Lingkaran Trans Kota Holdings Berhad (335382-V)

Explanatory Notes Pursuant to MFRS 134
For The Period Ended 31 December 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.

MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)

The Group operates an unfunded Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligation under the Scheme, calculated using the Projected Unit Credit Cost Method, is determined based on actuarial computations prepared by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated.

The Group has adopted MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011) and applied this standard retrospectively.

As a result of this standard adoption, actuarial gains and losses are renamed 'remeasurements' and are recognised immediately in 'other comprehensive income' ("OCI"). Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss. Remeasurements recognised in OCI will not be recycled through profit or loss in subsequent periods.

Accordingly, the comparative figure of statement of financial position and statement of comprehensive income has been reclassified and restated as below:

	As previously stated RM'000	**Effect of adoption of MFRS 11 RM'000**	**Effect of adoption of MFRS 119 RM'000**	**As reclassified / restated RM'000**
As at 31 March 2013				
Consolidated Statement of Financial Position				
Interests in a jointly controlled entity	179,330	(179,330)	-	-
Investment in an associate	-	179,330	(18)	179,312
Amount due from a jointly controlled entity	7,403	(7,403)	-	-
Amount due from an associate	-	7,403	-	7,403
Retained earnings	278,675	-	(113)	278,562
Deferred tax liabilities	257,541	-	(21)	257,520
Retirement benefit obligations	964	-	116	1,080

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

	As previously stated RM'000	Effect of adoption of MFRS 11 RM'000	Effect of adoption of MFRS 119 RM'000	As reclassified / restated RM'000
For 3 months ended 31 December 2012				
Consolidated Statement of Comprehensive Income				
Share of losses of jointly controlled entity	(1,458)	1,458	-	-
Share of results of associate	-	(1,458)	-	(1,458)
For 9 months ended 31 December 2012				
Consolidated Statement of Comprehensive Income				
Share of losses of jointly controlled entity	(4,825)	4,825	-	-
Share of results of associate	-	(4,825)	-	(4,825)

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.

MFRSs, Amendments to MFRSs and Interpretation 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, Amendments to MFRSs and Interpretation

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
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

2. Changes in accounting policies (Cont'd)

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.

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 3,587,000 new ordinary shares of RM0.20 each for cash pursuant to the Company's ESOS at exercise price ranging between RM1.46 and RM3.86 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 2014 amounting to RM51,486,161.80 on 25 September 2013.

10. Segment information

Segment information by business segments are as follows:

9 months period ended 31 December 2013

	Highway RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue				
Revenue from external customers	281,876	-	-	281,876
Inter-segment revenue	-	51,357	(51,357)	-
Total revenue	281,876	51,357	(51,357)	281,876
Result				
Segment results	197,563	49,743	(49,927)	197,379
Interest income	12,800	807	(6,216)	7,391
Profit from operations	210,363	50,550	(56,143)	204,770
Finance costs	(65,865)	(6,215)	6,215	(65,865)
Share of results of associate	(5,011)	-	-	(5,011)
Profit before tax	139,487	44,335	(49,928)	133,894
Income tax expense	(36,465)	(534)	-	(36,999)
Profit for the period	**103,022**	**43,801**	**(49,928)**	**96,895**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods				
Re-measurement losses on defined benefit plan	(490)	(87)	-	(577)
Income tax effect	123	-	-	123
	(367)	(87)	-	(454)
Share of other comprehensive losses of associate, arising from re-measurement losses on defined benefit plan	(83)	-	-	(83)
Other comprehensive income for the period, net of tax	(450)	(87)	-	(537)
Total comprehensive income for the period, net of tax	**102,572**	**43,714**	**(49,928)**	**96,358**

10. Segment information (Cont'd)

9 months period ended 31 December 2012

	Highway RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue				
Revenue from external customers	277,826	-	-	277,826
Inter-segment revenue	-	51,234	(51,234)	-
Total revenue	277,826	51,234	(51,234)	277,826
Result				
Segment results	204,943	49,559	(49,931)	204,571
Interest income	11,141	1,016	(5,836)	6,321
Profit from operations	216,084	50,575	(55,767)	210,892
Finance costs	(67,089)	(5,836)	5,836	(67,089)
Share of results of associate	(4,825)	-	-	(4,825)
Profit before tax	144,170	44,739	(49,931)	138,978
Income tax expense	(41,483)	(554)	-	(42,037)
Profit for the period	**102,687**	**44,185**	**(49,931)**	**96,941**

