

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K**

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 31, 2024

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-38154

**CODA OCTOPUS GROUP, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**34-2008348**  
(I.R.S. Employer  
Identification Number)

3300 S Hiawasse Rd, Suite 104-105, Orlando, Florida, 32835  
(Address, Including Zip Code of Principal Executive Offices)

407 735 2406  
(Issuer's telephone number)

Securities registered under Section 12(b) of the Exchange Act:  
**COMMON STOCK, \$0.001 PAR VALUE PER SHARE**

Securities registered under Section 12(g) of the Exchange Act:  
**NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

• Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

- State issuer's revenues for its most recent fiscal year: \$20,316,161
- State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of April 30, 2024 representing the last business day of the registrant's most recently completed second fiscal quarter: approximately \$41,343,000.
- State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 11,218,804 as of January 25, 2025.

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## FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K (this “Annual Report”) contains forward-looking statements, which are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact but rather reflect our current expectations, estimates and predictions about future results and events. These statements may use words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “predict,” “project” and similar expressions or variations of such words are intended to identify forward-looking statements but are not the exclusive means of identifying forward-looking statements in this Annual Report. The identification of certain statements as “forward-looking” is not intended to mean that other statements not specifically identified are not forward-looking. All statements other than statements about historical facts are statements that could be deemed forward-looking statements, including, but not limited to, statements that relate to our future revenue, product development, customer demand, market share, growth rate, competitiveness, gross margins, levels of research, development and other related costs, expenditures, tax expenses, cash flows, our management’s plans and objectives for our current and future operations, the levels of customer spending or research and development activities, and related events, general economic conditions, and the sufficiency of financial resources to support future operations and capital expenditures.

When we make forward-looking statements, we are basing them on our management’s beliefs and assumptions, using information currently available to us. These forward-looking statements are subject to risks, uncertainties, and assumptions, including but not limited to, risks, uncertainties and assumptions discussed in this Annual Report. Factors that can cause or contribute to these differences include those described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statement you read in this Annual Report reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. All subsequent written and oral forward-looking statements attributable to us, or individuals acting on our behalf are expressly qualified in their entirety by this paragraph. You should specifically consider the factors identified in this Annual Report, which would cause actual results to differ before making an investment decision. We are under no duty to update any of the forward-looking statements after the date of this Annual Report or to conform these statements to actual results.

## PART I

### ITEM 1. BUSINESS

#### Corporate Information

Our principal executive offices are located at 3300 S. Hiawasse Rd, Orlando, FL 32835. Our telephone number is +1 (407) 735-2406. We maintain a corporate website at [www.codaoctopusgroup.com](http://www.codaoctopusgroup.com). The reference to the Company's website address does not constitute incorporation by reference of the information on the Company's website into this Form 10-K.

#### Overview

Coda Octopus Group, Inc. ("Coda" "the Company" or "we"), through its wholly owned subsidiaries, operates two distinct segments:

- the Marine Technology Business (also referred to in this Form 10-K as "Products Business", "Products Operations" or "Products Segment"); and
- the Marine Engineering Business (also referred to in this Form 10-K as "Engineering Business", "Engineering Operations", or "Services Segment").

#### *Marine Technology Business (Products Segment)*

Our Marine Technology Business is a technology solution provider to the underwater market. It owns key proprietary and unique technology comprising its real time volumetric imaging sonar technology (Echoscope<sup>®</sup> technology) and diving technology (Diver Augmented Vision Display - "DAVD"), both of which are applicable to the underwater market, and which are used in the commercial offshore and defense sectors. It also sells other proprietary subsea products such as its geophysical hardware and software solutions and inertial navigation systems. All innovations, design, development and manufacturing of our products are performed within the Company. As part of our patent strategy, we endeavor to actively protect our innovations by seeking patent protection where appropriate.

Our imaging sonar series is marketed under the name Echoscope<sup>®</sup> and Echoscope PIPE<sup>®</sup> and are used primarily in the underwater construction, offshore renewables, and offshore oil and gas, complex underwater mapping, salvage operations, dredging, bridge inspection, navigation of underwater hazard, port and harbor security, mining, commercial and defense diving, marine sciences sectors and more broadly applications for real time 3D monitoring, inspection and visualization underwater. Uniquely, the Echoscope<sup>®</sup> technology is a single sensor for multiple underwater applications that can be used to image in 3D, moving objects in zero visibility water conditions. Competing technologies such as the multibeam primary function is for mapping the seabed and are not real time 3D sonars.

Our diving technology marketed under the name “CodaOctopus<sup>®</sup> DAVD” addresses the global defense and commercial diving markets. We have two variants of the DAVD: the tethered and untethered variant. The tethered variant is used with a connection to a surface vessel and the untethered variant is not connected to a surface mothership for air supply.

The DAVD solution has the potential to radically change how diving operations are performed globally because it delivers real time information simultaneously to the divers underwater and their surface-based dive supervisors. The DAVD Head- Up Display (“HUD”) is used as a data portal for the diver while underwater. Various types of information are displayed to the diver in the HUD in real time and there by obviating the need for voice instructions.

The DAVD untethered solution (“DUS”) is designed for the Defense and Military market where diving is performed without connection to a surface vessel. These divers are typically military divers performing special forces operations, mine detection and clearance or reconnaissance and surveillance. Similar to the tethered variant, the DAVD HUD is used for displaying a range of mission-related information to the diver.

DAVD’s concept of using a pair of glasses, which is capable of augmented reality display, inside the face mask, helmet or other diving suits is protected by patent. The Company has an exclusive license to exploit this utility patent.

The Marine Technology Business operates through our wholly owned subsidiaries Coda Octopus Products, Inc., (Orlando), Coda Octopus Products Ltd (UK), Coda Octopus Products A/S (Denmark) and branch office Coda Octopus Products A/S in The Netherlands), and Coda Octopus Products (India) Private Limited (India).

#### *Marine Engineering Business (Services Segment)*

Our Marine Engineering Businesses are suppliers of embedded solutions and sub-assemblies which they design and manufacture and sell as a component of mission critical integrated defense systems. The Services Segment established its business in 1977 and has been supporting a number of significant defense programs of record for over 40 years, including Raytheon’s Close in Weapon Support (CIWS) and Northrop Grumman’s Mine Hunting Systems Program (AQS-24) Program. The Services Segment’s business model entails engineering components for integration into broader defense programs, such as the CIWS program. Typically, they supply prototypes units which are validated for integration and thereafter, subject to meeting the acceptance criteria, these lead to contracts for manufacture, repair and upgrade for the life of the program, which can span decades. We enjoy sole source status for the parts that we design and supply into these programs. This business model ensures recurring and long tail revenues. Coda Octopus Colmek, Inc. and Coda Octopus Martech Ltd, qualify as small businesses. This opens opportunities under state requirements to collaborate with Prime Defense Contractors on these programs. A significant part of the revenues generated by the Marine Engineering Business is highly concentrated and are usually derived from a small number of prime defense contractors such as Raytheon or Northrop. In any one financial year, between 20% to 30% of our consolidated revenues may be derived from these customers either alone or collectively.

The Services Segment operates through our wholly owned subsidiaries, Coda Octopus Colmek, Inc (“Colmek”), which is based in Salt Lake City, Utah and which we acquired in 2007, and Coda Octopus Martech Limited (“Martech”), which is based in Portland, United Kingdom and which we acquired in 2006.

*Newly Acquired Third Business Unit into the Group’s Products Segment*

On October 29, 2024 we acquired Precision Acoustics Limited (hereinafter referred to as “PAL”), a company established under the laws of England. This Company is a recognized leader in the ultrasound and acoustic measurement field. Specializing in acoustic hydrophone design and innovative acoustic materials, they provide a comprehensive range of products and solutions, with a primary focus on medical imaging and Non-Destructive Testing (NDT). NDT is used to validate the viability of structures such as aircraft, ship hulls, wellheads and other subsea structures. Their expertise extends to working closely with national and global standard-setting bodies (such as the National Physical Laboratory of the UK), contributing to the establishment of the primary measurement standards in the industry. This business was acquired to gain access to their expertise and leverage this across the group including in the area of advancing the Echoscope® technology. We believe the addition of their expertise and capabilities positions the Group to qualify to compete for larger Defense contracts.

For segment reporting purposes this newly acquired Company will be reported within our Products Segment.

Therefore, our Products Segment will now comprise PAL and our Marine Technology Business.

*Cross-Group Synergies*

Our Marine Technology Business and Marine Engineering Services Business both have established synergies in terms of customers, technologies and specialized engineering skills for robust, rugged, and repeated engineering solutions relating to data acquisition, data computation and display of the data. Increasingly drawing on each part of the business strengths, the Marine Technology Business and Marine Engineering Business work jointly on projects including responding jointly for responding to invitations to tender for new projects with broader scope. We believe the Services Business is important to our overall growth strategy as it brings significant engineering depth for the development of the technology solutions offered by the Marine Technology Business. This also ensures tighter control over our intellectual property rights, which are important for our market position. The addition of the expertise of PAL in the field of acoustics and NDT positions the Group to consolidate its capabilities and therefore jointly compete for larger Defense contracts.

***Key Pillars for our Growth Plans***

Our Echoscope® and DAVD technologies are our most promising products and solutions for the Company’s near-term growth.

We believe that our real time 3D/4D/5D/6D imaging sonars are the only acoustic imaging sonars capable of providing real time 4D imaging of moving objects in zero visibility water conditions and making real time 3D physical measurements of objects underwater. Competing acoustic imaging sonars such as the multibeam sonars are primarily seabed mapping tools which are not designed to perform complex seabed mapping or imaging of moving objects in 3D underwater. The Echoscope® technology therefore is a key sensor for underwater construction activities, inspection and monitoring in real time 3D. We also believe that our new generation of Echoscope PIPE® is the only sonar that can generate concurrently multiple real time 3D/4D/5D/6D acoustic images using different acoustic parameters in real time such as field of view, pulse length, filters, beam density and various beamforming modes. This has the potential to reduce the number of underwater sensors that are required on a project at any one time and therefore improve the efficiency of these underwater operations.

In our industry we are widely considered the leading solution provider for underwater real time 3D visualization.

We also believe that the DAVD solution is poised to radically change the way diving operations are performed by providing a fully integrated suite of sensor data which can be shared in real time by the dive supervisor on the surface vessel and the diver by displaying the required data in the DAVD HUD. Current diving is done largely by poor analog voice command missions (with the diver supervisor on the surface providing verbal instructions to the diver underwater) using a disparate suite of systems for video data, communications, and positioning, which is not available to the diver firsthand. Furthermore, by combining the DAVD with our real time 3D sonars, (Echoscope<sup>®</sup>), it allows diving to be performed in difficult water conditions (turbidity or zero visibility issues) and thus addresses the common problem of underwater operations having to be aborted due to visibility issues.

The DAVD tethered version, which has now been moved from the customer's research and development phase into its operational phase, is now in early-stage adoption and is currently operational across nine naval commands within the US Navy. This means that the DAVD tethered version is now a standard item available for purchase and for which budget lines can be established within the various user commands within the Navy.

