



Notes on the quarterly report – 30 September 2011

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (“FRS”) 134 Interim Financial Reporting and Paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2010.

The following notes explain the events and transactions that are significant to an understanding of the changes in the financial position and performance of Watta Holdings Berhad (“WATTA”) and its subsidiary companies (hereinafter referred to as the “Group”) during the financial quarter under review.

The Group and the Company has adopted the following applicable Financial Reporting Standards (“FRSs”) issued by the Malaysian Accounting Standards Board that are mandatory for the current financial period:

		Effective date for financial periods <u>beginning on or after</u>
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 2	Share-based Payment-Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 - The Limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
Amendments to FRS1, First-time Adoption Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements - Cost of an investment in a subsidiary, Jointly Controlled Entity or Associate		1 January 2010
Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives		1 January 2010
Amendments to FRSs contained in the document entitled “Improvements to FRSs (2009)”		1 January 2010

		Effective date for financial periods <u>beginning on or after</u>
Amendments to FRS 132	Financial Instruments: Presentation	1 July 2010
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 127	Consolidated & Separate Financial Statements	1 July 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010

The revised FRSs are either not applicable to the Group and to the Company or the adoptions did not result in significant changes in accounting policies of the Group and the Company and did not have significant impact on the Group and the Company.

The Group and the Company have not early adopted the following amendments to FRSs, revised FRSs, Issues Committee (“IC”) Interpretations, amendments to FRSs and IC Interpretations, which have been issued as at the date of authorisation of these financial statements and will be effective for the financial periods as stated below:

		Effective date for financial periods <u>beginning on or after</u>
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendment to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
Amendments to FRSs contained in the documents entitled “Improvements to FRSs (2010)”		1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement	1 July 2011
IC Interpretation 15	Agreements for Construction of Real Estate	1 January 2012
FRS 124	Related Party Disclosures	1 January 2012
FRS 9	Financial Instruments	1 January 2013
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosures of Interest in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
Amendments to FRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to FRS 112	Deferred Tax : Recovery of Underlying Assets	1 January 2012
FRS 119	Employee Benefits	1 January 2013
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investment in Associates and Joint Ventures	1 January 2013

On 19 November 2011, the Malaysian Accounting Standard Board (MASB) gives notices of issuance new MASB approved accounting standards, herein-refer as **Malaysian Financial Reporting Standards (MFRSs or framework MFRS)**. Entities Other Than Private Entities shall apply the MFRS framework for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Interpretation 15 Agreements for the Construction of Real Estate. Early application of MFRS framework is permitted.

The initial applications of the above applicable new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations is not expected to have any material impact on the financial statements of the Group and the Company, except as discussed below:

(i) FRS 7 Financial Instruments: Disclosures

This new standard requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which an entity is exposed and how these risks are managed. This standard requires both qualitative disclosures describing management's objectives, policies and processes for managing those risks, and quantitative disclosures providing information about the extent to which an entity is exposed to risk, based on information provided internally to the entity's key management personnel.

(ii) FRS 123 Borrowing Costs

This new standard removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. However, capitalisation of borrowing costs is not required for assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.

(iii) FRS 101: Presentation of Financial Statement (FRS 101)

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income.

(iv) Amendments to FRS 117: Leases (FRS 117)

Amendments to FRS 117 sets out the new requirement where leasehold land which is in substance a finance lease will be reclassified to property, plant and equipment. The Group has reassessed and determined that all leasehold land of the Group are in substance finance leases and accordingly, has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

The following comparative figures have been restated following the adoption of the amendments to FRS 117 :

As at 30 September 2010

	As previously stated
As restated	

Cost	RM'000	RM'000
Property, plant and equipment	4,627	1,683
Prepaid lease payments	-	2,944
	=====	=====

(v) FRS 139 : Financial Instruments: Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments. The Group determines the classification at initial recognition and for the purpose of the first adoption of the standard, as at transitional date on 1 January 2010.

Financial assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Loans and receivables are included in trade and other receivables in the balance sheet.

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held to maturity financial asset, the whole category would be tainted and reclassified as available for sale. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Financial liabilities

Financial liabilities are classified as financial at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial guarantee contracts

The Company has provided various financial guarantees to banks for the guarantee of credit facilities granted to its various subsidiaries. The Company monitors the performance of its subsidiaries closely to ensure they meet all their financial obligations. In view that there is minimal risk of default, the Company has not carried the value of the financial guarantee in its books.

Impact on opening balance

FRS 139 did not have any significant impact on the financial position and results of the Group.

(vi) FRS 140: Investment Property (FRS 140)

Before 1 January 2010, an investment property under construction was classified as property, plant and equipment and measured at cost. Such property is stated at cost until construction or development was completed, at which time it would be remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement was recognised in profit or loss.

With the amendments made to FRS 140 with effect from 1 January 2010, investment property under construction is classified as investment property. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

The change in accounting policy has been made prospectively in accordance with the transitional provisions of FRS 140.

Hence, the adoption of FRS 140 does not affect the basic and diluted earnings per ordinary share for prior periods and has no material impact to current period's basic and diluted earnings per ordinary share.

