Lingkaran Trans Kota Holdings Berhad (335382-V)

Explanatory Notes Pursuant to MFRS 134
For The Year Ended 31 March 2014

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 new and amended Malaysian Financial Reporting Standards (MFRSs) mandatory for annual financial periods beginning on or after 1 July 2012 and 1 January 2013:

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

Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income (Improvements to MFRSs (2013))

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

Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
MFRS 13	Fair Value Measurement

2. Changes in accounting policies (Cont'd)

Effective for annual periods beginning on or after 1 January 2013: (Cont'd)

Amendment to MFRS 101	Presentation of Financial Statements (Improvements to MFRSs (2012))
Amendment to MFRS 116	Property, Plant and Equipment (Improvements to MFRSs (2012))
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendment to MFRS 132	Financial Instruments: Presentation (Improvements to MFRSs (2012))
Amendment to MFRS 134	Interim Financial Reporting (Improvements to MFRSs (2012))

The adoption of the new or amended standards did not have any material effect on the financial performance or position of the Group and the Company, except for those described below:

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. MFRS 10 establishes a single control model that applies to all companies including special purpose entities. The changes introduced by MFRS 10 require management to exercise significant judgement to determine which companies are controlled, and therefore are to be consolidated.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its investment with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to determine when an investor who owns less than 50 per cent of the voting shares in an investee has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

The application of MFRS 10 has no impact on the Group's financial position or performance.

MFRS 11 Joint Arrangements

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities – Non-monetary Contributions by Venturers. Under MFRS 11, classification of joint arrangements is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and where applicable, other facts and circumstances. Joint arrangements are classified as either joint operations or joint ventures.

2. Changes in accounting policies (Cont'd)

MFRS 11 Joint Arrangements (Cont'd)

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

Sistem Penyuraian Trafik KL Barat Holdings Sdn. Bhd. ("SPRINT") was previously classified as a JCE of the Group and accounted for using the equity method. The directors are of the view that the investment in SPRINT is more appropriate to be classified as an associate. The carrying amount of the Group's investment in SPRINT totalling RM179 million was then reclassified as investment in an associate. The Group's existing shareholdings of 50% in SPRINT remains unchanged. The change does not have any other impact on the Group's consolidated financial position or performance.

MFRS 12 Disclosure of Interests in Other Entities

MFRS 12 sets out the requirements for disclosure relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in MFRS 12 are more comprehensive than the previous disclosure requirements for subsidiaries. This standard has no impact on the Group's financial position or performance.

MFRS 13 Fair Value Measurement

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 under MFRS when fair value is required or permitted. This standard has no impact on the Group's and the Company's financial position or performance.

Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income (OCI)

The amendments to MFRS 101 introduce a grouping of items presented in OCI. Items such as net loss or gain on available for sale financial assets that will be reclassified or recycled to profit or loss at a future point in time have to be presented separately from items that will not be reclassified.

The amendments affect presentation of the OCI only and have no impact on the Group's and the Company's financial position or performance.

2. Changes in accounting policies (Cont'd)

MFRS 119 Employee Benefits

MFRS 119 requires all actuarial gains and losses to be recognised in other comprehensive income and unvested past service costs previously recognised over the average vesting period to be recognised immediately in profit or loss when incurred.

Prior to adoption of the amended MFRS 119, the Group and the Company recognised actuarial gains and losses as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan, at the end of the previous period, exceeded 10% of the defined benefit obligation and recognised unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the amended MFRS 119, the Group and the Company changed their accounting policy to recognise all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

The amended MFRS 119 replaced the interest cost with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The changes in accounting policies have been applied retrospectively except for the sensitivity disclosures for the defined benefit obligation for the comparative period (year ended 31 March 2013) as provided under the permitted exceptions of MFRS 119 (revised).