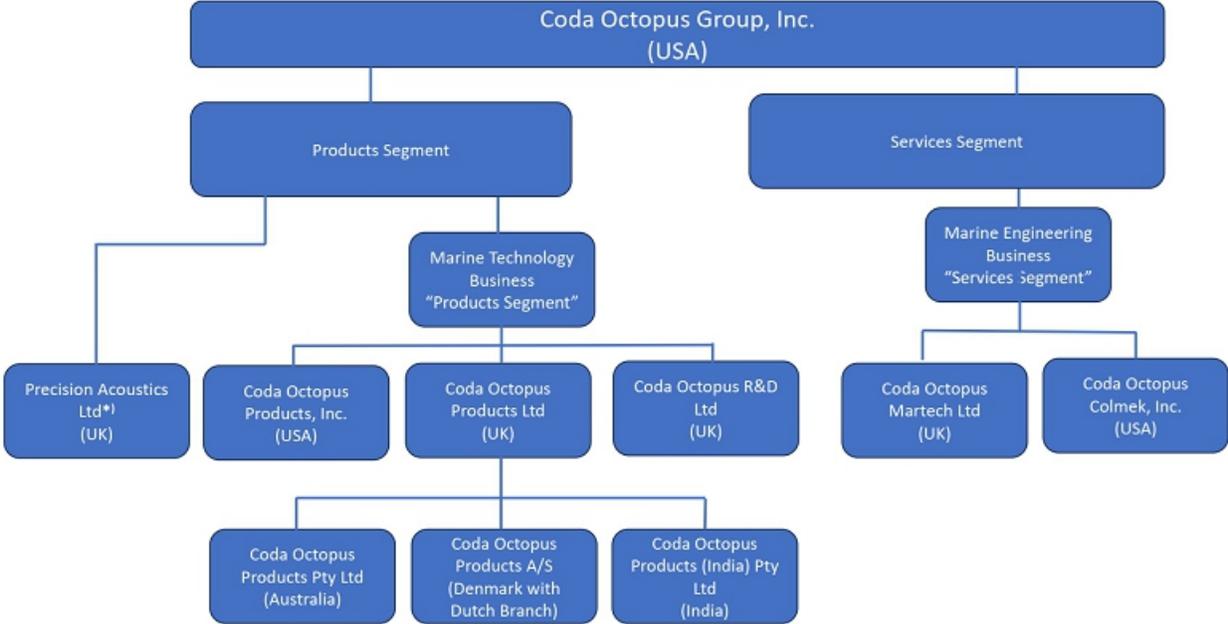
In the Current FY we continued our global marketing campaigns for the adoption of the DAVD tethered system outside of the US Navy. We believe we have made significant progress with these campaigns. Due to funding shortage on US Defense Programs during the Fiscal Year 2024, funds were not allocated for the DAVD tethered system. We are aware that a number of commands have requested DAVD systems, but these are awaiting budget approval. We do not believe these opportunities have gone away but until the Federal Budget is in place by the new Administration, we expect that US Defense Programs will continue to be funded through continuing resolutions under which there is limited funding available. This may result in a shift of spending priorities which may impact on the level of allocation of funding to programs like the DAVD.

We continue to see great interest in the technology from the marketplace and as we introduce the new generation of the DAVD Augmented Reality HUD, this has galvanized solid interest in the technology.

We are actively working on the DAVD untethered system under a funded joint program with the US Navy and a Foreign Navy, (the "DUS Hardening Program") where the DAVD technology is being hardened for adoption by the special forces. We have made solid progress under this program and have received positive feedback by these customers. In the Fiscal Year 2024, we did not receive the level of funding anticipated for the DUS Hardening Program due to the reduced funding available under continuing resolutions. Until the Federal Budget is adopted by the new Administration, we anticipate reduced funding for US Defense Programs which may impact the allocation of funding to the DUS Hardening Program and affect the time scales to which we are working for completing the deliverables under this program. Despite this reduced level of funding in the FY 2024, we have achieved a critical milestone (a major pre-requisite for the success of the DUS Hardening Program and we delivered the new generation of the DAVD HUD solution. This next-generation DAVD HUD technology platform boasts a more compact design, a 200% increase in resolution, and an expanded field of view. These enhancements significantly improve compatibility with specialized dive helmets and masks, unlocking new possibilities for previously underutilized applications and markets. This accomplishment represents a major milestone in the success of the DUS Hardening Program. We continue to believe that the DUS variant represents the biggest market opportunity for the DAVD technology in the USA with the addressable market including defense, law enforcement and first responders.

The concept of utilizing a pair of transparent glasses in the HUD underwater for this purpose, is protected by patent. All component parts of the DAVD system are proprietary to the Company and include software (4G USE<sup>®</sup> DAVD Edition), Diver Processing Pack – telemetry system (DPP), topside Supervisor Console Controller and real time 3D Sonar. The Company benefits from the exclusive license from the U.S. Department of the Navy at Naval Surface Warfare Center Panama City Division to utilize the utility patent covering the concept of using the pair of transparent glasses as a data hub underwater. The DAVD tethered variant is classified as an “Authorization for Navy Use” item and also benefits from CE marking certifying that the DAVD system meets the essential health, safety and environmental requirements of the UK and European Union. The untethered variant is currently going through validation process.

Our corporate structure is as follows:



\* For operational purposes, although the newly acquired PAL will, for segment reporting purposes, be reported as part of the Products Segment, this will continue to be a separate business unit from the Marine Technology Business, as it operates in a different market sector from the Marine Technology Business.

**Corporate History**

The Company began as Coda Technologies Limited. This company now operates under the name Coda Octopus Products Limited, a United Kingdom corporation formed in 1994 as a start-up company with its origins as a research group at Heriot-Watt University, Edinburgh, Scotland. Initially, its operations consisted primarily of developing software for subsea mapping and visualization using sidescan sonar (a technology widely used in commercial offshore geophysical survey and naval mine-hunting to detect objects on, and textures of, the surface of the seabed).

In June 2002, we acquired Octopus Marine Systems Ltd, a UK corporation, and changed our name to Coda Octopus Limited. At the time of its acquisition, Octopus Marine Systems was producing geophysical products broadly similar to those of Coda, but targeted at the less sophisticated, easy-to-use, “workhorse” market.

In December 2002, Coda Octopus Ltd acquired OmniTech AS, a Norwegian corporation, which became a wholly owned subsidiary of the Company, and which subsequently changed its name to Coda Octopus R&D A/S. At the time of acquisition, this company had been engaged for over ten years in developing a revolutionary imaging sonar technology capable of producing real time three-dimensional (“3D”) underwater images for use in subsea activities. Coda Octopus Products Limited (Edinburgh based) then developed our visualization software (Underwater Survey Explorer) to control and display the images from the real time 3D sonar device. This patented technology is now marketed by us under the brand name “Echoscope<sup>®</sup>” and Echoscope PIPE<sup>®</sup>. All activities of this now-defunct Norwegian subsidiary, Coda Octopus R&D A/S, have been transferred to Coda Octopus Products Limited (Edinburgh).

On July 13, 2004, the Company effected a reverse merger pursuant to the terms of a share exchange agreement between The Panda Project, Inc. (“Panda”), a Florida corporation, and a now defunct entity affiliated with Coda Octopus Ltd. (“Coda Parent”). Panda acquired the shares of Coda Octopus Limited, a UK corporation and a wholly-owned subsidiary of Coda Parent, in consideration for the issuance of a total of 1,432,143 shares of common stock to Coda Parent and other shareholders of Coda Octopus Limited. The shares issued represented approximately 90.9% of the issued and outstanding shares of Panda. The share exchange was accounted for as a reverse acquisition of Panda by Coda. Subsequently, Panda was reincorporated in Delaware and changed its name to Coda Octopus Group, Inc.

In June 2006, we acquired Coda Octopus Martech Limited, which is part of our Services Segment or Marine Engineering Business. This is an English corporation.

In April 2007, we acquired Coda Octopus Colmek, Inc., which is part of our Services Segment or Marine Engineering Business. This is a Utah corporation.

Both Martech and Colmek largely have the same business model, provide similar engineering services and sell to a similar customer base (Martech is UK focused and Colmek is US focused).

In December 2013 Coda Octopus Products Limited established Coda Octopus Products Pty Ltd (Australia) to grow our presence in Australia and New Zealand. These activities were interrupted by the Coronavirus Pandemic in 2020 and since then has been slow to regain momentum.

In 2017 Coda Octopus Products Limited established a subsidiary Coda Octopus Products A/S in Denmark as part of the mitigation strategy relating to the UK withdrawal from the European Union.

In November 2021 Coda Octopus Products Limited established a subsidiary Coda Octopus Products (India) Private Limited intended to gain access to this market and to recruit critical resources for software development.

On October 29, 2024, we acquired into the Group, Precision Acoustics Limited, a company established under the laws of England. This company was acquired to gain access to its expertise and expand our capabilities and offering to the market. It was also acquired to leverage its existing technologies and expertise, which are used in other market sectors, into one of our main markets, the subsea market.

Coda Octopus Group, Inc., is organized under the laws of the State of Delaware as a holding company that conducts its business through its subsidiaries, several of which are organized under the laws of foreign jurisdictions, including England, Scotland, Denmark, The Netherlands, Australia and India. This may have an adverse impact on the ability of U.S. investors to enforce a judgment obtained in U.S. courts against these entities, or to effect service of process on the officers and directors managing the foreign subsidiaries. These companies’ operations must comply with the laws of the countries under which they are incorporated, and these laws are likely to be different from the equivalent laws of the United States.

## Marine Technology Business (“Products Segment”)

Our Marine Technology Business develops proprietary solutions for both the commercial and defense subsea market. The range of solutions which it offers to the market are complementary and include:

<i><b>Product</b></i>	<i><b>Family</b></i>	<i><b>Composition</b></i>
Real time volumetric imaging sonar	Echoscope <sup>®</sup> / Echoscope PIPE <sup>®</sup> range	Hardware and Software
Diving Technology	Diver Augmented Vision Display (DAVD) range	Hardware and Software
Digital Audio Communications System	Voice HUB 4	Hardware and Software
GNSS-Aided Navigation Systems (providing heading, pitch, yaw and roll data at sea)	F280 Series <sup>®</sup>	Hardware and Software
Geophysical Solutions (used in conjunction with sidescan and sub-bottom data acquisition)	DA4G <sup>®</sup> , GeoSurvey <sup>®</sup> and Survey Engine	Hardware and software

These products and/or solutions are sold, rented or leased into various marine sectors such as:

- Marine geophysical survey
- Offshore Renewables (“Wind Energy”)
- Underwater construction, inspection and monitoring
- Diving Companies
- Commercial and Defense Diving
- Salvage and decommissioning
- Oil and Gas (O&G”)
- Robotics
- Commercial fisheries
- Environmental, mammal and habitat monitoring
- Underwater Defense Applications
- Marine vehicles and robotics
- Port and Harbor Security, law enforcement and first responders
- Research and education

### 1. Geophysical Range of Products

The Geophysical range of products is marketed under the brands DA4G<sup>®</sup>, GeoSurvey<sup>®</sup> and Survey Engine<sup>®</sup>. We started our business in 1994 designing and developing the GeoSurvey<sup>®</sup> software and hardware package for acquisition and processing of sidescan sonar and sub-bottom profiler data. For over two decades, our GeoSurvey has been an industry leading software package in the market for data acquisition and interpretation and provides feature rich solutions and productivity enhancing tools for the most exacting survey requirements. Designed specifically for sidescan and sub-bottom data acquisition, GeoSurvey<sup>®</sup> has been purchased by numerous leading survey companies throughout the world and has been the workhorse for processing data for Oil & Gas companies for many years. The DA4G<sup>®</sup> is the hardware acquisition system and both GeoSurvey<sup>®</sup> and Survey Engine<sup>®</sup> are complementary software packages which are used for processing the data post-acquisition.

