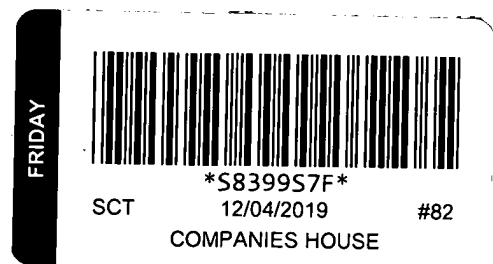


Coda Octopus Products Limited

Registered number: SC151068

Filleted financial statements

For the year ended 31 October 2018



CODA OCTOPUS PRODUCTS LIMITED
REGISTERED NUMBER: SC151068

STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible fixed assets	5	583,333	783,333
Tangible fixed assets	6	2,288,852	2,261,226
Investments	7	57,479	57,479
		<u>2,929,664</u>	<u>3,102,038</u>
Current assets			
Stocks	8	1,905,212	1,904,315
Debtors: amounts falling due within one year	9	3,594,002	2,472,248
Cash and cash equivalents	10	3,368,726	2,099,074
		<u>8,867,940</u>	<u>6,475,637</u>
Creditors: amounts falling due within one year	11	(3,321,965)	(2,071,900)
Net current assets		<u>5,545,975</u>	<u>4,403,737</u>
Total assets less current liabilities		<u>8,475,639</u>	<u>7,505,775</u>
Provisions for liabilities			
Deferred tax	12	(25,007)	-
		<u>(25,007)</u>	<u>-</u>
Net assets		<u><u>8,450,632</u></u>	<u><u>7,505,775</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	1,658,440	713,583
		<u><u>8,450,632</u></u>	<u><u>7,505,775</u></u>

CODA OCTOPUS PRODUCTS LIMITED
REGISTERED NUMBER: SC151068

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 OCTOBER 2018

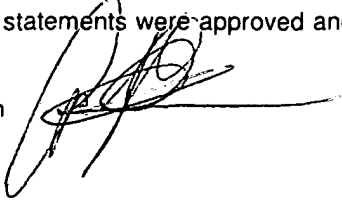
The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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 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 on
15/1/19

A McFadzean
Director



CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

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 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 the Statement of Income and Retained Earnings 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 Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Income and Retained Earnings within 'other operating income'.

CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

2. Accounting policies (continued)

2.3 Revenue

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.

2.4 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

2.5 Research and development

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

2.6 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 the Statement of Income and Retained Earnings 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 Income and Retained Earnings in the same period as the related expenditure.

CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

2. Accounting policies (continued)

2.7 Interest income

Interest income is recognised in the Statement of Income and Retained Earnings using the effective interest method.

2.8 Finance costs

Finance costs are charged to the Statement of Income and Retained Earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 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 the Statement of Income and Retained Earnings 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.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, 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.

CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

2. Accounting policies (continued)

2.11 Intangible fixed assets

Intangible fixed assets, relating to trademarks and licences, are initially recognised at cost. After recognition, under the cost model, intangible fixed assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

During the year, the directors reviewed the useful economic life of intangible fixed assets and increased this from 5 to 10 years.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

2.12 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, 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
Leasehold improvements	- over term of lease
Plant & machinery	- 33% straight line
Motor vehicles	- 33% straight line
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 the Statement of Income and Retained Earnings.

The company has applied early adoption of the triennial review 2017, amendments to FRS 102, and has elected to classify its property that it rents to a fellow subsidiary undertaking as a tangible fixed asset rather than an investment property, and to apply the cost model in accordance with FRS 102 Section 17 Property, Plant and Equipment.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

2. Accounting policies (continued)

2.14 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.

2.15 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.

2.16 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.

2.17 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.

CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

2. Accounting policies (continued)

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 non-puttable 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 financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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 Income and Retained Earnings.

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 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.

CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

4. Employees

The average monthly number of employees, including directors, during the year was 38 (2017 - 32).

5. Intangible fixed assets

	Trademarks and licences £
Cost	
At 1 November 2017	2,000,000
At 31 October 2018	2,000,000
Amortisation	
At 1 November 2017	1,216,667
Charge for the year	200,000
At 31 October 2018	1,416,667
Net book value	
At 31 October 2018	583,333
At 31 October 2017	783,333

During 2012, the company purchased rights to a product as well as the relevant trademarks from its parent undertaking. During the year, the directors reviewed the useful economic life of intangible assets and increased this from 5 to 10 years.

CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

6. Tangible fixed assets

	Heritable property £	Motor vehicles £	Other fixed assets £	Total £
Cost				
At 1 November 2017	1,764,673	-	1,184,236	2,948,909
Additions	-	4,995	327,843	332,838
Disposals	-	-	(46,045)	(46,045)
At 31 October 2018	1,764,673	4,995	1,466,034	3,235,702
Depreciation				
At 1 November 2017	19,249	-	668,434	687,683
Charge for the year	25,666	278	237,019	262,963
Disposals	-	-	(3,796)	(3,796)
At 31 October 2018	44,915	278	901,657	946,850
Net book value				
At 31 October 2018	1,719,758	4,717	564,377	2,288,852
At 31 October 2017	1,745,424	-	515,802	2,261,226

The company has applied early adoption of the triennial review 2017, amendments to FRS 102, and has elected to classify its property that it rents to a fellow subsidiary undertaking as a tangible fixed asset rather than an investment property, and to apply the cost model in accordance with FRS 102 Section 17 Property, Plant and Equipment.

CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

7. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 November 2017	142,044
At 31 October 2018	142,044
Impairment	
At 1 November 2017	84,565
At 31 October 2018	84,565
Net book value	
At 31 October 2018	57,479
At 31 October 2017	57,479

CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

7. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding
Coda Octopus R&D AS	Norway	Ordinary	100 %
Coda Octopus Products PTY Ltd	Australia	Ordinary	100 %
Coda Octopus Products A/S	Denmark	Ordinary	100 %

The aggregate of the share capital and reserves as at 31 October 2018 and of the loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Loss £
Coda Octopus R&D AS	194,218	(1,577)
Coda Octopus Products PTY Ltd	(192,071)	(33,344)
Coda Octopus Products A/S	54,819	(1,054)
	<u>56,966</u>	<u>(35,975)</u>

The Coda Octopus R&D AS results above have been translated from Norwegian Krone to GBP. 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 principal activity of the subsidiary undertakings is the sale of underwater survey equipment and related technologies.

8. Stocks

	2018 £	2017 £
Finished goods	430,339	223,735
Work in progress	227,175	371,640
Raw materials	1,247,698	1,308,940
	<u>1,905,212</u>	<u>1,904,315</u>

CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

9. Debtors

	2018 £	2017 £
Trade debtors	1,704,301	561,206
Amounts owed by group undertakings (note 17)	1,555,999	1,510,781
Other debtors	233,303	181,661
Prepayments and accrued income	80,222	202,143
Tax recoverable	20,177	16,457
	<u>3,594,002</u>	<u>2,472,248</u>

10. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>3,368,726</u>	<u>2,099,074</u>

11. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	306,253	273,242
Amounts owed to group undertakings (note 17)	2,388,232	1,332,875
Other taxation and social security	51,234	46,234
Other creditors	576,246	419,549
	<u>3,321,965</u>	<u>2,071,900</u>

12. Deferred taxation

	2018 £
At beginning of year	
Movement in year	25,007
At end of year	<u>25,007</u>

CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

12. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2018 £	2017 £
Fixed asset timing differences	27,911	-
Tax losses	(2,904)	-
	<u>25,007</u>	<u>-</u>

The deferred tax liability is calculated based on a tax rate of 17%.

13. Share capital

	2018 £	2017 £
Authorised, allotted, called up and fully paid		
1,185,000 (2017 - 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.

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 the current year the terms of this loan have been altered, with the principal amount reducing to \$1,917,602. 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 operates a defined contribution pension scheme. Contributions are charged to the Statement of Income and Retained Earnings as they arise and the charge for the year was £25,845 (2017 - £21,593).

CODA OCTOPUS PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

17. Related party transactions

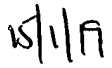
As a wholly owned subsidiary of Coda Octopus Group Inc, advantage has been taken of the exemption granted by FRS 102 not to report details of the transactions with entities which are 100% controlled by a common parent undertaking.

18. Ultimate parent undertaking and controlling party

The 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 9100 Conroy Windermere Road, Suite 200 Windermere, Florida, 34786. In the opinion of the directors there is no ultimate controlling party.

19. Auditor's information

The auditor's report on the financial statements for the year ended 31 October 2018 was unqualified.

The audit report was signed on  by Fiona Martin (Senior Statutory Auditor) on behalf of Mazars LLP.