The effects of the adoption of MFRS 119 on the financial statements are as follows:

	As previously stated RM'000	Effects of adoption of MFRS 119 RM'000	As restated RM'000
Consolidated Statement of Financial Position			
As at 31 March 2013			
Investment in an associate	179,330	(18)	179,312
Retained earnings	278,675	(114)	278,561
Deferred tax liabilities	257,541	(20)	257,521
Retirement benefit obligations	964	116	1,080

2. Changes in accounting policies (Cont'd)

MFRS and Amendments to MFRSs issued but not yet effective

At the date of authorisation of these condensed consolidated interim financial statements, the following MFRS and Amendments to MFRSs 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 January 2014:

Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting

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

Amendments to MFRSs	Improvements to MFRSs (2014)
Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions

Effective date to be announced by MASB:

Amendments to MFRS 7	Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application except as discussed below.

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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 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

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 (exempt from tax) interim dividend of 10 sen per ordinary share of 20 sen each for the financial year ending 31 March 2014 paid on 25 September 2013	51,486
Second single tier (exempt from tax) interim dividend of 7 sen per ordinary share of 20 sen each for the financial year ending 31 March 2014 paid on 26 March 2014	36,061
Total	87,547

10. Segment information

Segment information by business segments are as follows:

12 months period ended 31 March 2014

	Highway RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue				
Revenue from external customers	373,932	-	-	373,932
Inter-segment revenue	-	61,783	(61,783)	-
Total revenue	373,932	61,783	(61,783)	373,932
Result				
Segment results	257,330	59,477	(59,901)	256,906
Interest income	17,357	1,090	(8,249)	10,198
Profit from operations	274,687	60,567	(68,150)	267,104
Finance costs	(87,431)	(8,249)	8,249	(87,431)
Share of results of an associate	(7,943)	-	-	(7,943)
Profit before tax	179,313	52,318	(59,901)	171,730
Income tax expense	(36,903)	(696)	-	(37,599)
Profit for the year	**142,410**	**51,622**	**(59,901)**	**134,131**

10. Segment information (Cont'd)

12 months period ended 31 March 2013

	Highway RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue				
Revenue from external customers	369,300	-	-	369,300
Inter-segment revenue	-	61,810	(61,810)	-
Total revenue	369,300	61,810	(61,810)	369,300
Result				
Segment results	267,040	59,512	(59,904)	266,648
Interest income	15,052	1,370	(7,746)	8,676
Profit from operations	282,092	60,882	(67,650)	275,324
Finance costs	(89,078)	(7,746)	7,746	(89,078)
Share of results of an associate	(6,712)	-	-	(6,712)
Profit before tax	186,302	53,136	(59,904)	179,534
Income tax expense	(47,967)	(770)	-	(48,737)
Profit for the year	**138,335**	**52,366**	**(59,904)**	**130,797**

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

	Highway		Others		Eliminations		Consolidated	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)		(Restated)		(Restated)
Assets and liabilities								
Segment assets	2,216,405	2,202,979	76,272	90,726	(190,529)	(182,364)	2,102,148	2,111,341
Investment in an associate	171,286	179,312	-	-	-	-	171,286	179,312
Consolidated total assets	2,387,691	2,382,291	76,272	90,726	(190,529)	(182,364)	2,273,434	2,290,653
Segment liabilities	1,773,410	1,849,966	138,257	129,923	(137,622)	(129,359)	1,774,045	1,850,530

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 March 2014 are as follows:

	RM'000
Capital expenditure	
Approved and contracted for:	
Highway development expenditure	290
Plant and equipment	98
Total	388

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	16,074	54,749
Deferred tax	(15,474)	(17,150)
Total	600	37,599

The effective tax rate is lower than the statutory tax rate for the current quarter and financial year-to-date mainly due to adjustment in deferred tax to reflect the change in statutory tax rate from 25% to 24% effective year of assessment 2016. The effect of change in tax rate has been recognised in the current quarter.