## 2. Inertial Positioning and Attitude Measurement Systems (“Motion Products”)

We have been selling our GNSS Aided Inertial Measurement Systems for over 15 years. Our current generation of F280 Series<sup>®</sup> was released to the market in 2021 and is used to provide data on accurate positioning, heading, pitch, roll and yaw at sea. The F280 Series<sup>®</sup> is an advancement of our F180<sup>®</sup> series and is highly complementary to our real time Echoscope<sup>®</sup> sonar series and they are packaged together to provide a more comprehensive solution. The products within the F280 Series<sup>®</sup> range can be sold with or without our Echoscope<sup>®</sup>.

## 3. Real Time Volumetric Imaging Sonars (ranging from 3D/4D, 5D and 6D)

We design, develop and supply what we believe is the world’s most advanced series of real time volumetric imaging sonar (Echoscope<sup>®</sup> and Echoscope PIPE<sup>®</sup>). This is the culmination of over 25 years of research and development. Our sonar innovations are multi-tiered and extend to hardware, firmware and software, all of which co-exist and are co-dependent on each other. In other words, hardware, firmware and software operate as sub-systems to each other. We believe that the highly complex nature of this new technology will make it extremely difficult to reverse engineer our sonar products.

Prior to 2018, we were selling our third generation of Echoscope imaging sonar (3G Sonar Series). In January 2018, we launched our 4G Sonar Series which were largely form factor revisions, and removed several barriers to adoption, (size, weight, power and price). Building on 4G developments, we continued our innovation and in 2021 released our latest generation of sonar, Echoscope PIPE<sup>®</sup> to the market which advanced the capabilities of the technology and antecedent sonar products significantly.

We believe that the Echoscope PIPE<sup>®</sup> technology is superior to the other imaging sonars in the market as it generates real time 3D, 4D, 5D and 6D images of the underwater environment irrespective of low or zero visibility conditions and, unlike conventional sonars, can image a volume of data (as opposed to a slice of data). The capability of our volumetric imaging sonars covers a broad breadth of activities underwater particularly for any form of real time monitoring in 3D, underwater construction, salvaging, placements, decommissioning, obstacle avoidance, complex underwater mapping and real time 3D navigation in zero visibility conditions. Uniquely also, using a single sensor (our Echoscope PIPE<sup>®</sup>) range we can provide different data outputs to the various parts of the survey team, thus reducing the number of different sensors required on these underwater projects, and ultimately reducing the costs associated with these operations.

## **About the Company's 5D and 6D Sonars Innovations**

5D and 6D imaging sonars are new to the subsea market and constitute an innovation by the Company. We have several patent applications pending for these innovations.

### **5D Sonars (Echoscope PIPE®)**

The advancement that the Company has made with its 5D Sonars is the ability to process and utilize much more of the data that is acquired and processed by our volumetric imaging sonars. Prior to this, due to limitation of processing technologies, there was an upper limit to the amount of data our antecedent sonars could acquire and process. This meant that in the previous generation of sonars (3G and 4G series) when a signal was emitted, they returned a single range and intensity value per beam. In our 5D Sonars we return multiple range and intensity values per beam (Full Time Series data). This new capability provides more information about the underwater environment.

### **6D Sonars (Echoscope PIPE®)**

The Company's 6D Sonars process and utilize much more of the data acquired by the sonar. 6D Sonars generate multiple real time 3D full time series images. In the previous generation of sonars (3G and 4G series), we could image and display one 3D image in real time. Our PIPE technology generates multiple 3D images simultaneously in real time using different sonar/acoustic parameters (such as different beamforming methods, frequency, range, field of view, pulse length and other acoustic filters or shading). This allows for different data sets to be provided to different parts of the survey team in real time (thus consolidating the sensors and the associated costs and effectiveness of the solution). We are not aware of any sonars that offer either 5D or 6D Capability.

### **Echoscope® Sonar Hardware**

We believe our 5D and 6D series of sonars herald a significant leap forward in real time subsea imaging as this inventive capability allows a single sonar to provide different parts of the survey operations with multiple real time 3D data sets (as opposed to one 3D dataset) for each part of the survey teams' requirements.

Current competing imaging technologies such as the single beam, multibeam and scanning sonars are either real time 2D imaging sonars or 3D imaging sonars which are not capable of real time 3D imaging, that is to generate a 3D image underwater of moving objects. The competing 3D technology, the multibeam, which is the current standard bearer for imaging sonars in the market is for mapping of the seabed. The Echoscope<sup>®</sup> technology can also map the seabed (and is superior to the multibeam for complex mapping and inspection of complex underwater structures) and in addition can image moving objects underwater in 3D. The Echoscope<sup>®</sup> is therefore the primary tool of choice for inspecting and monitoring in real time 3D all types of underwater operations and is the only choice in poor visibility conditions. In addition, the Echoscope<sup>®</sup> in many instances enables the user to monitor underwater operations from a surface vessel replacing the Remotely Operated Vehicles (ROVs) thus bringing considerable cost savings to our customers.

### **Echoscope<sup>®</sup> Software**

The Echoscope<sup>®</sup> technology is used in conjunction with our internally developed software (USE, Construction Monitoring System (CMS), 4G USE<sup>®</sup> and 4G USE<sup>®</sup> DAVD Edition). The software is a critical component of the capabilities and features of our sonar series.

Our software development capability is an important part of our strategy to maintain our lead in designing, manufacturing, and selling state-of-the-art real time volumetric imaging sonars and our DAVD System. It also allows us to be responsive to our customers' requirements for new features and capabilities around our solutions.

We have now launched our fourth-generation multi-sensor software platform which is marketed under the name "4G USE<sup>®</sup>". We have also filed several provisional patents around our 4G USE<sup>®</sup> which is a multi-sensor platform allowing users to bring in and utilize a variety of sensor data including sonar, positioning, camera, lidar, video processing and other sources of point cloud data and seamlessly merging above and below the water data captured from the sonar and camera. It is also the platform for our DAVD software, and this module is marketed under the brand 4G USE<sup>®</sup> DAVD Edition.

### **Diver Augmented Vision Display (DAVD) System – Diving Technology**

Funded by the Office of Naval Research ("ONR") through its Future Naval Capabilities (FNC) program, and in close collaboration with NAVSEA 00C3 and Naval Surface Warfare Center, Panama City Division ("NSWC PCD") we have developed a diver see-through integrated information display system (DAVD).

DAVD is a complete end-to-end diver management solution incorporating as a key element a high-resolution, fully transparent glass head-up display, HUD, integrated directly inside the diving helmet (for hard hat surface air supply diving) or full-facemask (for tethered and untethered defense, commercial and recreational diving applications) or diving suits. In October 2024, we released to the US Navy for evaluation our new generation of Augmented Reality DAVD HUD. The new generation of the DAVD HUD is much smaller and has a higher resolution and therefore offers great flexibility for use in helmets and facemasks for diving. This new generation removes some of the form factor barriers which limited the types of helmets or masks that could be used with our previous generation of the DAVD HUD. The delivery of the new generation of DAVD HUD is a key milestone under the funded DUS Hardening Program.

## Problem In Context

The concept of using a pair of transparent glasses in the HUD to render real time information for underwater applications is protected by patent and Coda Octopus has an exclusive license from United States Department of the Navy at NSWC PCD to exploit this patent for all underwater diving activities.

The US Government as represented by Secretary of the Navy (Arlington, VA), describes the challenge for divers in their patent application as follows:

*“By their very nature, underwater dive missions are difficult and inherently dangerous. Furthermore, the complexity of underwater missions can make it difficult or impossible for a diver to retain all pre-mission briefing information. For these reasons, it is critical for underwater divers to have access to environmental data and mission data while in the water. However, in low visibility water environments, divers can rarely see handheld displays or gauges. Accordingly, divers are generally supplied with audio-communicated information from a topside location. The topside-supplied information can include descriptions of sonar images, blueprints, maps, pictures, etc. Unfortunately, it can be very difficult and confusing for a diver to interpret a topside personnel’s audio description of the topside personnel’s visual interpretation. Combining this with unreliable audio communication can lead to mission failures or disasters.”*

It further describes the objective of the Invention as:

*“Accordingly, it is an object of the present invention to provide an underwater diver with real-time visual information available to topside personnel.*

*Another object of the present invention is to provide real-time visual information to an underwater diver for viewing in water environments irrespective of water visibility levels.*

*Other objects and advantages of the present invention will become more obvious hereinafter in the specification and drawings.”*

*How does DAVD Change this?*

The DAVD system addresses all the challenges described above including removing the interpretation of the underwater scene to the topside by providing the diver with real time data and first-person interpretation. The DAVD technology benefits not only the diver and direct supervisor on the surface, but also engineers, end-clients, rescue workers and support personnel who all have a vested interest in a successful and safe diving mission. DAVD provides the location of the diver, the dive support vessel, work site assets and any hazards that are known or discovered in real-time. Real-time compass and depth are also displayed to the diver to reduce disorientation. Visibility for the diver and team is significantly enhanced with both real-time camera and 3D sonar data (providing underwater night-vision) and also high-resolution maps and models of the entire work site and surroundings. Communication is transformed from low quality audio speech to high quality digital audio and video, text messaging, visual alerts and automated navigation guidance. The safety of the diver and team is paramount. DAVD ensures the Diver and Supervisor are visually synchronized and can safely coordinate movement, tasks and instructions with full health monitoring and logging of the entire mission. Using the current method of diving, data and information sharing end when the diver leaves the surface.

The DAVD is a significant technology for both defense and commercial underwater diving applications, and we believe that we have the opportunity to standardize this technology globally. The DAVD comprises both hardware comprising the HUD, Diver Processing Pack (DPP), cables and topside Control Unit (DAVD Control Panel) along with 4G USE<sup>®</sup> DAVD Edition real time visualization software. These developments and products have been performed by the Company.

The DAVD is currently in early-stage adoption with the US Navy and enjoys the benefit of the classification Authorization for Navy Use (ANU) item. DAVD also is certified for CE markings which covers compliance with the European Union and the United Kingdom health environmental and health and safety requirements.

