Lingkaran Trans Kota Holdings Berhad (335382-V)

Explanatory Notes to the Interim Financial Statements For The Period Ended 31 December 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 2014. 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 2014.

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 2014.

On 1 April 2014, the Group and the Company adopted the following amended Malaysian Financial Reporting Standards (MFRSs) mandatory for annual financial periods beginning on or after 1 January 2014:

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

The adoption of the amended standards did not have any material effect on the financial performance or position of the Group and the Company.

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 July 2014:

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

Effective for annual periods beginning on or after 1 January 2016:

Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRSs	Improvements to MFRSs (2012-2014)

Effective for annual periods beginning on or after 1 January 2018:

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)

The adoption of the above standards will have no material impact on the financial statements except the Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation as mentioned in Note 3.

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 appropriateness of prevailing method used in amortising the HDE is referred to MFRS 138 Intangible Assets.

On 11 July 2014, MASB issued Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138). The amendments introduced the predominant limiting factor inherent in the intangible asset to be considered in determining the appropriate amortisation methods. The predominant limiting factor is the term of contract that sets out the rights over the use of the intangible asset such as predetermined number of years, number of units produced or fixed amount of revenue to be generated. The method chosen when applied shall closely reflect the expected pattern of consumption of economic benefits, otherwise the straight-line method shall be used. The amendments shall be applied prospectively for annual periods beginning on or after 1 January 2016.

Subject to any consensus by the accounting profession in Malaysia over this matter, the Group continues to amortise its HDE using the existing formula and will review the existing amortisation method should the need arise upon adoption of the amendment.

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 2014.

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 154,000 new ordinary shares of RM0.20 each for cash pursuant to the Company's Employee Share Option Scheme (ESOS) at exercise price of RM3.44 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 2015 amounting to RM51,526,261.80 on 26 September 2014.

10. Segment information

Segment information by business segments are as follows:

	Highway RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue				
Revenue from external customers	286,911	-	-	286,911
Inter-segment revenue	-	51,337	(51,337)	-
Total revenue	286,911	51,337	(51,337)	286,911
Result				
Segment results	201,740	49,412	(49,925)	201,227
Interest income	13,732	291	(6,619)	7,404
Profit from operations	215,472	49,703	(56,544)	208,631
Finance costs	(63,079)	(6,619)	6,619	(63,079)
Share of results of an associate	(2,182)	-	-	(2,182)
Profit before tax	150,211	43,084	(49,925)	143,370
Income tax expense	(38,117)	(456)	-	(38,573)
Total comprehensive income for the period, net of tax	**112,094**	**42,628**	**(49,925)**	**104,797**

10. Segment information (Cont'd)

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 an 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				
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
Share of other comprehensive loss of an associate	(83)	-	-	(83)
Other comprehensive loss 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)

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

	Highway		Others		Eliminations		Consolidated	
	31-Dec-14	31-Mar-14	31-Dec-14	31-Mar-14	31-Dec-14	31-Mar-14	31-Dec-14	31-Mar-14
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets and liabilities								
Segment assets	2,137,907	2,216,405	78,114	76,272	(198,601)	(190,529)	2,017,420	2,102,148
Investment in an associate	169,104	171,286	-	-	-	-	169,104	171,286
Consolidated total assets	2,307,011	2,387,691	78,114	76,272	(198,601)	(190,529)	2,186,524	2,273,434
Segment liabilities	1,630,637	1,773,410	146,338	138,257	(145,770)	(137,622)	1,631,205	1,774,045

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 2014.

15. Capital Commitments

The amount of commitments for capital expenditure not provided for in the interim financial statements as at 31 December 2014 are as follows:

	RM'000
Capital expenditure	
Approved and contracted for:	
Highway development expenditure	281
Plant and equipment	98
Total	379

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	11,444	35,361
Deferred tax	1,591	3,213
Total	13,035	38,574

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 2014 are as follows:

	RM'000
Secured:	
Long Term Borrowings	1,281,026
Short Term Borrowings	-
Total	1,281,026

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 December 2014 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.

	Current financial period 31 Dec 14 RM'000	**As at the end of last financial year 31 Mar 14 RM'000**
Total retained earnings of the Company and its subsidiaries		
Realised	876,338	815,010
Unrealised (Note)	(272,408)	(266,458)
	603,930	548,552
Total share of accumulated losses from an associate		
Realised	(201,676)	(200,190)
Unrealised	(22,149)	(21,453)
	380,105	326,909
Less: Consolidation adjustments	(2,231)	(2,306)
Total group retained earnings as per financial statements	377,874	324,603

Note

This unrealised loss represents deferred tax liabilities and provision for heavy repairs recognised in a subsidiary company as at 31 December 2014 and 31 March 2014.

21. Material litigations

There were no pending material litigations. There has been no change in the situation since 31 March 2014 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 recorded higher profit before taxation of RM48.7 million for the current quarter as compared to RM46.7 million recorded in the immediate preceding quarter. This is mainly attributable to higher revenue recorded in Lingkaran Tran Kota Sdn Bhd ("LITRAK"), a subsidiary company of the Group and lower share of losses in an associate, Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd ("SPRINT Group") in the current quarter.

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

The Group recorded higher revenue of RM96.2 million in the current quarter as compared to RM94.9 million recorded in the immediate preceding quarter and RM94.4 million recorded in the preceding year corresponding quarter. The 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.

As for the financial year-to-date, the Group recorded higher revenue and profit before taxation of RM286.9 million and RM143.4 million respectively as compared to RM281.9 million and RM133.9 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 increase in profit before taxation in the current financial year-to-date as compared to the immediate preceding corresponding period is mainly attributable to higher revenue and lower finance cost recorded in LITRAK and lower share of losses in SPRINT Group in the current financial year-to-date.

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 the increase until further notice. In the meantime, the Government is compensating Lingkaran Trans Kota Sdn Bhd in accordance with the provisions of the Concession Agreement.

On 21 November 2014, the Government announced that the fuel prices for RON95 and diesel would be fixed on a managed float system based on monthly average world price of crude oil. Hence, commencing 1 December 2014, the Government will no longer be subsidising the fuel price for RON95 and diesel. The reduction of fuel prices that occurred since 1 December 2014 as a result of this new policy is not expected to have any material impact on the traffic plying LDP. Barring any 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 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 February 2015, the Board of Directors has approved a second single tier (exempt from tax) interim dividend of 10 sen per share for the financial year ending 31 March 2015.

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 2014 in the previous year corresponding quarter ended 31 December 2013.

The total dividend per share for the current financial year-to-date is 20 sen inclusive of the first single tier (exempt from tax) interim dividend of 10 sen, paid on 26 September 2014. 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 equity holders of the Company of RM104.797 million by the weighted average number of ordinary shares outstanding during the period of 515.224 million.

The diluted earnings per share amounts are calculated by dividing the Group's profit for the period, net of tax, attributable to equity holders of the Company of RM104.797 million by the weighted average number of ordinary shares outstanding during the period including dilutive potential ordinary shares, of 515.634 million calculated as follows:

	Million shares
Weighted average number of ordinary shares	515.224
Effects of dilution:	
Exercise of Employee Share Option Scheme	0.410
Weighted average number of ordinary shares for diluted earnings per share computation	515.634

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 securities 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 Dec 14	**Current Year-to-date 31 Dec 14**
		RM'000	**RM'000**
(a)	Interest income	(2,669)	(7,404)
(b)	Other income	(61)	(345)
(c)	Finance costs	21,045	63,079
(d)	Depreciation and amortisation	15,208	46,635
(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.