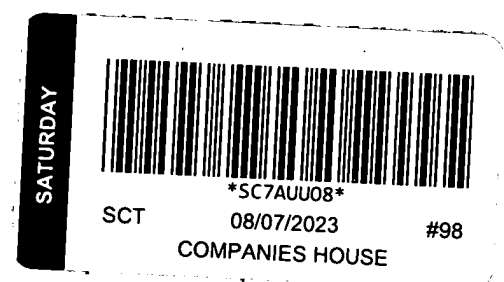


Coda Octopus Products Limited

Registered number: SC151068

Filleted Financial Statements For the year ended 31 October 2022



CODA OCTOPUS PRODUCTS LIMITED
REGISTERED NUMBER: SC151068

STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible fixed assets	5	2,846,434	2,941,883
Investments	6	72,449	57,479
		<u>2,918,883</u>	<u>2,999,362</u>
Current assets			
Stocks	7	6,447,837	5,033,405
Debtors: amounts falling due within one year	8	3,739,127	3,968,542
Cash and cash equivalents	9	4,409,685	4,502,118
		<u>14,596,649</u>	<u>13,504,065</u>
Creditors: amounts falling due within one year	10	(3,787,602)	(4,150,761)
Net current assets		<u>10,809,047</u>	<u>9,353,304</u>
Total assets less current liabilities		<u>13,727,930</u>	<u>12,352,666</u>
Creditors: amounts falling due after more than one year	11	(36,272)	(81,978)
Provisions for liabilities			
Deferred tax	12	-	(7,988)
		<u>-</u>	<u>(7,988)</u>
Net assets		<u><u>13,691,658</u></u>	<u><u>12,262,700</u></u>
Capital and reserves			
Called up share capital	13	1,185,000	1,185,000
Share premium account	14	5,607,192	5,607,192
Profit and loss account	14	6,899,466	5,470,508
		<u>13,691,658</u>	<u>12,262,700</u>

CODA OCTOPUS PRODUCTS LIMITED
REGISTERED NUMBER: SC151068

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 OCTOBER 2022

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has opted not to file the Director's Report and statement of income and retained earnings in accordance with provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by



A McFadzean

Director

Date: 7 June 2023

CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022

1. General information

Coda Octopus Products Limited is a private company limited by shares and registered in Scotland. The company's registered office and principal place of business is 38 South Gyle Crescent, South Gyle Business Park, Edinburgh, EH12 9EB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

~~2.2 Exemption from preparing consolidated financial statements~~

The company, and the group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and group are considered eligible for the exemption to prepare consolidated financial statements.

2.3 Going concern

The financial statements have been prepared on a going concern basis. In making their assessment, the directors have reviewed the company's cash resources against expected future expenditure and confirm that the company will have sufficient funds to allow it to continue to trade and meet its liabilities as they fall due for a period of at least twelve months from the date the directors sign the financial statements of the company. The directors' assessment takes into consideration the disruption to business and economic activity that is being caused by the COVID-19 pandemic and Brexit.

In terms of Brexit, the change in EU membership adversely impacts the business in a number of important areas including recruitment, free movement of engineers for training and support and custom procedures/border controls. The full implications for the company are, at this stage, not completely clear. It is therefore not currently possible to evaluate all the potential implications to the company's trade, customers, suppliers and the wider economy.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022**

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP and amounts are rounded to the nearest £.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.5 Revenue

Revenue recognised in the year is in relation to the company's principal activity which is the sale and rental of underwater survey equipment and related technologies.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022**

2. Accounting policies (continued)

2.6 Operating leases: the company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.7 Research and development

Research and development expenditure is written off in the year in which it is incurred.

2.8 Grant income

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.9 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.10 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022**

2. Accounting policies (continued)

2.11 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The company has a deferred tax asset of approximately £141,631 (2021 – liability of £23,231), calculated based on a tax rate of 25% (2021 - 25%), primarily in relation to losses. The deferred tax asset has not been recognised in the financial statements as there is uncertainty over its immediate recoverability.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022**

2. Accounting policies (continued)

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Heritable property	- over 50 years
Motor vehicles	- 33% straight line
Plant & machinery	- 25/33% straight line
Leasehold improvements	- over term of lease
Fixtures & fittings	- 25% straight line
Computer equipment	- 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.16 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.17 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amount of cash with insignificant risk of change in value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022**

2. Accounting policies (continued)

2.18 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.20 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgments, estimates and assumptions about the carrying amount of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The company amortises intangible fixed assets over their estimated useful life. The estimation of the useful life of intangible fixed assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by the directors. Refer to note 10 of the financial statements for further information.

The provision for warranty costs is calculated based on a set percentage of product sales made over the previous 12 months. The percentage is also set with reference to historical warranty costs incurred.

The directors have also made estimates relating to the time period over which share options will be exercised.

CODA OCTOPUS PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022**

4. Employees

The average monthly number of employees, including directors, during the year was 42 (2021 - 41).