We are marketing the DAVD (through live demonstrations) globally to navies and the commercial diving market. We have significant interest from a number of reputable global commercial offshore service providers and are working with them for the early adoption of the technology and also a number of European friendly Navies including the UK Ministry of Defense (MOD).

## Marine Technology Business Accreditations

Coda Octopus Products Limited has the requisite accreditations for its business including being Lloyds Register accredited to ISO 9001:2015 and Cyber Essentials Plus certification.

### **Newly Acquired Business Unit - Precision Acoustics Limited (“PAL”)**

PAL, which is UK based, was acquired into the Group on October 29, 2024. This Company is a recognized leader in the ultrasound and acoustic measurement field. Specializing in acoustic hydrophone design and innovative acoustic materials, they provide a comprehensive range of products and solutions, with a primary focus on medical imaging and Non-Destructive Testing (NDT). NDT is used to validate the viability of structures such as aircraft, ship hulls, wellheads and other subsea structures. Their expertise extends to working closely with national and global standard-setting bodies (such as the National Physical Laboratory of the UK), contributing to the establishment of the primary measurement standards in the industry. For segment reporting purposes, this Company financial results will be reported as a third unit under the Products Segment.

PAL has the requisite accreditations for its business including being Lloyds Register accredited to ISO 9001:2015 and Cyber Essentials certification.

### **Marine Engineering Businesses (“Services Segment”)**

Our Marine Engineering Businesses comprise Coda Octopus Colmek, Inc. which is based in Salt Lake City and Coda Octopus Martech Limited which is based in the United Kingdom.

They largely operate as sub-contractors to prime defense contractors, and their engineering solutions typically constitute sub-components designed for integration into larger defense programs of record where high levels of reliability and quality are essential pre-requisites for securing and maintaining these agreements with their customers. Typically, they prototype subassemblies for their customers and after going through various acceptance tests, including first article inspection approvals, they are then awarded the manufacturing contracts. Many of these manufacturing contracts have a repeat orders profile which typically follows the life cycle of the defense program that is using the subassembly component within the broader program.

These arrangements often give the Marine Engineering Business long term preferred/sole supplier status for the sub-components they supply into these programs and provide them with opportunity to participate in any requirements for technology refresh or obsolescence management for the components supplied. They generally use these long-standing relationships to win more contracts with these customers.

In order to grow, the Marine Engineering Business relies on increasing the number of new programs it attracts annually.

In addition, we are increasingly combining our engineering capabilities with our product offerings. This enables us to offer systems which are complete with installation and support to maximize the utilization of our collective expertise to advance our technologies.

### ***Coda Octopus Martech Limited (“Martech”)***

Martech, which is UK-based, operates in the specialized niche of bespoke design and manufacturing services mainly to the United Kingdom defense and subsea industries. Its services are provided on a custom subcontract basis where high quality and high integrity devices are required in small quantities. Their skill set includes both hardware and software design.

Martech enjoys pre-approvals to allow it to be short-listed for certain types of government contracts. Much of the more significant business secured by Martech is through the formal government or government contractor tendering process. Martech has the requisite accreditations for its business including being Lloyds Register accredited to ISO 9001:2015 and Cyber Essentials Plus certification.

### ***Coda Octopus Colmek, Inc. (“Colmek”)***

Colmek, which is USA-based, are suppliers of embedded solutions and sub-assemblies which they design and manufacture and sell into mission critical integrated defense systems such as the Close-In-Weapons System (CIWS). This business was established 1977 and has been supporting several significant US defense programs for over 40 years, including Raytheon’s CIWS and Northrop Grumman’s Mine Hunting Systems Program (AQS-24). Colmek’s business model entails designing sub-assemblies which are components of broader defense programs. Colmek is the sole source for the parts that they supply to these programs. This business model ensures recurring and long tail revenues since we continue to supply parts, typically for the life of the program, which can span decades. Their work scope typically extends to both hardware and software design.

Colmek has the requisite accreditations for its business including being Lloyds Register accredited to ISO 9001:2015 and NIST (National Institute of Science and Technology) 800-171 certification.

### **Sales and Marketing**

The Marine Technology Business markets its products through its internal sales team, website, industry events such as trade shows, webinars, live demonstrations of the technology, industry relationships and a network of non-exclusive agents in foreign countries such as Japan, China, Korea and South Africa.

PAL markets its products through its internal sales team, its website and a network of non-exclusive agents in Japan, China, India and Korea.

Colmek markets its products through its internal sales team, website, industry events and agents in the US and Canada.

Martech markets its products through its internal sales team, website and industry events.

### **Competition**

In our Marine Technology Business (Products Business), we are exposed to the following competitive challenges:

#### ***Data Acquisition Products (Geophysical Products)***

A small percentage of our revenue is generated from our geophysical range of products.

The industry for data acquisition and processing systems for sidescan and sub-bottom profiler data is fragmented with several companies occupying niche areas, and we face competition from different companies with respect to our different products.

In the field of geophysical products, Triton Imaging Inc., a US-based company, now part of the ECA Group (Toulon, France), Chesapeake, a US-based company, and Oceanic Imaging Consultants, Hawaii, USA, dominate the market.



## GNSS Aided Inertial Positioning and Attitude Measurement Systems (“Motion Products”)

A small percentage of our revenue is generated from our F280 Series<sup>®</sup>.

In the field of GNSS-aided inertial positioning and attitude sensing equipment, where our product addresses a small segment of the overall market, we believe that we have several principal competitors: Teledyne Technologies Inc.; Kongsberg Gruppen, iXblue, Applanix and SBG Systems. We believe that our market share in this market segment of motion sensing equipment is relatively small. We sell our MOTION range as part of our equipment suite to complement our Echoscope<sup>®</sup> real time 3D sonar range as well as supplying it individually. The development and introduction of our F280 Series<sup>®</sup> of GNSS Aided Inertial Positioning and Attitude Measurement System<sup>®</sup> constitutes our new generation of Motion Products and gives us the opportunity to increase our market share.

### *Real Time 3D/4D/5D and 6D Volumetric Sonar*

A significant portion of our revenue is generated from our Echoscope<sup>®</sup> technology.

In the field of Real Time 3D/4D/5D imaging, we are unaware of other companies offering a similar product. In this context it is important to understand some of the intellectual property including know how and capabilities we bring to this field include:

- Acoustic Projector/Transmitter design, manufacturing, and testing
- Acoustic Receiver Array design, manufacturing, and testing
- Acoustic encapsulation and sensitivity measurement
- Acoustic Projector/Transmitter beam pattern and sensitivity measurement
- Pressure housing Design and Manufacture (sonar systems)
- 3D/5D/6D Real-Time digital beamforming (on-device)
- 1D and 2D Digital Beamforming
- Broadband Beamforming
- Signal Processing
- Active High Frequency Sonar Systems
- Passive Mid Frequency Sonar Systems
- Data acquisition and recording hardware and software
- Real-time 2D and 3D sonar visualization rendering and processing software

Any entry into this market depends upon specialized marine electronics, acoustic and software development skills. The learning curve, which has resulted in the advancement of our real time 3D sonar device, is the culmination of two decades of research and development in this field.

Companies such as Kongsberg Gruppen, R2Sonic, LLC, Tritech International Ltd., United Kingdom, BlueView Technologies Inc., USA (now a part of Teledyne Technologies Incorporated), and Norbit Group AS Norway and Kraken Robotics are examples of companies offering imaging sonar solutions (such as multibeam sonars, SAS sonars and/or 2D scanning sonars), but none of these sonar offerings are directly comparable or competitors to our real time volumetric 3D/4D/5D and 6D sonar solutions as their scanning sonar, single beam or multibeam sonars are not real time 3D imaging sonars and therefore cannot image moving targets underwater.

Specifically, we believe that they do not have the same capabilities as our Echoscope<sup>®</sup> technology in terms of real time inspection and monitoring by generating 3D, 4D, 5D and 6D images of moving objects underwater including in environments in low or zero visibility conditions. Notwithstanding it should be noted that Teledyne has acquired a significant number of substantial subsea companies (examples are Reson and BlueView). Teledyne has much greater resources, liquidity and market reach than our Company and has many operating verticals. We therefore can give no assurance that companies such as these will not enter this market. Furthermore, companies such as Kongsberg Gruppen and Teledyne can expend significantly more in any one fiscal year on R&D and Business Development, key pillars for increasing market share of underwater imaging sonars, than the Company. Notwithstanding, we believe that our recent development and introduction of 5D/6D - Echoscope PIPE<sup>®</sup> sonar capability in conjunction with our software (4G USE<sup>®</sup> a multi-sensor platform) further distinguishes our volumetric sonars and significantly extends our lead in real time 3D/4D/5D and 6D Imaging of moving objects underwater over competitors in the subsea imaging market. Furthermore, we believe that the addition of Precision Acoustic's expertise in this area will help the Company in maintaining its lead in this area. We are not aware of any other imaging sonars in the market capable of generating real time 5D and 6D imagery underwater, which are Coda Octopus inventions. The innovations around Echoscope PIPE<sup>®</sup> are the subject of numerous patent applications. We have been awarded US 10,718,865 and US 10,816,652 which concerns a method of compressing beamformed data and method of compressing sonar data, respectively. These two patents are important method patents since we are handling significantly more data than in our previous generation of sonars.

We seek to compete on the basis of producing high quality products employing cutting edge technology that is easy to use by the operators without specialized skills in sonar technology. We intend to continue our research and development activities to continually improve our products, seek new applications for our existing products, develop new innovative products and grow the market for our products and expertise.

### ***Diver Augmented Vision Display System (“DAVD”)***

A material portion of our revenue is generated from our DAVD technology.

There are various diving systems in the market that provide a combination of different aspects of our DAVD system but no systems that directly compete in the form of embedded fully transparent glasses mounted internally within the diver helmet or mask for visual display of a range of data and augmented reality information which can be directly consumed by the diver underwater. This concept is protected by US Patent 10,877,282.

The DAVD system provides a unique diver centric system with localized and external sensors to provide increased safety, scene awareness and vital communication in the form of Digital Audio, Ultra-Low-Light Video, Text and technical instruction and access to a complete media hub for effective communication between diver and supervisor. The DAVD system provides the following capabilities:

- Fully Transparent High-Definition Head-Up Display mounted internally within supported Dive Helmets and Dive Masks, including Kirby Morgan KM37, KM37SS, KM97 and SL17 Helmets, as well as the Interspiro Divator MK II, OTS Guardian and Dräger Panorama Nova Dive
- Fully integrated 1st person perspective digital low-light camera with advanced video processing and real-time edge enhancement for Diver and Dive Supervisor
- Fully integrated noise-cancelling Digital Audio at source, replacing legacy communications
- Integrated Diver Head Tracking for accurate 3D scene visualization with full support for subsea positioning systems for accurate Diver positioning
- Telemetry Information on demand including Dive Timers, Depth and Compass Heading, Live position Lat/Long (when connected to external diving positioning system), Waypoint Range and Bearing as well as external Dive Computer data
- Instant Digital Voice and Text Communication between Dive Supervisor and Diver, including auto and pre-defined messaging
- Transmit unlimited on-demand media to Diver including Images, Instructional Videos, Technical Drawings and other assets to assist in live operations
- Creation and transfer of unlimited step-by-step mission instructions with text, video and image support for common diver tasks and operations
- Full Mixed-Reality 3D Display for Diver using live Sonar, pre-surveyed Sonar data and 3D models
- Divers HUD Display fully adjustable between 2D Mode, and 3D Mode with 1st person and 3rd person perspective

There are several diver related products and sensors that can be worn by the diver such as telemetry systems, navigational aids, dive computers, video and sonar systems and probes and sensors such as magnetic and thickness. Each of these systems typically have an independent display, typically on the device or wrist worn.

