

13. ACCOUNTANTS' REPORT (CONT'D)**ECA Integrated Solution Berhad**

(Incorporated in Malaysia, Registration No. 202101031471 (1431771-P))

ACCOUNTANTS' REPORT**4. Significant accounting policies (Cont'd.)****k) Employee benefits (Cont'd.)****ii) State plans**

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

l) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

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ACCOUNTANTS' REPORT**4. Significant accounting policies (Cont'd.)****m) Fair value measurements**

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows :-

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

n) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer and Executive Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

o) Earnings per ordinary shares

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

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ACCOUNTANTS' REPORT

5. Plant and equipment

Audited 30.6.2022	Plant and machinery RM	Furniture and fittings RM	Computer RM	Factory equipment RM	Office equipment RM	Renovation RM	Tele- communica- tion equipment RM	Total RM
Cost								
Balance at 1.11.2021	1,116,090	21,641	222,981	132,287	31,836	6,000	1,299	1,532,134
Additions	-	21,160	33,873	-	-	2,421	-	57,454
Balance at 30.6.2022	1,116,090	42,801	256,854	132,287	31,836	8,421	1,299	1,589,588
Accumulated depreciation								
Balance at 1.11.2021	420,609	3,323	31,817	28,845	7,974	500	390	493,458
Charge for the financial period	74,406	1,629	16,023	8,819	2,122	481	87	103,567
Balance at 30.6.2022	495,015	4,952	47,840	37,664	10,096	981	477	597,025
Net carrying amount	621,075	37,849	209,014	94,623	21,740	7,440	822	992,563

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ACCOUNTANTS' REPORT

5. Plant and equipment (Cont'd.)

Audited 31.10.2021	Plant and machinery RM	Furniture and fittings RM	Computer RM	Factory equipment RM	Office equipment RM	Renovation RM	Tele- communica- tion equipment RM	Total RM
Cost								
Balance at 1.11.2020	1,459,440	11,576	78,101	98,388	26,109	-	1,299	1,674,913
Additions	58,650	10,065	144,880	33,899	5,727	6,000	-	259,221
Disposal	(402,000)	-	-	-	-	-	-	(402,000)
Balance at 31.10.2021	1,116,090	21,641	222,981	132,287	31,836	6,000	1,299	1,532,134
Accumulated depreciation								
Balance at 1.11.2020	430,588	1,657	12,094	17,428	5,092	-	260	467,119
Charge for the financial year	130,721	1,666	19,723	11,417	2,882	500	130	167,039
Disposal	(140,700)	-	-	-	-	-	-	(140,700)
Balance at 31.10.2021	420,609	3,323	31,817	28,845	7,974	500	390	493,458
Net carrying amount	695,481	18,318	191,164	103,442	23,862	5,500	909	1,038,676

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ACCOUNTANTS' REPORT

5. Plant and equipment (Cont'd.)

<u>Audited</u> 31.10.2020	Plant and machinery RM	Furniture and fittings RM	Computer RM	Factory equipment RM	Office equipment RM	Renovation RM	Tele- communica- tion equipment RM	Total RM
Cost								
Balance at 1.11.2019	1,426,440	2,500	42,843	75,888	24,809	-	1,299	1,573,779
Additions	33,000	9,076	35,258	22,500	1,300	-	-	101,134
Balance at 31.10.2020	1,459,440	11,576	78,101	98,388	26,109	-	1,299	1,674,913
Accumulated depreciation								
Balance at 1.11.2019	284,644	500	4,284	7,589	2,481	-	130	299,628
Charge for the financial year	145,944	1,157	7,810	9,839	2,611	-	130	167,491
Balance at 31.10.2020	430,588	1,657	12,094	17,428	5,092	-	260	467,119
Net carrying amount	1,028,852	9,919	66,007	80,960	21,017	-	1,039	1,207,794

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ACCOUNTANTS' REPORT

5. Plant and equipment (Cont'd.)

<u>Audited</u> 31.10.2019	Plant and machinery RM	Furniture and fittings RM	Computer RM	Factory equipment RM	Office equipment RM	Renovation RM	Tele- communica- tion equipment RM	Total RM
Cost								
Balance at 1.11.2018	1,420,000	2,500	-	-	-	-	-	1,422,500
Additions	6,440	-	42,843	75,888	24,809	-	1,299	151,279
Balance at 31.10.2019	1,426,440	2,500	42,843	75,888	24,809	-	1,299	1,573,779
Accumulated depreciation								
Balance at 1.11.2018	142,000	250	-	-	-	-	-	142,250
Charge for the financial year	142,644	250	4,284	7,589	2,481	-	130	157,378
Balance at 31.10.2019	284,644	500	4,284	7,589	2,481	-	130	299,628
Net carrying amount	1,141,796	2,000	38,559	68,299	22,328	-	1,169	1,274,151