A2. Qualification of annual financial statements

There was no audit qualification on the financial statements of the Company and its subsidiary companies for the financial year ended 30 September 2010.

A3. Seasonal and cyclical factors

The business operations for the Group were not materially affected by any seasonal or cyclical factors during the financial quarter under review.

A4. Unusual material event

There were no unusual material events during the financial quarter under review.

A5. Material changes in estimates

There were no material changes in the estimates of amounts reported during the financial quarter under review.

A6. Debts and equity securities

The Company has not issued any new shares or debentures during the financial quarter under review.

A7. Dividend paid

No interim dividend has been paid or declared during the current quarter and the financial period under review.

A8. Segmental reporting

The Group business segmental information is as follow. As the Group operates predominantly in Malaysia, the geographical segmental information is not presented.

	Trading	Services	Investment Holding	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	28,772	-	-	-	28,772
Inter-segment sales	-	-	216	(216)	-
Total revenue	28,772	-	216	(216)	28,772
Results					
Segment results	1,578	(702)	45	(216)	705
Profit from operations					705
Interest income					631
Interest expenses					(213)
Profit before tax					1,123
Income tax expenses					(470)
Profit for the financial period					653
Attributable to :					
Equity holders of the parent					1,098
Minority interest					(445)
					653

A9. Valuation of property, plant and equipment

The Group did not carry out any valuation on its property, plant and equipment during the financial quarter under review.

A10. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the financial period reported that have not been reflected in the financial statements.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group for the financial quarter under review.

A12. Contingent liabilities

Unsecured corporate guarantees were given to various institutions for facilities granted to subsidiary companies amounted to RM2.56 million.

A13. Capital commitments

There were no capital commitments incurred by the Group to any parties as at 30 September 2011.

A14. Related party transactions

During the financial period, significant related party transactions for the current quarter under review are as follows:-

	Current quarter as at 30 Sept 2011 RM'000	Cumulative year to date as at 30 Sept 2011 RM'000
Zitron Enterprise (M) Sdn Bhd :		
Rental of premises	<u>36</u>	<u>144</u>
Z'tronic Holidays (M) Sdn Bhd :		
Purchase of airline tickets, tour arrangement and accommodation booking	<u>272</u>	<u>272</u>

PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of performance

To date, the Group recorded a turnover and pre-tax profit of RM28.77 million and RM1.12 million respectively. The automotive batteries business has remained challenging.

B2. Comparison with immediate preceding quarter

The Group recorded a revenue of RM6.41 million and RM7.38 million in both current and immediate preceding quarter under review. With a lower turnover, the Group recorded a pre-tax profit of RM124 thousand as compared to pre-tax profit of RM307 thousand in the preceding quarter.

B3. Business prospect

The market for automotive batteries is expected to be steady and the need for replacement batteries will persist. The Group expects the competition in the distribution of automotive batteries to remain. However, continuous efforts will be taken to align the selling price so as to remain competitive and to maintain market share.

B4. Variance of actual profit from forecast profit

There was no profit forecast or profit guarantee issued.

B5. Taxation

	Current quarter as at 30 Sept 2011 RM'000	Cumulative current year to date as at 30 Sept 2011 RM'000
Current tax expense	53	170
Deferred taxation	100	300
Total income tax expense	<u>153</u>	<u>470</u>

The effective rate of taxation of the Group is higher than the statutory rate of taxation principally due to losses of certain subsidiaries which cannot be set off against profits made by other subsidiaries in the Group as no Group relief are available.

B6. Profit/ (Loss) on sale of unquoted investments and/ or properties

There were no profit/(loss) on sale of unquoted investments and/or properties during the financial quarter under review.

B7. Purchase or disposal of quoted securities

There were no purchases or disposal of quoted securities during the financial quarter under review.

B8. Status of corporate proposal

There were no new corporate proposals announced or pending as at the date of this announcement.

B9. Group borrowings

As at 30 September 2011, the Group's borrowings were as follows:-

	Short term RM'000	Long term RM'000	Total RM'000
Secured	3,993	0	3,993
Unsecured	0	0	0
Total	<u>3,993</u>	<u>0</u>	<u>3,993</u>

B10. Off balance sheet financial instruments

There were no material financial instruments with off balance sheet risk during the current financial period.

B11. Material litigation

There were no material litigations pending at the date of this financial period under review.

B12. Dividends

The directors do not recommend any dividend payment in respect of the current financial period.

B13. Retained Profits

	The Group RM'000
Retained Profits	
- Realised	3,114
- Unrealised	(607)
	<u>2,507</u>

B14. Earning/(Loss) per ordinary share

	Current quarter	Cumulative financial Year to date
Net profit attributable to equity holders of the parent (RM'000)	288	1,098
Number of share in issue of RM0.50 each	84,480,000	84,480,000
Basic earning per share (sen)	0.34	1.30

B15. Authorisation for issue

This quarterly report was authorized for issue by the Board of Directors in accordance with the resolution of the directors on 30 November 2011.

By order of the Board

Haji Ariffin Bin Abdul Aziz
Group Executive Director

30 November 2011