Video systems generally provide no direct benefit to the diver and are intended for top-side visualization. The DAVD provides video data to the diver directly.

More recent advances in technology have introduced head mounted display (HMD) as either replacement or as additional display close to the divers’ eyes. These are typically presented in the form of a monocular display mounted externally to the divers’ mask in which the diver must look at this display through a single eye. These are not intended for long term use and more for occasional glance at data for reference. Dual HMDs are also provided in certain products to replace what the diver can see through the mask with a computer display.

The drawback of such HMD is that the diver loses all sense of the natural surrounding and the real environment is placed using the computer display. Examples of monocular and dual lens HMD include Shearwater Nerd 2, Trittech DMD (Diver Mounted Display) and Blueprint Subsea Artemis HMD.

Furthermore, a significant challenge for diving is the operating environment where zero visibility conditions typically prevail. Combining our DAVD with our Echoscope® removes this barrier for diving operations.

In our Services Segment, we are exposed to the following competitive challenges:

#### ***Newly acquired business unit, PAL***

PAL sells several products some of which are customized for the customer's specific application. It is exposed to the following competitive challenges:

##### *Needle and Membrane Hydrophones and Fibre-Optic Hydrophones Market.*

For its needle and membrane hydrophone ranges, which are a highly specialized range of products, competition is limited. The principal competitors offering both needle and membrane hydrophones are Onda Corporation, Sunnyvale, CA, USA and Gampt, Merseberg, Germany. For its fibre-optic hydrophones range of products, its main competitors are Onda Corporation, Sunnyvale, CA, USA, RP Acoustics, Stuttgart, Germany and Muller Instruments, Oberursel, Germany.

##### *Single element Transducers Market*

PAL supplies single element transducers. There are many suppliers of ultrasonic transducers including Olympus, USA, Imasonic, Besancon, France; Vermon, France; Sonatest, UK; Waygate Technologies, USA as well as numerous smaller organizations in China. However, these competitors offer commercial-off-the-shelf (COTs) products whereas PAL offers custom design single element transducers based on its customers' specifications and therefore competition is limited for this specialist customization capability).

##### *Automated Measurement Systems Market*

PAL supplies Automated Measurement Systems. Its main competitors in this area are Onda Corporation, Sunnyvale, CA, USA; Acertara Acoustic Laboratories, Longmont, CO, USA and Gampt, Merseberg, Germany. These companies offer acoustic measurement systems which are comparable with the PA UMS system. However, PAL faces less competition for its Automated Measurement Systems since its focus is on customization to their customers' specifications.

##### *Passive Acoustic materials Market*

PAL supplies passive acoustic materials. Competition is limited as it has a license from the UK National Physical Laboratory to distribute a wide range of ultrasonic absorbers and encapsulants incorporating NPL's intellectual property.

##### *Measurements and Calibration Market*

As a provider of measurements and calibration services in the UK, PAL's main competitor is National Physical Laboratory (NPL), UK who is the only provider of ISO17025 accredited hydrophone calibration services, in addition to the ultrasonic power calibration service. They also provide ultrasonic and underwater acoustic field characterization services. However, there is a long-established collaboration between PAL and NPL, and both organizations act as supplier and customer of each other. Elsewhere, numerous notified bodies or national measurement institutions (TuV, Germany; SGS, France; GUM Poland; PTB, Germany) offer some specific measurement services.

#### ***Marine Engineering Businesses***

Through our marine engineering operations, Coda Octopus Colmek, Inc. and Coda Octopus Martech Limited, we are involved in custom engineering for the defense industry in the United States and in the United Kingdom and are dependent on subcontract from the major prime contractors. Martech and Colmek compete with larger contractors, such as the primes, in the defense industry. Typical among these are Ultra Electronics, BAE Systems, Thales, Raytheon and Northrop Grumman, all of whom are also partners on various projects. The strongest competitors are often the prime contractors themselves as they predominantly have the option to execute the work package internally as opposed to subcontracting these.

#### **Intellectual Property**

We operate in an industry in which innovation, investment in new ideas and protection of our intellectual property rights are critical for our continued success. When we can, we protect our innovations and inventions through a variety of means, including, but not limited to, applying for patent, copyright, and trademark protection domestically and internationally, and protecting our trade secrets. We incentivize our employees to innovate through our Patent Reward Scheme. In the last 3 years we have advanced our existing sonar technology and have filed several significant patents applications pertaining to these inventions including our 5D and 6D innovations. Furthermore, we have recently been awarded a patent which concerns a method of predicting and adjusting the laying of cable using sonar imaging. This is a significant patent for the Offshore Renewables Market, which as the world makes the energy transition is set to expand globally. Our Echoscope® technology is used for real time monitoring of cable installations for many of these offshore renewable projects. This recent patent covers a method which automatically predicts the cable touchdown point and removes the need for the Echoscope® operator to manually determine and log the cable touchdown point.

#### ***Patents***

Our patented inventions along with our strategy to enhance these inventions are at the heart of the Company's strategy for growth and development. We expend a material part of our resources in building our Patent Portfolio. We also incentivize our staff to contribute to our Patent Portfolio by having in place a competitive Patent Reward Scheme.

Our patent portfolio consists of the following:

Patent No.	Description	Expiration Date
US 7,466,628	Concerns a method of constructing mathematical representations of objects from reflected sonar signals	January 1, 2027
US 7,489,592	Concerns a method of automatically performing a patch test for a sonar system, where data from a plurality of overlapping three-dimensional (3D) sonar scans of a surface, as the platform is moved, are used to compensate for biases in mounting the sonar system on the platform	March 5, 2027
US 7,898,902	Concerns a method of representation of sonar images allowing 3D sonar data to be represented by a two-dimensional image	June 13, 2028
US 8,059,486	Concerns a method of rendering volume representation of sonar images.	April 16, 2028
Japan 5565964	Concerns a method for drilling/levelling by an underwater drilling/levelling construction device	January 13, 2031
Japan 5565957	Concerns a method of construction management for a 3D sonar device	October 13, 2030
US 8,854,920	Concerns a method of volumetric rendering of 3D sonar data sets	June 22, 2033
US 9,019,795	Concerns a method of object tracking using sonar imaging through point matching between 3D data sets	November 30, 2033
US 10,088,566	Concerns a method of object tracking using sonar imaging using a bounding sphere for object tracking	November 25, 2036
US 10,718,865	Concerns a method of compressing beamformed sonar data	March 1, 2039
US 10,816,652	Concerns a method of compressing sonar data	October 28, 2038
US 11,061,136	Concerns a method of tracking unknown possible objects with sonar	March 28, 2039
**US 11,204,108	Concerns a method of predicting and adjusting the laying of cable using sonar imaging.	March 22, 2039
*US 11,448,755	Concerns a method of correcting beamformed data through split aperture beamforming	June 3, 2041
US11,579,288	Concerns a method of pseudo random frequency sonar ping generation for the purposes of data and hardware cost reduction	April 14, 2038
JP7224959	Concerns a method of compressing sonar data	February 28, 2038
US10, 877,282	Head Up Display System for Underwater Face Plate (within an underwater dive helmet or dive mask)	License for exclusive use granted to Coda Octopus.
US 11,846,733	Concerns a method of stabilizing sonar images	October 30, 2035
JP 7403226	Concerns a method of pseudo random frequency sonar ping generation to reduce data and hardware cost	April 14, 2038
US 11,874,407	Concerns technologies for dynamic, real time, four-dimensional volumetric multi-object underwater scene segmentation	February 19, 2040
US11,789,146	Concerns a combined method of location of sonar detection device	August 5, 2039

#### **Trademarks**

We own the registered trademarks listed below and they are used in conjunction with the products that we market and sell:

Coda<sup>®</sup>, Octopus<sup>®</sup>, CodaOctopus<sup>®</sup>, CodaOctopus & Design<sup>®</sup>, Octopus & Design<sup>®</sup>, F180<sup>®</sup>, F280<sup>®</sup>, F280 Series<sup>®</sup>, Echoscope<sup>®</sup>, Echoscope 4G<sup>®</sup>, Echoscope 5D<sup>®</sup>, 5D Echoscope<sup>®</sup>, Echoscope 6D<sup>®</sup>, 6D Echoscope<sup>®</sup>, Echoscope PIPE<sup>®</sup> Ping-Pong Echoscope Sonar<sup>®</sup>, Ping-Pong Echoscope<sup>®</sup>, Ping-Pong Sonar<sup>®</sup>, Echoscope Sequencer<sup>®</sup> 4G Underwater Survey Explorer<sup>®</sup>, 4G USE<sup>®</sup>, Echoscope Sequencer<sup>®</sup>, Survey Engine<sup>®</sup>, Dimension<sup>®</sup>, DAseries<sup>®</sup>, GeoSurvey<sup>®</sup> CodaOctopus<sup>®</sup> Air, CodaOctopus<sup>®</sup> Vantage<sup>®</sup>, CodaOctopus<sup>®</sup> UIS; CodaOctopus<sup>®</sup> USE, Sentiris<sup>®</sup>, Thermite<sup>®</sup>; PA and PA Precision Acoustics.

In addition, we have registered several internet domain names including [www.codaoctopus.com](http://www.codaoctopus.com); [www.codaoctopusgroup.com](http://www.codaoctopusgroup.com); [www.colmek.com](http://www.colmek.com) and [www.martechsystems.co.uk](http://www.martechsystems.co.uk); [www.codaoctopusmartech.com](http://www.codaoctopusmartech.com); and [www.acoustics.co.uk](http://www.acoustics.co.uk).

#### **Research and Development (“R&D”)**

Research and Development is foundational to our business strategy to ensure our growth strategy and maintain our competitiveness. The main costs that are incurred in this area are wages and salaries, researching, prototyping, and validation and testing. The acquisition of PAL into the Group on October 29, 2024, may result in an increase in R&D expenditures as we seek to take advantage of PAL’s expertise with a view to bringing more products and solutions to the market.

Our products are complex and therefore we can give no assurance that even with spending a significant part of our resources on R&D, we will be successful in our development goals or realize significant monetization of these developments. Furthermore, even following the launch of any product we may not succeed. Moreover, we may incur significant research and development expenditures without realizing viable products.