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ACCOUNTANTS' REPORT**6. Right-of-use assets**

Audited 30.6.2022	Plant and machinery RM	Motor vehicles RM	Total RM
Cost			
Balance at 1.11.2021	1,005,000	780,628	1,785,628
Additions	-	463,074	463,074
Balance at 30.6.2022	1,005,000	1,243,702	2,248,702
Accumulated depreciation			
Balance at 1.11.2021	142,000	199,201	341,201
Charge for the financial period	67,000	83,852	150,852
Balance at 30.6.2022	209,000	283,053	492,053
Net carrying amount	796,000	960,649	1,756,649
Audited 31.10.2021			
Cost			
Balance at 1.11.2020	345,000	587,533	932,533
Additions	660,000	193,095	853,095
Balance at 31.10.2021	1,005,000	780,628	1,785,628
Accumulated depreciation			
Balance at 1.11.2020	69,000	88,130	157,130
Charge for the financial year	73,000	111,071	184,071
Balance at 31.10.2021	142,000	199,201	341,201
Net carrying amount	863,000	581,427	1,444,427
Audited 31.10.2020			
Cost			
Balance at 1.11.2019	345,000	-	345,000
Additions	-	587,533	587,533
Balance at 31.10.2020	345,000	587,533	932,533
Accumulated depreciation			
Balance at 1.11.2019	34,500	-	34,500
Charge for the financial year	34,500	88,130	122,630
Balance at 31.10.2020	69,000	88,130	157,130
Net carrying amount	276,000	499,403	775,403

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ACCOUNTANTS' REPORT**6. Right-of-use assets (Cont'd.)**

<u>Audited</u> 31.10.2019	Plant and machinery RM	Motor vehicles RM	Total RM
Cost			
Balance at 1.11.2018	-	-	-
Additions	345,000	-	345,000
Balance at 31.10.2019	<u>345,000</u>	<u>-</u>	<u>345,000</u>
Accumulated depreciation			
Balance at 1.11.2018	-	-	-
Charge for the financial year	34,500	-	34,500
Balance at 31.10.2019	<u>34,500</u>	<u>-</u>	<u>34,500</u>
Net carrying amount	<u>310,500</u>	<u>-</u>	<u>310,500</u>

7. Deferred tax assets/(liabilities)

	← Audited → 30.6.2022 RM	31.10.2021 RM	31.10.2020 RM	31.10.2019 RM
Deferred tax assets/(liabilities)	<u>(22,890)</u>	<u>72,356</u>	<u>(99,068)</u>	<u>(99,068)</u>

The movement on the net deferred tax asset/(liabilities) is as follows : -

	← Audited → 30.6.2022 RM	31.10.2021 RM	31.10.2020 RM	31.10.2019 RM
At beginning of the financial period/year	72,356	(99,068)	(99,068)	(81,912)
Charged from/(to) profit or loss (Note 25)	<u>(95,246)</u>	<u>171,424</u>	<u>-</u>	<u>(17,156)</u>
At end of the financial period/year	<u>(22,890)</u>	<u>72,356</u>	<u>(99,068)</u>	<u>(99,068)</u>

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ACCOUNTANTS' REPORT**7. Deferred tax assets/(liabilities) (Cont'd.)**

The components and movements of deferred tax asset/(liabilities) during the financial period/year prior to offsetting are as follows :-

Deferred tax assets/(liabilities)	<----- Audited ----->		
	At beginning of the financial period/year RM	Recognised in profit or loss RM	At end of the financial period/year RM
30.6.2022			
Plant and equipment	72,356	(95,246)	(22,890)
31.10.2021			
Plant and equipment	(99,068)	171,424	72,356
31.10.2020			
Plant and equipment	(99,068)	-	(99,068)
31.10.2019			
Plant and equipment	(81,912)	(17,156)	(99,068)

8. Inventories

	<----- Audited ----->			
	30.6.2022 RM	31.10.2021 RM	31.10.2020 RM	31.10.2019 RM
At costs :-				
Raw material	1,863,216	374,992	112,060	-
Work-in-progress	3,932,561	5,971,981	586,500	1,469,844
	<u>5,795,777</u>	<u>6,346,973</u>	<u>698,560</u>	<u>1,469,844</u>
Recognised in profit or loss :-				
Inventories recognised as costs of sales	<u>7,222,957</u>	<u>5,377,306</u>	<u>4,366,795</u>	<u>1,234,443</u>

9. Trade receivables

The normal credit term of trade receivables is 90 days (31.10.2021 – 90 days, 31.10.2020 - 90 days, 31.10.2019 - 90 days). Other credit terms are assessed and approved on a case-by-case basis which may be up to 180 days.