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 March 2014 are as follows:

	RM'000
Secured:	
Long Term Borrowings	1,275,100
Short Term Borrowings	114,200
Total	1,389,300

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 March 2014 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 14 RM'000	**As at 31 Mar 13 RM'000 (Restated)**
Total retained earnings of the Company and its subsidiaries		
Realised	815,010	770,961
Unrealised (Note)	(266,458)	(276,380)
	548,552	494,581
Total share of accumulated losses from an associate		
Realised	(200,190)	(194,585)
Unrealised	(21,453)	(19,031)
	326,909	280,965
Add: Consolidation adjustments	(2,306)	(2,404)
Retained earnings as per financial statements	324,603	278,561

Note

This unrealised loss represents deferred tax liabilities and provision for heavy repairs recognised in a subsidiary company as at 31 March 2014 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 RM37.8 million is lower as compared to the Group's profit before taxation of RM43.7 million recorded in the immediate preceding quarter. This is mainly due to higher maintenance expenses recognised in the current quarter and lower traffic volume recorded during the festive period in the current quarter.

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

For the current quarter, the Group recorded a revenue of RM92.1 million as compared to RM94.4 million recorded in the immediate preceding quarter and slightly higher revenue as compared to RM91.5 million recorded in the preceding year corresponding quarter. The decrease in revenue in the current quarter as compared to the immediate preceding quarter is mainly due to lower traffic volume recorded during the festive period in the current quarter.

For the current financial year-to-date, the Group recorded revenue and profit before taxation of RM373.9 million and RM171.7 million respectively as compared to RM369.3 million and RM179.5 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 year-to-date.

Despite higher revenue generated, there has been a decrease in profit before taxation in the current financial year-to-date as compared to the immediate preceding corresponding period due mainly to higher amortisation of highway development expenditure and maintenance expense.

For the current financial year-to-date, the Group recorded higher profit for the year of RM134.1 million as compared to RM130.8 million recorded in immediate preceding year-to-date. This is mainly due to lower income tax expense as a result of adjustment in deferred tax to reflect the change in statutory tax rate from 25% to 24% effective year of assessment 2016 as mentioned in Note 16 above. The effect of change in tax rate has been recognised in the current quarter.

24. Next 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

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

2014	2013
(i) First interim dividend of 10 sen per share (single tier dividend) (ii) Second interim dividend of 7 sen per share (single tier dividend)	(i) First interim dividend of 10 sen per share (single tier dividend) (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 (exempt from tax) dividend)	Total dividend declared for the financial year was 17 sen per share (single tier (exempt from tax) dividend)

27. Earnings per share

The basic earnings per share amounts are calculated by dividing the Group's profit for the year, net of tax, attributable to equity holders of the Company of RM134.131 million by the weighted average number of ordinary shares outstanding during the year of 514.037 million.

The diluted earnings per share amounts are calculated by dividing the Group's profit for the year, net of tax, attributable to equity holders of the Company of RM134.131 million by the weighted average number of ordinary shares outstanding during the period including dilutive potential ordinary shares, of 514.037 million calculated as follows:

27. Earnings per share (Cont'd)

	Million shares
Weighted average number of ordinary shares Effects of dilution: Exercise of Employee Share Option Scheme	514.037 -
Weighted average number of ordinary shares for diluted earnings per share computation	514.037

28. Fair value hierarchy

The fair value measurement hierarchies used to measure financial assets and financial liabilities carried at fair value in the statements of financial position are as follows:

Level 1 - unadjusted quoted market prices in active markets for identical assets or liabilities

Level 2 - inputs other than quoted market prices that are observable either directly or indirectly

Level 3 - inputs that are significant to the fair value measurement are unobservable

As at reporting date, the Group's fair value for investment management funds is measured at Level 1 hierarchy whereas fair values for borrowings are measured at Level 2 hierarchy.

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 Mar 2014	**Current Year-to-date 31 Mar 2014**
		RM'000	**RM'000**
(a)	Interest income	(2,807)	(10,198)
(b)	Other income	(44)	(935)
(c)	Finance costs	21,566	87,431
(d)	Depreciation and amortisation	14,833	60,777
(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.