## Government Regulation

We sell our products and services internationally and therefore we are subject to numerous laws concerning general business regulations in the various jurisdictions in which we operate. Governmental actions (such as trade protection measures, including export duties and quotas and custom duties and tariffs) may have a material impact on our business and directly affect our revenue. We are also subject to compliance with the U.S. Foreign Corrupt Practices Act and other applicable U.S. and foreign laws prohibiting corrupt payments to government officials and other third parties. We are subject to laws and policies of the U.S. and other jurisdictions affecting trade, foreign investment, loans, and taxes.

Furthermore, many of our products are subject to export control regimes including in the United States, United Kingdom, Denmark, and Australia. Where our products are subject to such export control requirements, they may only be exported to our customers if there is a valid export license granted by the relevant government body. Moreover, these regulations may change from time to time in these jurisdictions, including the United States, depending on the existing relationship with the country to which the goods are exported. Our international activities are significant to our revenues and profits (see Note 16 Disaggregation of revenue). We are therefore dependent on obtaining, on a timely basis, export licenses to many foreign jurisdictions including China.

In addition, as a provider for the US Government, we may be subject to numerous laws and regulations relating to the award, administration, Defense Federal Acquisition Regulations (“DFARS”) and performance of US Government contracts, including the False Claims Act. Non-compliance found by any one agency could result in fines, penalties, debarment, or suspension from receiving additional contracts with all US Government agencies. Given our dependence on US Government business, suspension or debarment could have a material adverse effect on our business and results of operations. In addition, the costs of complying with some of the regulations including DFARS may be prohibitive.

We are dependent on Government funding for a significant part of our revenue generation. To secure certain types of Defense contracts, we need as a pre-requisite to meet Defense Federal Acquisition Regulations on security (including regulations on the type of IT system which must be in place, receiving, handling and storing certain classes of materials). In many instances we do not hold these credentials, and we may therefore not qualify to compete for such contracts.

We are also required to maintain certain accreditations including ISO 900 accreditation, Cyber Essentials, Cyber Essential Plus and NIST (National Institute Science and Technology).

## Employees

As of the date hereof, we employ approximately 103 employees worldwide, of which 15 hold management positions. A large majority of our employees have a background in science, technology, software and hardware engineering, with a substantial part being educated to a degree level. A number of our employees hold PhD’s in the area of their specialization. None of our employees are employed under a collective agreement and we have not experienced any organized labor difficulties in the past.

## Available Information

Our internet address is [www.codaoctopusgroup.com](http://www.codaoctopusgroup.com), where we make available, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities Exchange Commission (“SEC”). Our SEC reports can be accessed through the investor relations section of our website. With the exception of our annual and periodic reports (Form 10-K and Form 10-Q), the information found on the Company’s website is not intended to be incorporated by reference into this or any other report we file with or furnish to the SEC and are expressly excluded from any such form or reporting.

## ITEM 1A. RISK FACTORS

Not required for smaller reporting companies.

## ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

## ITEM 1C. CYBERSECURITY.

### *Risk Management*

The Company has designed and implemented processes to identify, address and mitigate risks from cybersecurity threats. Our current processes, which are subject to change as best practices evolve, include:

- (I) maintenance of cyber security certifications (such as Cyber Essential Plus). The Cyber essential scheme is a certification scheme designed to show that an organization has a minimum level of protection in cyber security through annual assessments to maintain the certification. This certification is issued by third party service providers who review annually the Company’s security controls around its Information Technology Infrastructure (“ITI”) and business practices to determine the Company’s vulnerability to cyber security threats. We also implement all recommendations which may come out of the certification assessments process.
- (II) As part of our day-to-day management of our business, we perform ongoing monitoring of ITI for access violations to our IT systems, weaknesses, changes or other threats.
- (III) We actively monitor the bulletins that may be issued by National Cyber Security Bodies, which are a good source of information on current trends and methods relating to cyber-attacks. We review this information and adapt our business practices as may be prudent and feasible.
- (IV) We have established an internal cross-group committee (Cyber Security Management Committee (“CSMC”) designating the area of cyber security risk management as “business critical”. The CSMC, under the guidance of the Board of Directors, is responsible for the risk management strategy and governance of this critical business area. Under the CSMC, a formal monthly reporting on cyber security related matters has been implemented and this is provided to the Management of Company for ongoing review. The monthly reporting covers: (i) the outcome of random testing designed to identify threats, access violations and risks; (ii) compliance with the Company’s ITI access protocol; (iii) confirmation that in the reporting period that there were no cyber security incidents; (iv) the assessment and identification of any gaps in the Company’s cyber security risk management protocol; and (v) confirmation that we continue to be compliant with our cyber security certifications and no action or omission has caused this certification to be invalid.
- (V) We run monthly cybersecurity awareness training with our employees, and this is documented in our internal periodic reporting.

***Governance***

Our Board of Directors holds oversight over the Company's cyber security risk management strategy and protocols and has amongst its composition an expert on this subject who has been appointed as having the lead in this area. The Company's internal CSMC works closely with the Board's expert appointee. All ITI changes, proposed through the CSMC, are routed through approval processes, and testing before implementation.

Our business strategy, results of operations, and financial condition have not been materially affected by risks from cybersecurity threats, but we cannot provide assurance that they will not be materially affected in the future by such risks or any future material incidents.

## **ITEM 2. PROPERTIES**

### **Orlando, Florida**

Our corporate offices are co-located with our subsidiary Coda Octopus Products, Inc. in Orlando. We own these business premises comprising 3,000 square feet, that include office space, training center and light manufacturing facilities.

### **Salt Lake City, Utah, USA**

Coda Octopus Colmek operates from its premises which comprises 16,000 square feet and includes manufacturing, R&D Facilities, and office space. These premises are owned by Coda Octopus Colmek.

### **Edinburgh, Scotland, UK**

Coda Octopus Products Limited (Edinburgh based) operates from its premises comprising 21,313 square feet of internal space and includes office space, R&D Facilities, and manufacturing. These premises are owned by Coda Octopus Products Limited.

### **Copenhagen, Denmark**

Coda Octopus Products A/S, a Danish Subsidiary was established as a mitigation strategy in relation to the UK leaving the European Union which has limited trade relations with EU member states. It leases business premises comprising 1,450 square feet for its operations. The lease is subject to 6 months' notice of termination.

Annual rent is DKK 142,893 plus Value Added Tax (being an equivalent of \$22,903) per annum) with an annual increase of 3%.

### **Portland, Dorset, UK**

Martech uses premises owned by Coda Octopus Products Limited. These premises are located in the Marine Center in Portland, Dorset, United Kingdom, and comprise 9,890 square feet. The building comprises both office space and manufacturing and testing facilities. The rent paid to Coda Octopus Products Limited is \$59,109 per annum.

### **Higher Bockhampton, Dorset, United Kingdom**

Precision Acoustics Limited leases business premises comprising 6,501 square feet used for both office space, manufacturing and testing facilities. The lease is for a fixed period (with no provision for early termination) and expires on March 31, 2033. The annual rent for these premises is \$58,350 per annum.

All non-US Dollar denominated rents are stated according to prevailing exchange rates as of the date of each respective lease agreement.

## **ITEM 3. LEGAL PROCEEDINGS.**

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

## **ITEM 4. MINE SAFETY DISCLOSURES.**

Not Applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has been traded on the Nasdaq Capital Market under the symbol "CODA" since July 19, 2017. The following table sets forth the range of high and low bid prices of our common stock as reported and summarized on the Nasdaq, for the periods indicated. These prices are based on inter-dealer bid and asked prices, without markup, markdown, commissions, or adjustments and may not represent actual transactions.

<b>Year Ended October 31, 2024</b>	<b>HIGH</b>		<b>LOW</b>	
<b>First Quarter</b>	\$	7.12	\$	5.21
<b>Second Quarter</b>	\$	7.04	\$	5.26
<b>Third Quarter</b>	\$	7.49	\$	5.86
<b>Fourth Quarter</b>	\$	9.03	\$	6.80

<b>Year Ended October 31, 2023</b>	<b>HIGH</b>		<b>LOW</b>	
<b>First Quarter</b>	\$	8.22	\$	5.88
<b>Second Quarter</b>	\$	8.19	\$	6.13
<b>Third Quarter</b>	\$	11.09	\$	7.75
<b>Fourth Quarter</b>	\$	8.76	\$	5.70

We have not declared or paid any cash dividends on our common stock, and we currently intend to retain future earnings, if any, to finance the expansion of our business, and we do not expect to pay any cash dividends in the foreseeable future. The decision whether to pay cash dividends on our common stock will be made by our board of directors, in their discretion, and will depend on our financial condition, operating results, capital requirements and other factors that the board of directors considers significant.

As of October 31, 2024, we had no authorized share repurchase programs.

### ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OPERATIONS

### Forward-Looking Statements

The following discussion is intended to promote understanding of the results of operations and financial condition and should be read in conjunction with our consolidated financial statements and notes thereto. This discussion may contain forward-looking statements that reflect the plans, estimates and beliefs of Coda. The words "plans," "expects," "will," "anticipates," "believes," "intends," "projects," "estimates" or other words of similar meaning and similar expressions, among others, generally identify "forward-looking statements," which speak only as of the date the statements were made. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of factors and we disclaim and do not undertake any obligation to update or revise any forward-looking statement, except as required by applicable law.

This section of Form 10-K discusses fiscal 2024 and 2023 items and year-to-year comparisons between 2024 and 2023. Discussions of 2022 items and year-to-year comparisons between 2023 and 2022 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K, filed with the SEC on January 30, 2023, which is available free of charge on the SEC's website at [www.sec.gov](http://www.sec.gov) and our Investor Relations website at [www.codaoctopusgroup.com](http://www.codaoctopusgroup.com)

### General Overview

We operate two distinct business segments: the Products Segment and Services Segment. The Products Segment comprises two distinct business units: the Marine Technology Business, (which serves the subsea market), and PAL. The Services Segment comprises two engineering businesses.

#### *Marine Technology Business*

Our Marine Technology Business has operations in the USA, UK and Denmark – see organization chart set out in the Section Item 1 (Business). This business is an established technology solution provider to the underwater imaging, surveying and diving market. It has been operating as a supplier of solutions comprising both hardware and software products for over 30 years to this market and it owns key proprietary technology including its Echoscope<sup>®</sup> and DAVD technology, that are used in both the underwater defense and commercial markets. All design, development and manufacturing of our technology and solutions are performed within the Company. We sell our products and solutions globally and have a combination of direct sales and indirect sales (via our agents' network). In Asia and Africa, we largely sell via agents while in the USA, Europe and the Middle East we sell directly. We also rent our products and solutions, particularly to tier-one offshore service providers who prefer accounting for offshore equipment as an operating expense rather than capital expense.

Our imaging sonar technology products and solutions marketed under the name of Echoscope<sup>®</sup> and Echoscope PIPE<sup>®</sup> are used in a wide range of underwater construction activities (which include real time monitoring, placements or decommissioning), offshore renewables, offshore oil and gas, forward looking obstacle avoidance, complex underwater mapping, salvage operations, dredging, bridge inspection, underwater hazard detection, port and harbor security, mining, mine counter measures, ship hull scanning, real time threat detection, robotics and 3D perception applications, fisheries, commercial and defense diving, and marine sciences sectors. Uniquely the Echoscope<sup>®</sup> technology is a single sensor for multiple underwater applications which allows the market operators to consolidate their underwater sensor requirements.