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ACCOUNTANTS' REPORT**10. Other receivables, deposits and prepayments**

	<----- Audited ----->			
	30.6.2022	31.10.2021	31.10.2020	31.10.2019
	RM	RM	RM	RM
Other receivables	380,920	526,382	33,993	21,993
Deposits	1,285,427	1,110,146	17,351	16,451
Prepayments	203,658	169,207	-	-
	<u>1,870,005</u>	<u>1,805,735</u>	<u>51,344</u>	<u>38,444</u>

11. Share capital and invested equity

i) Share capital

	<----- Audited ----->			
	30.6.2022	31.10.2021	31.10.2020	31.10.2019
	Unit	Unit	Unit	Unit
Issued and fully paid				
Ordinary shares with no par value :-				
At beginning of the financial period/date of incorporation	9	9	-	-
Share split	216	-	-	-
At end of the financial period/year	<u>225</u>	<u>9</u>	<u>-</u>	<u>-</u>

	<----- Audited ----->			
	30.6.2022	31.10.2021	31.10.2020	31.10.2019
	RM	RM	RM	RM
Issued and fully paid				
Ordinary shares with no par value :-				
At beginning/date of incorporation/end of the financial period/year	9	9	-	-

On 28 September 2021, the Company was incorporated with an issued and paid-up share capital of RM9, comprising 9 ordinary shares. The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company.

On 26 January 2022, the issued and paid-up share capital of the Company was increased from 9 ordinary shares to 225 ordinary shares by way of an issue of 216 new ordinary shares by way of subdivision 1 existing share into 25 subdivided shares.

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ACCOUNTANTS' REPORT**11. Share capital and invested equity (Cont'd.)**

ii) Invested equity

	<----- Audited ----->			
	30.6.2022	31.10.2021	31.10.2020	31.10.2019
	Unit	Unit	Unit	Unit
Issued and fully paid				
Ordinary shares with no par value :-				
Balance at beginning of the financial period/year	1,000,000	1,000,000	100,000	1,000
Capitalisation of retained profits	-	-	500,000	-
Issuance of shares	-	-	400,000	99,000
Balance at end of the financial period/year	1,000,000	1,000,000	1,000,000	100,000

	<----- Audited ----->			
	30.6.2022	31.10.2021	31.10.2020	31.10.2019
	RM	RM	RM	RM
Issued and fully paid				
Ordinary shares with no par value :-				
Balance at beginning of the financial period/year	1,000,000	1,000,000	100,000	1,000
Capitalisation of retained profits	-	-	500,000	-
Issuance of shares	-	-	400,000	99,000
Balance at end of the financial period/year	1,000,000	1,000,000	1,000,000	100,000

For the purpose of preparing the combined financial statements, the share capital throughout the relevant reporting periods is the aggregate of the share capital of combining entities constitution the Group.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group. All ordinary shares rank pari passu with regard to the Group's residual assets.

12. Retained profits

The Group may distribute dividends out of its retained profits under the single tier system which are tax exempt in the hands of shareholders.

13. ACCOUNTANTS' REPORT (CONT'D)**ECA Integrated Solution Berhad**

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ACCOUNTANTS' REPORT**13. Borrowings**

	<----- Audited ----->			
	30.6.2022	31.10.2021	31.10.2020	31.10.2019
	RM	RM	RM	RM
Non-Current Liabilities				
<u>Secured</u>				
Term loans	1,477,126	1,695,966	1,495,530	-
Current Liabilities				
<u>Secured</u>				
Banker's acceptance	1,725,910	1,555,000	51,000	-
Bank overdraft	691,588	-	-	-
Letter of credit	-	40,000	-	-
Trust receipt	-	20,000	-	-
Term loans	372,978	373,607	254,470	-
	2,790,476	1,988,607	305,470	-
Total borrowings				
<u>Secured</u>				
Banker's acceptance	1,725,910	1,555,000	51,000	-
Bank overdraft	691,588	-	-	-
Letter of credit	-	40,000	-	-
Trust receipt	-	20,000	-	-
Term loans (Note 14)	1,850,104	2,069,573	1,750,000	-
	4,267,602	3,684,573	1,801,000	-

The effective interest rates for the Group is as follows :-

	<----- Audited ----->			
	30.6.2022	31.10.2021	31.10.2020	31.10.2019
	%	%	%	%
Banker's acceptance	2.75 – 4.02	2.75	2.75	-
Bank overdraft	7.20	-	-	-
Letter of credit	-	0.70	-	-
Trust receipt	-	2.75	-	-
Term loans	2.22 – 6.33	0 – 6.57	0 – 6.82	-

The banker's acceptance, bank overdraft, letter of credit and trust receipts are secured by the followings :-

- a) jointly and severally guaranteed by the directors and/or substantial shareholders of the Group; and
- b) guarantee executed by third party, Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP).