5. Tangible fixed assets

	Heritable property £	Motor vehicles £	Other fixed assets £	Total £
Cost				
At 1 November 2021	2,633,082	16,990	2,039,144	4,689,216
Additions	-	-	274,112	274,112
Disposals	-	-	(50,629)	(50,629)
At 31 October 2022	<u>2,633,082</u>	<u>16,990</u>	<u>2,262,627</u>	<u>4,912,698</u>
Depreciation				
At 1 November 2021	198,211	12,603	1,536,519	1,747,333
Charge for the year	53,601	3,720	312,239	369,561
Depreciation on disposals	-	-	(50,629)	(50,629)
At 31 October 2022	<u>251,812</u>	<u>16,323</u>	<u>1,798,127</u>	<u>2,066,263</u>
Net book value				
At 31 October 2022	<u><u>2,318,270</u></u>	<u><u>667</u></u>	<u><u>464,499</u></u>	<u><u>2,846,434</u></u>
At 31 October 2021	<u><u>2,434,871</u></u>	<u><u>4,387</u></u>	<u><u>502,625</u></u>	<u><u>2,941,883</u></u>

CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022

6. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 November 2021	57,479
Coda Octopus India (Private) Ltd	<u>14,970</u>
At 31 October 2022	<u><u>72,449</u></u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Class of shares	Holding
Coda Octopus Products PTY Ltd	Australia	Ordinary	100 %
Coda Octopus Products A/S	Denmark	Ordinary	100%
Coda Octopus Products (India) Private Ltd	India	Ordinary	99.9%

The aggregate of the share capital and reserves as at 31 October 2022 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Coda Octopus Products PTY Ltd	(147,257)	(19,064)
Coda Octopus Products A/S	334,999	207,073
Coda Octopus Products (India) Private Ltd	(78,487)	(94,224)

The Coda Octopus Products PTY Ltd results above have been translated from Australian Dollars to GBP. The Coda Octopus Products A/S results above have been translated from Danish Krone to GBP. The Coda Octopus Products (India) Private Ltd results above have been translated from Indian Rupee to GBP.

The principal activity of the subsidiary undertakings is the sale of underwater survey equipment and related technologies and development of software in support of same technology.

CODA OCTOPUS PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022**

7. Stocks

	2022	2021
	£	£
Finished goods	1,733,829	951,601
Work in progress	278,635	497,315
Raw materials	4,435,373	3,584,489
	<u>6,447,837</u>	<u>5,033,405</u>

8. Debtors

	2022	2021
	£	£
Trade debtors	527,560	1,475,567
Amounts owed by group undertakings (note 25)	3,015,381	2,201,067
Other debtors	83,250	78,727
Prepayments and accrued income	112,936	213,181
Tax recoverable	-	-
	<u>3,739,127</u>	<u>3,968,542</u>

9. Cash and cash equivalents

	2022	2021
	£	£
Cash at bank and in hand	<u>4,409,685</u>	<u>4,502,118</u>

10. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Trade creditors	314,521	583,483
Amounts owed to group undertakings (note 20)	2,895,637	2,673,631
Other taxation and social security	99,281	49,432
Other creditors	478,163	844,215
	<u>3,787,602</u>	<u>4,150,761</u>

CODA OCTOPUS PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022**

11. Creditors: Amounts falling due after more than one year

	2022	2021
	£	£
Other creditors	<u>36,272</u>	<u>81,978</u>

12. Deferred taxation

	2022
	£
At beginning of year	(7,988)
Charged to the profit or loss	7,988
At end of year	<u><u>-</u></u>

The provision for deferred taxation is made up as follows:

	2022	2021
	£	£
Accelerated capital allowances	-	(9,103)
Short term timing differences	-	1,115
	<u>-</u>	<u>(7,988)</u>

The deferred tax liability is calculated based on a tax rate of 19% (2021 - 19%).

13. Share capital

	2022	2021
	£	£
Authorised, allotted, called up and fully paid		
1,185,000 (2021 - 1,185,000) Ordinary shares of £1.00 each	<u>1,185,000</u>	<u>1,185,000</u>

14. Reserves**Share premium account**

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit & loss account

This reserve includes all current and prior periods retained profits and losses net of dividends paid.

CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022

15. Share based payments

During the current and prior year, certain employees of the company were granted equity settled share options and restricted stock grants in the parent undertaking, Coda Octopus Group Inc. A share based payment expense of £458,052 (2021: £252,238) is included within administration expenses and an equal capital contribution from the parent undertaking within equity. Full details regarding the share options granted and the valuation of these can be found in the consolidated financial statements of Coda Octopus Group Inc.

16. Contingent liabilities

On 28 April 2017, the company's parent undertaking entered into a secured loan agreement with HSBC Bank NA for a loan in the principal amount of \$8,000,000 at a fixed annual interest rate of 4.56%. In 2018, the terms of this loan were altered, with the principal amount reducing to \$1,917,602. As at 31 October 2022, the outstanding balance is \$NIL (£NIL) (2021 - \$63,558/£46,372). The obligation is secured by all of the assets of the parent undertaking and business undertakings in the USA and is guaranteed jointly and severally by each of the parent undertaking's foreign subsidiaries.

17. Pension commitments

The company operates a defined contribution pension scheme. Contributions are charged to the Statement of Comprehensive Income as they arise and the charge for the year was £48,070 (2021 - £42,862). At the year end, NIL (2021 - £436), was payable to the scheme.

18. Commitments under operating leases

The company had no commitments under non-cancellable operating leases at the reporting date.

19. Related party transactions

As a wholly owned subsidiary of Coda Octopus Group Inc, advantage has been taken of the exemption granted by FRS 102 not to report details of the transactions with entities which are 100% controlled by a common parent undertaking.

20. Ultimate parent undertaking and controlling party

The parent undertaking is Coda Octopus Group Inc, which is the smallest and largest group of companies for which group financial statements are prepared. Coda Octopus Group Inc is a company incorporated in the United States of America. Copies of the company's financial statements are available from 3300 S Hiawasse Rd, Suite 104-105, Orlando, Florida, 32835. In the opinion of the directors there is no ultimate controlling party.

21. Auditor's information

An unqualified audit report was signed by Peter Hine (Senior Statutory Auditor) for and on behalf of Frazier & Deeter (UK Audit) LLP, Statutory Auditor,
20 St Dunstan's Hill, London, EC3R 8HL