Our novel diving technology is distributed under the name "CodaOctopus<sup>®</sup> DAVD" to the global defense and commercial diving markets and is relatively new to the market. The DAVD system which embeds a pair of transparent glasses in the HUD is used as the data hub for displaying comprehensive real time data to the diver underwater including augmented reality data. DAVD technology allows both the diver and the dive supervisor to visualize in real time the same underwater scene and data. We believe that the DAVD system has the potential to radically transform how diving operations are performed globally because it provides a fully integrated singular system for topside control and a fully connected HUD system for the diver, allowing both the topside and diver to share a range of critical information including depth (pressure and temperature), compass and head tracking, real time dive timers and alerts, diver position and navigation, ultra-low light enhanced video system and enhanced digital voice communications. Limitations of current diving operations are that the diver only shares analog voice communications with the dive supervisor on the surface, instructions are relayed verbally, and there is no real time information including real time navigation, tracking and mapping of the dive area available to the diver. The topside must also manage several independent systems for video, communications, and positioning. The Company's DAVD solution addresses these deficiencies. Another critical part of our solution is that by using the Company's Echoscope<sup>®</sup> technology, diving can be performed in zero visibility conditions, a common problem which besets these operations and can result in significant costs to the offshore service provider.

Although we generate most of our revenues from our range of real time 3D sonars and DAVD, we have a number of other products which we supply to the marine offshore market such as our F280 Series<sup>®</sup>, DA4G, GeoSurvey and Survey Engine<sup>®</sup>. We also have added a new product for use in the diving market, a digital communication system (Voice HUB 4) which advances the current analog-based communication technology to a digital based communication technology. Our customers include offshore service providers to major oil and gas companies, renewable energy companies, underwater construction companies, law enforcement agencies, ports, mining companies, defense bodies, prime defense contractors, navies, research institutes and universities and diving companies. We also provide technology customization services, particularly in the defense market and around our DAVD solutions where this is tailored for particular markets and applications.

#### ***Newly acquired business unit within the Products Segment***

We acquired PAL into the Group on October 29, 2024. PAL had no material income statement activity in the two days from the acquisition date October 29, 2024 through to October 31, 2024, the date of the Company's fiscal year end. Therefore, the Company's audited Consolidated Statements of Income and Comprehensive Income ("Income Statement") reported in this Form 10-K for the year ended October 31, 2024, do not include any revenue or expenses relating to PAL. Therefore, to the extent that the Management Discussions relate to Income Statement activity, this does not include the recently acquired PAL.

#### ***Engineering Business***

The Services Business has operations in the USA and UK. It is a trusted long-term Department of Defense (DoD) supplier. Its central business model consists of working with Prime Defense Contractors to design and manufacture sub-assemblies for utilization into larger Defense mission critical integrated systems ("MCIS"). An example of such MCIS is the US Close-In-Weapons Support (CIWS) Program for the Phalanx radar-guided cannon used on combat ships. These proprietary sub-assemblies, once approved within the MCIS program, afford the Services Business the status of preferred supplier. Such status permits it to supply these sub-assemblies and upgrades in the event of obsolescence or advancement of technology for the life of the MCIS program. Customers include prime Defense contractors such as Raytheon, Northrop Grumman, Thales Underwater and BAE Systems. The typical scope of services provided by this business extends to concept, design, prototype, manufacture, and post-sale support including maintenance and obsolescence management.

We have long-standing relationships with Prime Defense Contractors, and we use these credentials to secure more business. We support some significant Defense programs of record by supplying and maintaining proprietary parts (or parts for which we are preferred suppliers) through obsolescence management programs. These services provide recurring stream of revenues for our Services segment.

These business units have established synergies in terms of customers and specialized engineering skills sets (hardware, firmware, and software) encompassing capturing, computing, processing and displaying data in harsh environments.

#### ***Factors Affecting our Business.***

Our business is affected by a number of factors including those set out below:

##### **A. United Kingdom's withdrawal from the European Union (EU) – "Brexit"**

This has affected our Business in several important areas:

- It has reduced demand for our products and services in EU member states. Recent Bank of England analysis (October 2024) has concluded that the UK leaving the European Union single market, has impacted demand for British products and services in all areas.
- It has reduced the availability of the pool of highly skilled workers. This has made recruitment for skills challenging and constrains our ability to innovate rapidly.
- Our technologies (both DAVD and Echoscope<sup>®</sup>) require training and support of customers deployments. We do not qualify for work permits in the EU member states and therefore cannot support our EU customers as we did prior to Brexit.
- Our shipments to the EU member states are subject to custom process. This results in increased costs and delays in the processing of shipments. This is a further impediment for our customers and makes selling into these markets more challenging.
- Because we have to set up various offices in the European Union member state countries to gain seamless access to these markets (Denmark and the Netherlands), it increases the cost of our operations and therefore our overheads without any corollary increase in sales to defray these costs.
- More broadly, it has interrupted the free flow of our products and services in the EU member states which has resulted in reduced demand.

## B. Currency Risks:

The Company's operations are split between the United States, United Kingdom, Denmark, and the Netherlands. A significant proportion of our consolidated revenues are generated outside of the United States by our foreign subsidiaries in the United Kingdom ("UK") and Denmark and in the 2024 FY our foreign subsidiaries generated \$12,936,755, representing 63.7% of our consolidated revenue. In addition, a significant part of our assets and liabilities is held in British Pounds, Danish Kroner and Euros by these foreign subsidiaries. Foreign Currency translations as they pertain to our assets and liabilities are translated at the prevailing exchange rate at the balance sheet date and related revenue and expenses are translated using the average exchange rates in effect during the 12-month reporting period. Significant currency fluctuations (particularly the British Pound and/or the Danish Kroner, Euros, against the US Dollar) may (positively or negatively) affect our financial results including our profit and loss account and the value of our assets and therefore we are subject to foreign currency fluctuation risks. In the 2024 FY, for the purpose of reporting revenue and expenses, the value of the British Pound and Danish Kroner when compared to the 2023 FY increased against the USD by 3.4% and 1.1%, respectively. For the purpose of reporting assets and liabilities, the British Pound and the Danish Kroner both increased by 6.0% and 2.8%, respectively against the USD when compared to the 2023 FY. We also hold cash and cash equivalents in foreign currencies such as British Pound, Euros, Danish Kroner. When the U.S. Dollar strengthens compared to these currencies, cash and cash equivalents balances when translated, may be materially less than expected and vice versa. The impact of currency fluctuations is discussed more fully below under Item 2 - "Inflation and Foreign Currency". See also Note 2 (Summary of Accounting Policies) - "Foreign Currency Translation" to the audited consolidated financial statements.

Furthermore, we sell our goods and services globally. The exchange rate of the foreign currency used by our customer for the purchase of our goods and services against our functional currency may make the purchasing of our products unattractive from a pricing point of view. In the Current FY, revenues from Japan, a key strategic market, were significantly down due to the depreciation of the Japanese Yen against major currencies such as the USD and British Pound.

## C. Inflation

Inflation measured as the Consumer Price Index has affected the global economy since calendar year 2022, and which was caused by supply chain issues resulting from the coronavirus pandemic and which has since been further compounded by the war in Ukraine which has affected the price of commodities such as oil. Inflation has since remained volatile in the countries in which we operate and continues to be a threat to the global economy. Recently inflation has been falling in these countries but remain volatile and in the twelve months to October 31, 2024, these were:

- Denmark 1.6% - source: Statistics Denmark,
- UK 3.2% - source: Office of National Statistics (ONS); and
- USA 2.6% - source: U.S. Bureau of Labor Statistics.

Although in the 2024 FY inflation has been falling, prices which have increased due to inflation over the last two years including our raw material costs and wages have remained at their inflationary-inspired level and have become the base price, a large part of which we have not been able to pass on to customers. Furthermore, the Bank of England has indicated that global shocks cannot be ruled out and these may cause inflation to increase. For example, developments in the Middle East could increase inflation by causing oil prices to rise.

Inflation affects our business in a number of areas including reducing demand for our goods and services, increasing our cost of operations and materials and therefore our overall financial results. See "Inflation and Foreign Currency" section of this Form 10-K.

#### D. Geopolitical Landscape

(i) *Relationship with the Second Largest Economy in the World: China*

We sell our products globally and increasingly to Asia. Asia is the fastest growing economies for our technology and solutions. The recent change in both the US and UK Governments' political stance towards trade with China, directly affects the sale of our products to customers based in China. Our real time 3D sonars which are depth rated above 300 meters along with our inertial navigation and attitude measurement sensors (F280<sup>®</sup> series) are subject to export control for certain countries, including China and therefore requires an export license. Many Chinese entities have been included on the US Bureau of Industry and Security blacklist where there is a presumption of denial of grant of export licenses.

The UK Government is generally in lock step with the US Government's position and has refused to grant export licenses for several of the Company's applications for end users in China. The curtailment of access to this market due to refusal to issue export licenses is likely to significantly impact our revenues from Asia.

The removal of China as a trading partner (the second largest economy in the world) is likely to have a significant negative impact on our revenues and growth strategy. China has one of the largest planned and funded investment programs for offshore renewables, the market for which most of our technology is used for in China. After significant business development in China, we had started to see persistent and credible growth for our products in this market. However, with the ongoing geopolitical climate, we do not expect to see increased sales in China. We also believe that where technologies are made unavailable to China, China will endeavor to find alternative source of supply or innovate in the areas where restrictions are placed by Western governments and will be more harmful to companies.

(ii) *War in Ukraine:*

The ongoing war in Ukraine impacts our Services Business as most defense spending is now directed toward land-based applications rather than naval based applications. This therefore reduces the opportunities for the Services Business, thus impacting revenue.

(iii) *Global instability caused by ongoing conflicts*

In general, conflicts create global instability in many ways including disrupting the supply chain and shipping routes. Such conflicts may reduce demand for our products and also increase inflation.

**E. Significant Increase in the Price of Raw Materials**

While there have been improvements in lead time for supply of raw materials and components in the Supply Chain during the reporting period, we have experienced a significant increase in the costs of raw materials caused by inflation. These increases may make the costs of our products uncompetitive and affect demand and margins.

**F. Shortage of Key Skills/Resourcing Levels and significant increase in cost of operations due to inflation**

We are experiencing skill shortages in areas that are critical for our business operations. The inflationary conditions coupled with the shortage of skilled workers in the countries in which we operate make it difficult for us to compete for these skills. Furthermore, the competitive marketplace for labor also results in high turnover in the workforce which impacts our business in several areas.

Furthermore, as a small business, we are hindered in our ability to compete for certain specialized electronic engineering skills or technology skills, as our remuneration package is not as competitive as those offered by bigger companies which are competing for the same skills.