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ACCOUNTANTS' REPORT**14. Term loans**

	<----- Audited ----->			
	30.6.2022	31.10.2021	31.10.2020	31.10.2019
	RM	RM	RM	RM
<u>Secured</u>				
Term loan 1	566,238	632,742	700,000	-
Term loan 2	728,770	863,711	1,000,000	-
Term loan 3	-	29,000	50,000	-
Term loan 4	279,469	244,120	-	-
Term loan 5	275,627	300,000	-	-
	<u>1,850,104</u>	<u>2,069,573</u>	<u>1,750,000</u>	<u>-</u>
Repayable as follows : -				
Non-Current Liabilities				
- Later than one year and not later than two years				
Term loan 1	97,386	93,229	86,483	-
Term loan 2	208,627	204,258	191,775	-
Term loan 3	-	3,800	25,200	-
Term loan 4	42,226	29,305	-	-
Term loan 5	39,022	37,273	-	-
	<u>387,261</u>	<u>367,865</u>	<u>303,458</u>	<u>-</u>
- Later than two years and not later than five years				
Term loan 1	331,923	317,970	297,702	-
Term loan 2	316,099	460,150	617,229	-
Term loan 3	-	-	5,900	-
Term loan 4	134,787	106,220	-	-
Term loan 5	133,525	127,657	-	-
	<u>916,334</u>	<u>1,011,997</u>	<u>920,831</u>	<u>-</u>
- Later than five years				
Term loan 1	45,502	134,048	235,016	-
Term loan 2	-	-	36,225	-
Term loan 3	-	-	-	-
Term loan 4	61,512	81,895	-	-
Term loan 5	66,517	100,161	-	-
	<u>173,531</u>	<u>316,104</u>	<u>271,241</u>	<u>-</u>

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ACCOUNTANTS' REPORT**14. Term loans (Cont'd.)**

	<----- Audited ----->			
	30.6.2022 RM	31.10.2021 RM	31.10.2020 RM	31.10.2019 RM
Current Liabilities				
- Not later than one year				
Term loan 1	91,427	87,495	80,799	-
Term loan 2	204,044	199,303	154,771	-
Term loan 3	-	25,200	18,900	-
Term loan 4	40,944	26,700	-	-
Term loan 5	36,563	34,909	-	-
	<u>372,978</u>	<u>373,607</u>	<u>254,470</u>	<u>-</u>
	<u>1,850,104</u>	<u>2,069,573</u>	<u>1,750,000</u>	<u>-</u>

Term loan 1

The term loan 1 is secured by the followings :-

- a) third party legal charge over one unit of 1 1/2 storey semi-detached factory;
- b) jointly and severally guaranteed by the directors and/or substantial shareholders of the Group; and
- c) corporate guaranteed by related company.

Term loan 2

The term loan 2 is secured by the followings :-

- a) jointly and severally guaranteed by the directors and/or substantial shareholders of the Group; and
- b) guarantee executed by a third party, Credit Guarantee Corporation Malaysia Berhad (CGC).

Term loan 3

The term loan 3 is jointly and severally guaranteed by the directors and substantial shareholders of the Group.

Term loan 4

The term loan 4 is jointly and severally guaranteed by the directors and substantial shareholders of the Group.

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ACCOUNTANTS' REPORT**14. Term loans (Cont'd.)****Term loan 5**

The term loan 5 is secured by the followings :-

- a) jointly and severally guaranteed by the directors and/or substantial shareholders of the Group;
- b) guarantee executed by a third party, Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPPB); and
- c) corporate guaranteed by related company.