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

	Highway		Others		Eliminations		Consolidated	
	31-Dec-13 RM'000	31-Mar-13 RM'000 (Restated)	31-Dec-13 RM'000	31-Mar-13 RM'000 (Restated)	31-Dec-13 RM'000	31-Mar-13 RM'000 (Restated)	31-Dec-13 RM'000	31-Mar-13 RM'000 (Restated)
Segment assets	2,174,284	2,202,979	102,663	90,726	(188,681)	(182,364)	2,088,266	2,111,341
Investment in an associate	174,218	179,312	-	-	-	-	174,218	179,312
Consolidated total assets	2,348,502	2,382,291	102,663	90,726	(188,681)	(182,364)	2,262,484	2,290,653
Segment liabilities	1,763,605	1,849,965	136,303	129,923	(135,749)	(129,359)	1,764,159	1,850,529

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 31 December 2013 are as follows:

	RM'000
Capital expenditure	
Approved and contracted for:	
Highway development expenditure	227
Plant and equipment	98
Total	325

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	13,120	38,675
Deferred tax	(674)	(1,676)
Total	12,446	36,999

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 31 December 2013 are as follows:

	RM'000
Secured:	
Long Term Borrowings	1,273,073
Short Term Borrowings	114,200
Total	1,387,273

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 31 December 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 31 Dec 13 RM'000	**As at 31 Mar 13 RM'000 (Restated)**
Total retained earnings of the Company and its subsidiaries		
Realised	824,612	770,961
Unrealised (Note)	(280,136)	(276,379)
	544,476	494,582
Total share of accumulated losses from associate		
Realised	(197,893)	(194,585)
Unrealised	(20,817)	(19,031)
	325,766	280,966
Add: Consolidation adjustments	(2,332)	(2,404)
Retained earnings as per financial statements	323,434	278,562

Note
This unrealised loss represents deferred tax liabilities and provision for heavy repairs recognised in a subsidiary company as at 31 December 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 RM43.7 million is fairly consistent as compared to the Group's profit before taxation of RM43.6 million recorded in the immediate preceding quarter.

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

For the current quarter, the Group recorded a revenue of RM94.4 million as compared to RM93.6 million recorded in the immediate preceding quarter and RM93.6 million recorded in the preceding year corresponding quarter. The slight increase in revenue in the current quarter as compared to the immediate preceding quarter and the preceding year corresponding quarter is mainly due to higher traffic volume recorded in the current quarter.

For the current financial year-to-date, the Group recorded revenue and profit before taxation of RM281.9 million and RM133.9 million respectively as compared to RM277.8 million and RM139.0 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 higher amortisation of highway development expenditure and maintenance expense, offset by the higher revenue generated as mentioned above.

24. Current year's prospects

According to the Concession Agreement, the toll rates for Lebuh Raya Damansara-Puchong ("LDP") were scheduled for increase on 1 January 2011. However, to date, the Government has decided to defer until further notice the increase with compensation provided in accordance with the provisions of the Concession Agreement.

On 3 September 2013, the Government announced the increase of fuel price (RON95 petrol) by 20 sen per litre. The increase has not up to this quarter had any material impact on the recorded traffic plying the LDP. Barring any other unforeseen circumstances, 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 28 February 2014, the Board of Directors has approved a second single tier (exempt from tax) interim dividend of 7 sen per share for the financial year ending 31 March 2014.

The second 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 second single tier (exempt from tax) interim dividend of 7 sen per share for the financial year ending 31 March 2013 in the previous year corresponding quarter ended 31 December 2012.

The total dividend per share for the current financial year-to-date is 17 sen inclusive of the first single tier (exempt from tax) interim dividend of 10 sen, paid on 25 September 2013. For the preceding year corresponding period, a total single tier (exempt from tax) interim dividend per share of 17 sen 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 RM96.895 million by the weighted average number of ordinary shares outstanding during the period of 513.667 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 RM96.895 million by the weighted average number of ordinary shares outstanding during the period including dilutive potential ordinary shares, of 513.667 million calculated as follows:

	Million shares
Weighted average number of ordinary shares	513.667
Effects of dilution:	
Exercise of Employee Share Option Scheme	-
Weighted average number of ordinary shares for diluted earnings per share computation	513.667

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 31 Dec 2013	**Current Year-to-date 31 Dec 2013**
		RM'000	**RM'000**
(a)	Interest income	(2,597)	(7,391)
(b)	Other income	(47)	(891)
(c)	Finance costs	22,000	65,865
(d)	Depreciation and amortisation	15,433	45,944
(e)	Provision for and 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.