
Revenue from external customers	93,943	-	-	93,943
Inter-segment revenue	-	452	(452)	-
Total revenue	93,943	452	(452)	93,943
Result				
Segment results	67,110	(26)	24	67,108
Interest income	4,069	232	(2,057)	2,244
Profit from operations	71,179	206	(2,033)	69,352
Finance costs	(21,910)	(2,057)	2,057	(21,910)
Share of results of associate	(843)	-	-	(843)
Profit before tax	48,426	(1,851)	24	46,599
Income tax expense	(13,303)	(149)	-	(13,452)
Profit for the year	35,123	(2,000)	24	33,147

3 months period ended 30 June 2012

	Highway RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue				
Revenue from external customers	92,724	-	-	92,724
Inter-segment revenue	-	412	(412)	-
Total revenue	92,724	412	(412)	92,724
Result				
Segment results	70,674	(73)	22	70,623
Interest income	3,619	326	(1,931)	2,014
Profit from operations	74,293	253	(1,909)	72,637
Finance costs	(22,224)	(1,931)	1,931	(22,224)
Share of results of associate	(1,064)	-	-	(1,064)
Profit before tax	51,005	(1,678)	22	49,349
Income tax expense	(14,059)	(141)	-	(14,200)
Profit for the year	36,946	(1,819)	22	35,149

10. Segment information (Cont'd)

The segment assets and segment liabilities of the Group are as follows:

	Highway		Others		Eliminations		Consolidated	
	30-Jun-13	31-Mar-13	30-Jun-13	31-Mar-13	30-Jun-13	31-Mar-13	30-Jun-13	31-Mar-13
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	2,186,683	2,202,979	93,341	90,726	(183,315)	(182,364)	2,096,709	2,111,341
Investment in an associate i	178,487	179,330	-	-	-	-	178,487	179,330
Consolidated total assets	2,365,170	2,382,309	93,341	90,726	(183,315)	(182,364)	2,275,196	2,290,671
Segment liabilities	1,797,640	1,849,901	130,935	129,892	(130,334)	(129,359)	1,798,241	1,850,434

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 2013.

15. Capital Commitments

The amount of commitments for capital expenditure not provided for in the interim financial statements as at 30 June 2013 are as follows:

	RM'000
Capital expenditure	
Approved and contracted for:	
Highway development expenditure	227
Plant and equipment	158
Total	385

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	11,868	11,868
Deferred tax	1,584	1,584
Total	13,452	13,452

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 other than as mentioned below:

The Board of Directors has on 31 May 2013 approved the proposal to establish a new employees share option scheme of up to 10% of the issued and paid-up share capital of the Company (excluding treasury shares) for the eligible Directors and employees of the Company and its subsidiaries (excluding subsidiaries which are dormant) ("**Proposed New ESOS**") upon expiry of its existing ESOS on 8 October 2013.

The Proposed New ESOS is conditional upon approvals being obtained from the following:

(i) Bursa Malaysia Securities Berhad, for the listing of and quotation for the new shares to be issued pursuant to the exercise of the options under the Proposed New ESOS;

(ii) the shareholders of the Company; and

(iii) other relevant authorities/parties, if required.

18. Group borrowings

Group borrowings as at 30 June 2013 are as follows:

	RM'000
Secured:	
Long Term Borrowings	1,308,263
Short Term Borrowings	104,400
Total	1,412,663

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 2013 and 30 June 2013 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 Jun 13 RM'000	**As at 31 Mar 13 RM'000**
Total retained earnings of the Company and its subsidiaries		
Realised	808,520	771,077
Unrealised (Note)	(279,876)	(276,400)
	528,644	494,677
Total share of accumulated losses from associate		
Realised	(194,757)	(194,567)
Unrealised	(19,685)	(19,031)
	314,202	281,079
Add: Consolidation adjustments	(2,380)	(2,404)
Retained earnings as per financial statements	311,822	278,675

Note
This unrealised loss represents deferred tax liabilities and provision for heavy repairs recognised in a subsidiary company as at 30 June 2013 and 31 March 2013.

21. Material litigations

There were no pending material litigations. There has been no change in the situation since 31 March 2013 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 RM46.6 million is higher than the Group's profit before taxation of RM40.6 million recorded in the immediate preceding quarter. This is mainly due to the higher revenue and lower share of losses in an associate, Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd ("SPRINT Group") in the current quarter, and higher maintenance expense recognised in last quarter.

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

For the current quarter, the Group recorded a higher revenue of RM93.9 million as compared to RM91.5 million recorded in the immediate preceding quarter and RM92.7 million recorded in the preceding year corresponding quarter. The increase in revenue in the current quarter as compared to immediate preceding quarter is mainly due to the higher traffic volume recorded in the current quarter.

For the current financial year-to-date, the Group recorded revenue and profit before taxation of RM93.9 million and RM46.6 million respectively as compared to RM92.7 million and RM49.3 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 year-to-date.

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 the 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 Lebuh Raya Damansara-Puchong ("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 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

On 27 August 2013, the Board of Directors has approved a single tier (exempt from tax) interim dividend of 10 sen per ordinary share for the financial year ending 31 March 2014.

The interim dividend shall be paid at a date to be determined and in respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors at the book closure date.

For the preceding year corresponding period, a single tier (exempt from tax) interim dividend of 10 sen per ordinary share was declared.

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 RM33.147 million by the weighted average number of ordinary shares outstanding during the period of 512.188 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 RM33.147 million by the weighted average number of ordinary shares outstanding during the period including dilutive potential ordinary shares, of 512.688 million calculated as follows:

	Million shares
Weighted average number of ordinary shares	512.188
Effects of dilution:	
Exercise of Employee Share Option Scheme	0.500
Weighted average number of ordinary shares for diluted earnings per share computation	512.688

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 are 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 Statement 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 Jun 2013	**Current Year-to-date 30 Jun 2013**
		RM'000	**RM'000**
(a)	Interest income	(2,244)	(2,244)
(b)	Other income	(791)	(791)
(c)	Finance costs	21,910	21,910
(d)	Depreciation and amortisation	15,287	15,287
(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	-	-

The above disclosure was prepared in accordance with paragraph 16 of Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.