15. Lease liabilities

	<----- Audited ----->			
	30.6.2022	31.10.2021	31.10.2020	31.10.2019
	RM	RM	RM	RM
Minimum lease payments :-				
- Not later than one year	475,821	408,156	184,572	89,124
- Later than one year not later than two years	386,700	378,445	184,572	89,124
- Later than two years and not later than five years	594,659	568,335	334,511	148,537
- Later than five years	139,779	40,469	94,482	-
	<u>1,596,959</u>	<u>1,395,405</u>	<u>798,137</u>	<u>326,785</u>
Less: Future interest charge	(137,560)	(118,514)	(76,067)	(34,275)
Present value of lease liabilities	<u>1,459,399</u>	<u>1,276,891</u>	<u>722,070</u>	<u>292,510</u>
Repayable as follows :-				
Non-Current Liabilities				
- Later than one year not later than two years	349,679	343,265	164,342	78,185
- Later than two years and not later than five years	555,721	540,202	309,984	141,313
- Later than five years	134,921	39,908	91,602	-
	<u>1,040,321</u>	<u>923,375</u>	<u>565,928</u>	<u>219,498</u>
Current Liabilities				
- Not later than one year	419,078	353,516	156,142	73,012
	<u>1,459,399</u>	<u>1,276,891</u>	<u>722,070</u>	<u>292,510</u>

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ACCOUNTANTS' REPORT**15. Lease liabilities (Cont'd.)**

	<----- Audited ----->			
	30.6.2022	31.10.2021	31.10.2020	31.10.2019
	%	%	%	%
Effective interest rate	1.98 – 12.80	2.23 – 12.80	2.23 – 12.80	12.80

Included in the Group's lease liabilities were leases of machinery and motor vehicles.

16. Trade payables

The normal credit terms of trade payables range from 30 to 90 days (31.10.2021 – 30 to 90 days, 31.10.2020 – 30 to 90 days, 31.10.2019 – 30 to 90 days). However, the term may vary upon negotiation with the trade payables.

17. Other payables and accruals

	<----- Audited ----->			
	30.6.2022	31.10.2021	31.10.2020	31.10.2019
	RM	RM	RM	RM
Other payables	807,007	80,611	2,643,970	2,099,045
Accruals	699,039	413,205	299,948	258,427
Deferred sales	-	-	290,000	2,330,663
	<u>1,506,046</u>	<u>493,816</u>	<u>3,233,918</u>	<u>4,688,135</u>

Included in other payables of Group is the amount due to related parties which all the directors of the Group have interest amounted to RM179,798 (31.10.2021 – RM NIL, 31.10.2020 – RM1,745,864, 31.10.2019 – RM1,201,241) which is unsecured, interest free and repayable on demand by cash and cash equivalents.

18. Amount due to directors

Amount due to directors is unsecured, interest free and repayable on demand by cash and cash equivalents.

19. Revenue

	Audited	Unaudited	<----- Audited ----->		
	1.11.2021	1.11.2020	1.11.2020	1.11.2019	1.11.2018
	to	to	to	to	to
	30.6.2022	30.6.2021	31.10.2021	31.10.2020	31.10.2019
	RM	RM	RM	RM	RM
Sales of goods	<u>17,816,536</u>	<u>2,673,736</u>	<u>20,511,107</u>	<u>15,367,241</u>	<u>7,670,888</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECA Integrated Solution Berhad**

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ACCOUNTANTS' REPORT**19. Revenue (Cont'd.)**

Disaggregation of revenue

	Audited 1.11.2021 to 30.6.2022 RM	Unaudited 1.11.2020 to 30.6.2021 RM	<----- Audited -----> 1.11.2020 to 31.10.2021 RM	1.11.2019 to 31.10.2020 RM	> 1.11.2018 to 31.10.2019 RM
Primary geographical markets					
Malaysia	6,092,235	2,544,776	9,719,231	11,673,941	4,502,175
Europe	2,872,832	-	4,962,957	-	-
Rest of Asia	1,238,458	6,948	5,706,907	796,520	180,742
North America	7,613,011	122,012	122,012	2,896,780	2,987,971
	<u>17,816,536</u>	<u>2,673,736</u>	<u>20,511,107</u>	<u>15,367,241</u>	<u>7,670,888</u>

The timing of revenue recognition is at point in time.

