Coda Octopus Martech Limited

Registered number: 02300406

Filleted financial statements

For the year ended 31 October 2020

STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2020

	Note		2020 £		2019 £
Fixed assets					
Tangible fixed assets	6		6,486		18,866
Current assets					
Stocks	7	278,672		41,480	
Debtors: amounts falling due within one year	8	817,881		891,662	
Cash and cash equivalents	9	978,544		337,220	
		2,075,097		1,270,362	
Creditors: amounts falling due within one year	10	(1,391,006)		(968,943)	
Net current assets			684,091		301,419
Total assets less current liabilities			690,577		320,285
Provisions for liabilities					
Other provisions	11	(20,739)		(12,011)	
			(20,739)		(12,011)
Net assets			669,838		308,274
Capital and reserves					
Called up share capital	12		330,000		330,000
Profit and loss account	13		339,838		(21,726)
			669,838		308,274

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 statement of comprehensive income 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 on

Jan 22, 2021

P A Baxter
Director

The notes on pages 2 to 14 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020

1. General information

Coda Octopus Martech Limited is a private company, limited by shares and registered in England. The company's registered office and principal place of business is 17 Mereside, Osprey Quay, Portland, Dorset, DT5 1PY.

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 Going concern

The financial statements have been prepared on a going concern basis. In making his assessment, the director has reviewed the company's cash resources against expected future expenditure and confirmed 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 director signs the financial statements of the company. The director's assessment takes into consideration the disruption to business and economic activity that is being caused by the COVID-19 pandemic and Brexit.

2. Accounting policies (continued)

2.3 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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2. Accounting policies (continued)

2.4 Revenue

Revenue recognised in the year is in relation to the company's principal activity which is electronic and electric design and engineering. 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.

2.5 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.

2.6 Government grants

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.

2.7 Interest income

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

2. Accounting policies (continued)

2.8 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.

2.9 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. Accounting policies (continued)

2.10 Taxation

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 £37,000 (2019 - £32,000), calculated based on a tax rate of 19% (2019 - 17%), 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.

2.11 Intangible fixed assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life of 10 years.

Development costs are capitalised within intangible fixed assets where they can be identified with a specific product anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated life of the benefits arising from the product (3 years).

Development costs deferred are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related development is written off to the Statement of Comprehensive Income.

All research and other development costs are written off as incurred.

2.12 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.

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

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:

Leasehold improvements	- over the term of the lease, plus one year
Plant & machinery	- 25 to 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.

2.13 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 outbasis. Work in progress includes 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 the Statement of Comprehensive Income.

2.14 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.

2.15 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 amounts of cash with insignificant risk of change in value.

2.16 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. Accounting policies (continued)

2.17 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.

2.18 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.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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 director is 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.

Estimates relating to accrued and deferred income have been made by the director in calculating the percentage completion at the reporting date for certain projects.

Provision for warranty costs is another area of estimation made by the director. The provision is calculated based on a set percentage of hardware sales made over the previous 12 months. The percentage is also set with reference to historical warranty costs incurred. Further information is provided within note 11 of the financial statements.

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

4. Employees

The average monthly number of employees, including directors, during the year was 19 (2019 - 17).

5. Intangible fixed assets

	Develop-ment costs £	Goodwill £	Total £
Cost			
At 1 November 2019	97,005	79,650	176,655
Written off	(56,457)	(79,650)	(136,107)
At 31 October 2020	40,548	-	40,548
Amortisation			
At 1 November 2019	97,005	79,650	176,655
Written off	(56,457)	(79,650)	(136,107)
At 31 October 2020	40,548	-	40,548
Net book value			
At 31 October 2020	-	-	-
At 31 October 2019	-	-	-

6. Tangible fixed assets

	Leasehold improve-ments £	Plant & machinery £	Total £
Cost			
At 1 November 2019	215,684	39,213	254,897
Additions	3,484	2,151	5,635
At 31 October 2020	219,168	41,364	260,532
Depreciation			
At 1 November 2019	204,495	31,536	236,031
Charge for the year	13,047	4,968	18,015
At 31 October 2020	217,542	36,504	254,046
Net book value			
At 31 October 2020	1,626	4,860	6,486
At 31 October 2019	11,189	7,677	18,866

7. Stocks

	2020 £	2019 £
Raw materials and consumables	232,373	-
Work in progress	46,299	41,480
	278,672	41,480

8. Debtors

	2020 £	2019 £
Trade debtors	401,377	557,126
Amounts owed by group undertakings (note 17)	202,198	74,531
Other debtors	34,034	34,000
Prepayments and accrued income	180,272	226,005
	817,881	891,662

9. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	978,544	337,220

10. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	246,688	81,254
Amounts owed to group undertaking (note 17)	43,306	74,739
Amounts owed to parent undertaking (note 17)	715,987	728,413
Corporation tax	2,332	1,654
Other taxation and social security	96,822	46,181
Other creditors (note 16)	2,903	2,790
Accruals and deferred income	282,968	33,912
	1,391,006	968,943

11. Provisions

	Provisions £
At 1 November 2019	12,011
Increase in provision	9,200
Utilised in year	(472)
At 31 October 2020	20,739

The provisions balance of £20,739 (2019 - £12,011) relates to a provision for warranty costs on goods sold.

12. Share capital

	2020 £	2019 £
Authorised, allotted, called up and fully paid		
330,000 (2019 - 330,000) Ordinary shares of £1.00 each	330,000	330,000

13. Reserves

Profit & loss account

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

14. Share based payments

During the year, certain employees of the company were granted equity settled share options in the parent undertaking, Coda Octopus Group Inc. These share options vest in 3 equal tranches on the first, second and third anniversary of the grant date. A share based payment expense of £15,498 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 (note 18).

15. 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 2020, the outstanding balance is $573,108 (£443,136) (2019 - $1,059,574/£818,899). 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.

16. Pension commitments

The company made contributions to a defined contribution pension scheme. Contributions were charged to the Statement of Comprehensive Income as they arose and the charge for the year was £14,831 (2019 - £13,556). At the year end, £2,903 (2019 - £2,790) was payable to the scheme.

17. 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.

18. Ultimate parent undertaking and controlling party

The company's 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 Hiawassee Rd, Suite 104-105, Orlando, Florida, 32835.

In the opinion of the director, there is no ultimate controlling party.

19. Auditor's information

An unqualified audit report was signed by Fiona Martin (Senior Statutory Auditor) for and on behalf of Mazars LLP, Chartered Accountants and Statutory Auditor.