20. Other income

	Audited 1.11.2021 to 30.6.2022 RM	Unaudited 1.11.2020 to 30.6.2021 RM	<----- Audited -----> 1.11.2020 to 31.10.2021 RM	1.11.2019 to 31.10.2020 RM	> 1.11.2018 to 31.10.2019 RM
Gain on disposal of plant and equipment	-	78,700	78,700	-	-
Interest income	1,557	2,072	3,365	8,493	13,151
Unrealised gain on foreign exchange	440,666	70,615	10,788	34,617	11,024
Wages subsidy	-	10,800	10,800	86,400	-
	<u>442,223</u>	<u>162,187</u>	<u>103,653</u>	<u>129,510</u>	<u>24,175</u>

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ACCOUNTANTS' REPORT**21. Finance costs**

	Audited 1.11.2021 to 30.6.2022 RM	Unaudited 1.11.2020 to 30.6.2021 RM	<----- Audited -----> 1.11.2020 to 31.10.2021 RM	1.11.2019 to 31.10.2020 RM	> 1.11.2018 to 31.10.2019 RM
Banker's acceptance	32,147	26,027	40,204	453	-
Bank overdraft	9,086	-	-	-	-
Lease liabilities	38,612	-	58,044	31,547	6,179
Letter of credit	-	139	278	-	-
Term loans	38,301	63,472	97,504	-	-
Trust receipt	135	45	45	-	-
	118,281	89,683	196,075	32,000	6,179

22. Profit before taxation

	Audited 1.11.2021 to 30.6.2022 RM	Unaudited 1.11.2020 to 30.6.2021 RM	<----- Audited -----> 1.11.2020 to 31.10.2021 RM	1.11.2019 to 31.10.2020 RM	> 1.11.2018 to 31.10.2019 RM
This is arrived at after charging :-					
Auditors' remuneration					
- statutory	11,500	-	21,500	20,000	6,500
- others	98,000	-	-	28,000	-
Bad debt written off	-	-	-	57,037	-
Depreciation of plant and equipment	103,567	51,108	167,039	167,491	157,378
Depreciation of right-of-use assets	150,852	45,274	184,071	122,630	34,500
Directors' remuneration (Note 23)	675,945	448,681	741,211	696,411	683,127
Employee benefits expense (Note 24)	3,588,311	1,025,355	3,690,452	2,759,538	2,869,546
Realised loss on foreign exchange	42,610	7,581	22,488	66,437	38,132
Expenses relating to short-term lease*	249,900	216,100	360,000	370,000	385,000
Finance costs (Note 21)	118,281	89,683	196,075	32,000	6,179

13. ACCOUNTANTS' REPORT (CONT'D)**ECA Integrated Solution Berhad**

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ACCOUNTANTS' REPORT**22. Profit before taxation (Cont'd.)**

	Audited 1.11.2021 to 30.6.2022 RM	Unaudited 1.11.2020 to 30.6.2021 RM	<----- Audited -----> 1.11.2020 to 31.10.2021 RM	1.11.2019 to 31.10.2020 RM	1.11.2018 to 31.10.2019 RM
and crediting :-					
Gain on disposal of plant and equipment	-	(78,700)	(78,700)	-	-
Unrealised gain on foreign exchange	(440,666)	(70,615)	(10,788)	(34,617)	(11,024)
Interest income	(1,557)	(2,072)	(3,365)	(8,493)	(13,151)
Wages subsidy	-	(10,800)	(10,800)	(86,400)	-

The Group leases building with contract term of 1 year.*23. Directors' remuneration**

	Audited 1.11.2021 to 30.6.2022 RM	Unaudited 1.11.2020 to 30.6.2021 RM	<----- Audited -----> 1.11.2020 to 31.10.2021 RM	1.11.2019 to 31.10.2020 RM	1.11.2018 to 31.10.2019 RM
Directors' remuneration	602,450	404,800	665,300	625,300	613,000
Employee Provident Fund	72,264	42,804	74,064	69,264	68,280
Employment Insurance System	126	110	190	190	190
Social Security Cost	1,105	967	1,657	1,657	1,657
	<u>675,945</u>	<u>448,681</u>	<u>741,211</u>	<u>696,411</u>	<u>683,127</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECA Integrated Solution Berhad**

(Incorporated in Malaysia, Registration No. 202101031471 (1431771-P))

ACCOUNTANTS' REPORT**24. Employee benefits expense**

	Audited	Unaudited	<----- Audited ----->		
	1.11.2021	1.11.2020	1.11.2020	1.11.2019	1.11.2018
	to	to	to	to	to
	30.6.2022	30.6.2021	31.10.2021	31.10.2020	31.10.2019
	RM	RM	RM	RM	RM
Salaries, wages and bonus	2,803,439	829,849	2,762,625	2,014,426	2,020,531
Employees Provident Fund	453,869	173,213	328,968	247,307	243,388
Employment Insurance System	26,714	1,848	3,443	2,710	2,788
Social Security Cost	3,055	16,145	30,085	23,702	24,376
Other staff related expenses	301,234	4,300	565,331	471,393	578,463
	<u>3,588,311</u>	<u>1,025,355</u>	<u>3,690,452</u>	<u>2,759,538</u>	<u>2,869,546</u>

25. Taxation

	Audited	Unaudited	<----- Audited ----->		
	1.11.2021	1.11.2020	1.11.2020	1.11.2019	1.11.2018
	to	to	to	to	to
	30.6.2022	30.6.2021	31.10.2021	31.10.2020	31.10.2019
	RM	RM	RM	RM	RM
Income tax					
- current financial period/year	-	-	-	-	(2,236)
- (Under)/Over provision in prior financial period/year	(572)	-	(1,444)	-	321,890
	<u>(572)</u>	<u>-</u>	<u>(1,444)</u>	<u>-</u>	<u>319,654</u>
Deferred tax (Note 7)					
- relating to origination and reversal of temporary differences	(95,246)	-	171,424	-	(17,156)
	<u>(95,818)</u>	<u>-</u>	<u>169,980</u>	<u>-</u>	<u>302,498</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECA Integrated Solution Berhad**

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ACCOUNTANTS' REPORT**25. Taxation (Cont'd.)**

Income tax is calculated at the Malaysian statutory tax rates of 24% (31.10.2021 – 24%, 31.10.2020 – 24%, 31.10.2019 – 24%) of the estimated assessable profit for the financial period/year.

The Group has been granted pioneer status by the Ministry of International Trade and Industry of Malaysia under the Promotion of Investment Act, 1986. The Group enjoyed full exemption from income tax on its statutory income from its pioneer activities for 5 years, from 27 November 2017 to 26 November 2022.

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows :-

	Audited 1.11.2021 to 30.6.2022 %	Unaudited 1.11.2020 to 30.6.2021 %	<----- 1.11.2020 to 31.10.2021 %	Audited -----> 1.11.2019 to 31.10.2020 %	1.11.2018 to 31.10.2019 %
Applicable tax rate	24	24	24	24	24
Non-allowable expenses	*	*	1	*	5
Non-taxable income	(22)	(24)	(25)	(24)	(26)
Deferred tax assets not recognised in the financial period/year	-	-	*	*	(3)
Overprovision of tax expense in prior financial period/year	*	-	(2)	*	(28)
Tax effect on differential tax rate	*	*	*	*	*
	2	-	(2)	-	(28)

* Less than 1%

13. ACCOUNTANTS' REPORT (CONT'D)**ECA Integrated Solution Berhad**

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ACCOUNTANTS' REPORT**26. Earnings per share****Basic :**

Basic earnings per share is calculated by dividing the profit for the financial period/year attributable to equity holders of the Group by the weighted-average number of ordinary shares in issue during the financial period/year.

	Audited 1.11.2021 to 30.6.2022	Unaudited 1.11.2020 to 30.6.2021	<————— 1.11.2020 to 31.10.2021	Audited 1.11.2019 to 31.10.2020	—————> 1.11.2018 to 31.10.2019
Profit for the financial period/year attributable to ordinary equity holders of the Company (RM)	<u>4,579,356</u>	<u>136,996</u>	<u>8,176,623</u>	<u>5,566,605</u>	<u>1,369,414</u>
Weighted average number of ordinary shares in issue (Unit)	<u>1,000,148</u>	<u>1,000,000</u>	<u>1,000,009</u>	<u>1,000,000</u>	<u>100,000</u>
Basic earnings per share (sen)	<u>457.87</u>	<u>13.70</u>	<u>817.65</u>	<u>556.66</u>	<u>1,369.41</u>

Diluted :

The basic and diluted earnings per share are equal as the Group has no dilutive potential ordinary shares.

27. Additions on right-of-use assets

During the financial period/year, the Group made the following cash payments to the additions on right-of-use assets.

	<————— 30.6.2022 RM	Audited 31.10.2021 RM	—————> 31.10.2020 RM	31.10.2020 RM
Additions of right-of-use assets (Note 6)	<u>463,074</u>	<u>853,095</u>	<u>587,533</u>	<u>345,000</u>
Finance by lease arrangements	<u>(416,000)</u>	<u>(710,964)</u>	<u>(511,800)</u>	<u>(316,040)</u>
Cash payments	<u>47,074</u>	<u>142,131</u>	<u>75,733</u>	<u>28,960</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECA Integrated Solution Berhad**

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ACCOUNTANTS' REPORT**28. Changes in liabilities arising from financing activities**

The table below details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes as follows : -

	At beginning of the financial period/year RM	Net changes from financing cash flows RM	Acquisition of new lease RM	At end of the financial period/year RM
Audited				
30.6.2022				
Banker's acceptance	1,555,000	170,910	-	1,725,910
Lease liabilities	1,276,891	(233,492)	416,000	1,459,399
Letter of credit	40,000	(40,000)	-	-
Term loans	2,069,573	(219,469)	-	1,850,104
Trust receipt	20,000	(20,000)	-	-
	<u>4,961,464</u>	<u>(342,051)</u>	<u>416,000</u>	<u>5,035,413</u>
Unaudited				
30.6.2021				
Banker's acceptance	51,000	1,655,000	-	1,706,000
Lease liabilities	722,070	(199,170)	832,000	1,354,900
Letter of credit	-	20,000	-	20,000
Term loans	1,750,000	108,796	-	1,858,796
	<u>2,523,070</u>	<u>1,584,626</u>	<u>832,000</u>	<u>4,939,696</u>
Audited				
31.10.2021				
Banker's acceptance	51,000	1,504,000	-	1,555,000
Lease liabilities	722,070	(156,143)	710,964	1,276,891
Letter of credit	-	40,000	-	40,000
Term loans	1,750,000	319,573	-	2,069,573
Trust receipt	-	20,000	-	20,000
	<u>2,523,070</u>	<u>1,727,430</u>	<u>710,964</u>	<u>4,961,464</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECA Integrated Solution Berhad**

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ACCOUNTANTS' REPORT**28. Changes in liabilities arising from financing activities (Cont'd.)**

The table below details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes as follows : -

	At beginning of the financial period/year RM	Net changes from financing cash flows RM	Acquisition of new lease RM	At end of the financial period/year RM
<u>Audited</u>				
31.10.2020				
Banker's acceptance	-	51,000	-	51,000
Lease liabilities	292,510	(82,240)	511,800	722,070
Term loans	-	1,750,000	-	1,750,000
	<u>292,510</u>	<u>1,718,760</u>	<u>511,800</u>	<u>2,523,070</u>
<u>Audited</u>				
31.10.2019				
Lease liabilities	-	(23,530)	316,040	292,510

29. Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts : -

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	<----- Audited -----> 31.10.2021 RM	31.10.2020 RM	31.10.2019 RM
Cash and bank balances	8,690,762	2,418,853	4,995,569	4,229,471	2,908,091
Bank overdraft	(691,588)	-	-	-	-
	<u>7,999,174</u>	<u>2,418,853</u>	<u>4,995,569</u>	<u>4,229,471</u>	<u>2,908,091</u>

30. Segmental information**Business segments**

The management determines the business segments based on the reports reviewed and used by the directors for strategic decisions making and resources allocation.

The Group has only one reportable business segment of manufacturing which relates principally to an automated manufacturing solutions provider which is involved in the provision of integrated production systems and standalone automated equipment. No business segmental information is presented.

13. ACCOUNTANTS' REPORT (CONT'D)**ECA Integrated Solution Berhad**

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ACCOUNTANTS' REPORT**30. Segmental information (Cont'd.)****Geographical segments**

Revenue information based on the geographical location of the customers are disclosed in Note 18 to the combined financial statements.

Location of assets

The Group's non-current assets are maintained entirely in Malaysia.

Information of major customers

The following are major customers from the Group's manufacturing segment which individually contributed to more than 10% of the Group's total revenue : -

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	<----- Audited ----->		
			31.10.2021 RM	31.10.2020 RM	31.10.2019 RM
Customer A	1,782,125	-	4,893,669	-	*
Customer B	1,932,410	544,290	*	*	1,368,685
Customer C	7,550,256	-	-	-	-
Customer D	3,331,742	*	*	-	-
Customer E	*	-	3,700,405	-	-
Customer F	-	-	3,329,000	-	-
Customer G	*	1,312,100	2,662,100	*	3,133,490
Customer H	*	*	*	5,740,587	-
Customer I	*	*	*	2,563,704	2,805,900
Customer J	*	*	*	2,009,012	-
	14,596,533	1,856,390	14,585,174	10,313,303	7,308,075

*Less than 10% of the Group's total revenue

31. Financial instruments**a) Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows : -

- (i) Financial assets measured at amortised cost ("FAAC").
- (ii) Financial liabilities measured at amortised cost ("FLAC").

Audited	Carrying amount RM	FAAC RM	FLAC RM
30.6.2022			
Financial assets			
Trade receivables	13,368,154	13,368,154	-
Other receivables and deposits	1,515,988	1,515,988	-
Cash and bank balances	8,690,762	8,690,762	-
	23,574,904	23,574,904	-