**G. Technological Advancement**

A significant part of our growth strategy is predicated on our flagship real time volumetric imaging sonar technology, the Echoscope® and our Diver Augmented Vision Display (DAVD) solution. The technology space is inherently uncertain due to the fast pace of innovations and therefore we can give no assurance that we can maintain our leading position in these areas or that innovations in other areas may not surpass our solutions that we currently supply to the subsea market. An example of new technology entering the subsea market is lidar technology. However, unlike our sonar technology, Lidar technology cannot be employed in zero visibility conditions and cannot generate a volume pulse or image moving objects required for real time inspection and monitoring underwater.

**H. Concentration of Business Opportunities Where the Sales Cycle is Long and Unpredictable**

The Services Business revenues are highly concentrated and are largely generated from subcontracts with a small number of Prime Defense Contractors. The sales cycle is generally protracted, which may affect our revenues. It is also dependent on the US federal government appropriating budget for Defense projects and where the federal government is unable to find consensus in the US Congress, this affects the timely award of sub-contracts from Prime Defense Contractors to our Services Business, which is reliant on these awards. Furthermore, the Marine Technology Business' key opportunities which are critical to its growth strategy are in the Defense market and therefore this business segment is also reliant on funding from Defense Programs. Due to the protracted nature of the government procurement process and cycle for Defense spending under federal and/or state budgets, the sales cycle can be long, unpredictable and subject to variation by the different Administrations, thus affecting timing of orders, revenues and our overall growth plans.

**I. Interest Rates**

The change in monetary policy vis-à-vis interest rates has in general affected some of our key sectors such as offshore renewables and underwater construction. The increase in interest rates has impacted on the viability of a number of underwater projects resulting in increased operational costs, which in turn has reduced the demand for our underwater solutions.

**J. Reduced Funding Available for Defense Programs resulting from the use of Continuing Resolutions to authorize ongoing spending under Defense Programs**

We are dependent on the timely allocation of funds to defense procurement by governments in the United States and the United Kingdom. A large part of our revenues is derived from government funding in the Defense sector. In FY 2024 many U.S. Defense Programs were funded through continuing resolution (as opposed to a fully appropriated Federal Budget). Funding programs through the continuing resolutions mechanism means that spending priorities shift caused by lower availability of funds. Both Segments have been affected by this including the Products Business DAVD Hardening Program. Consequently, our revenue from the Americas in the 2024 FY decreased by 20.0% and was \$7,287,561 compared to \$9,110,498 in the 2023 FY. See Note 16 (Disaggregation of Revenue) for more information on this impact on our Business. Many Defense Programs will continue to operate under continuing resolution until the new Administration approves a Federal Budget and line-item appropriations are completed, which may be several months after the new Administration takes office and therefore, we believe we will continue to be impacted until this is resolved.

## Critical Accounting Policies and Estimates

The Management's discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements. These financial statements have been prepared in conformity with GAAP in the United States which requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. We evaluate our estimates based on our historical experience and various other assumptions that are believed to be reasonable under the circumstances. These estimates relate to revenue recognition, the assessment of recoverability of goodwill and intangible assets, recognition and measurement of deferred income tax assets and liabilities, the assessment of unrecognized tax benefits, and others. In addition, in connection with our acquisition of PAL, we determined the fair value of PAL's opening balance sheet, which determination relied on numerous estimates about the current and future operations of PAL. Actual results could differ from those estimates and may have material effects on our operating results and financial position.

We believe the following accounting estimates are most critical to understanding our consolidated financial statements. See "Note 2 - Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements for a full description of our accounting policies.

### *Revenue Recognition*

Revenues are earned under formal contracts with our customers. In respect of our Marine Technology Business these are derived from both sales and rental of underwater technologies and in respect of our Engineering Business from the supply of engineering services. Our contracts do not include the possibility for additional contingent consideration so that our determination of the contract price does not involve having to consider potential variable additional consideration. Our product sales do not include a right of return from the customer.

Regarding our Marine Technology Business, all our products are sold on a stand-alone basis and those market prices are evidence of the value of the products. To the extent that we also provide services (e.g., installation, training, etc.), those services are either included as part of the product or are subject to written contracts based on the stand-alone value of those services. Revenue from the sales of services is recognized when those services have been provided to the customer and evidence of the provision of those services exists.

For further discussion of our revenue recognition accounting policies, refer to "Note 4 Revenue Recognition" in our Consolidated Financial Statements.

### *Stock-based Compensation*

We recognize the expense related to the fair value of stock-based compensation awards within the consolidated statements of income and comprehensive income. The fair value of stock-based compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the periods in which the related services are rendered.

### *Income Taxes*

The Company accounts for income taxes in accordance with Accounting Standards Codification Topic 740, Income Taxes (ASC 740). Under ASC 740, deferred income tax assets and liabilities are recorded for the income tax effects of differences between the bases of assets and liabilities for financial reporting purposes and their bases for income tax reporting. The Company's differences arise principally from the use of various accelerated and modified accelerated cost recovery system lives for income tax purposes versus straight line depreciation used for book purposes and from the utilization of net operating loss carry-forwards.

Deferred tax assets and liabilities are the amounts by which the Company's future income taxes are expected to be impacted by these differences as they reverse. Deferred tax assets are based on differences that are expected to decrease future income taxes as they reverse. Correspondingly, deferred tax liabilities are based on differences that are expected to increase future income taxes as they reverse. "Note 11 Income Taxes" to the Consolidated Financial Statements discusses the amounts of deferred tax assets and liabilities and also presents the impact of significant differences between financial reporting income and taxable income.

For income tax purposes, the Company uses the percentage of completion method of recognizing revenues on long-term contracts which is consistent with the Company's financial reporting under U.S. GAAP.

#### *Goodwill and Intangible Assets*

Goodwill and intangible assets consist principally of the excess of cost over the fair value of net assets acquired (i.e., goodwill), customer relationships, value of technology, non-compete agreements and licenses. Goodwill was allocated to our reporting units based on the original purchase price allocation. Goodwill is not amortized and is evaluated for impairment annually or more often if circumstances indicate impairment may exist. Customer relationships, value of technology, non-compete agreements, patents and licenses are amortized on a straight-line basis over periods of 2 to 15 years. The Company amortizes its intangible assets using the straight-line method over their estimated period of benefit. We evaluate annually the recoverability of goodwill and intangible assets and carefully consider events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists.

Step 1 of the goodwill impairment test used to identify potential impairment compares the fair value of the reporting unit with its' carrying amount, including goodwill. If the fair value, which is based on future discounted cash flows, exceeds the carrying amount, goodwill is not considered impaired. The Company has adopted Accounting Standards Codification 2017 – 04, Simplifying the Test for Goodwill Impairment, which permits the Company to impair the difference between the carrying amount in excess of the fair value of the reporting unit as the reduction in goodwill.

At the end of each financial year, we evaluate goodwill on a separate reporting unit basis to assess recoverability, and impairments, if any, are recognized in earnings. An impairment loss would be recognized in an amount equal to the excess of the carrying amount of the reporting unit compared to the fair value of the reporting unit. To date, the Company has not had any goodwill impairments.

#### **Fiscal Year 2024 Consolidated Results of Operations**

In this Form 10-K, the following meanings are ascribed to the terminologies set out immediately below:

FY	Means Fiscal Year
2024 FY	Means the Fiscal Year ended October 31, 2024
2023 FY	Means the Fiscal Year ended October 31, 2023
Current FY	Means the Fiscal Year ended October 31, 2024
Previous FY	Means the Fiscal Year ended October 31, 2023

It should be noted that our audited Consolidated Statements of Income and Comprehensive Income ("Income Statement") for the 2024 FY do not include PAL which was acquired into the Group on October 29, 2024 (two days prior to the Company's fiscal year end on October 31). PAL had no material Income Statement activity during that period. As such, to the extent that the Management Discussions and Analysis below relate to Income Statement activity, these do not include PAL.

In the Current FY our overall consolidated financial results were up when compared to the Previous FY. Our consolidated results of operations include the results of the Company's foreign subsidiaries. Our foreign subsidiaries' results are translated from their respective functional currencies into United States Dollar (USD) for reporting purposes. Currency fluctuations can therefore impact (positively or negatively) on our consolidated results including revenue, our profitability and the value of our assets and liabilities included on the consolidated balance sheet. In the Current FY our consolidated revenue was \$20,316,161 compared to \$19,352,088 in the Previous FY, representing an increase of 5.0%. When applying the Constant Rate (that is the foreign exchange rate applied in Previous FY when translating from the foreign subsidiaries' functional currencies to USD for reporting purposes), our revenue would have been lower in the Current FY by 1.7% or \$350,986 and therefore our consolidated revenue was positively impacted. Gross Profit Margin increased by 2.5%, reflecting changes in the mix of sales in the reporting period. Total operating expenses increased by 2.9% in the Current FY and were \$10,588,974 compared to \$10,291,503 in the Previous FY. Income from operations increased by 30.8% and was \$3,584,131 in the Current FY compared to \$2,739,552 in the Previous FY. Net income before taxes in the Current FY increased by 34.8% and was \$4,611,288 compared to \$3,421,228 in the Previous FY.

Although in the Current FY our revenue increased by 5.0% when compared to the Previous FY, revenue emanating from the strategic Defense sector, an important pillar for our growth strategy, was down. This was due to the reduced level of funding under US Defense Programs caused by the use of continuing resolutions to fund these programs. The use of continuing resolution means funding priorities shift to accommodate the reduced levels of funding available for these programs. The shift in priorities may therefore affect the allocation of funding for programs which we budget for internally. For this reason, in the Current FY revenue emanating from the Americas fell by 20.0% and was \$7,287,561 compared to \$9,110,498 in the Previous FY (See Note 16 "Disaggregation of revenue" for more information on the split of our revenue in the reporting period). We anticipate that our business will continue to be impacted until the new Administration adopts a Federal Budget and line-item appropriations are made. This could be several months from the new Administration taking office and we therefore anticipate that our Q1 2025 financial results will be impacted by this.

## Segment Summary

### *Marine Technology Business*

The Marine Technology Business forms part of the Products Segment.

In the 2024 FY, the Marine Technology Business generated \$12,806,603 or 63.0% of our consolidated revenues compared to \$12,119,066 or 62.6% in the 2023 FY, representing an increase of 5.7%. Gross Profit Margin was higher at 77.9% in the 2024 FY compared to 76.7% in the 2023 FY, representing an increase of 1.2 % points, reflecting the mix of sales and reduced commission costs. In 2024 FY total operating expenses increased in the Marine Technology Business by 13.2% and were \$5,833,972, compared to \$5,153,456 in the 2023 FY. This is due to an increase in various areas of our SG&A expenditure including wages and salaries, marketing, general office costs and exchange rate variance. Income from operations in the Marine Technology Business was \$4,148,090.

Although in the 2024 FY revenue in the Marine Technology Business increased by 5.7%, this segment was impacted by reduced revenue from the Americas resulting from reduced orders under Defense Programs caused by the shift in spending priorities resulting from the use of continuing resolutions to fund these programs. As a result, the Marine Technology Business revenue from the Americas decreased by 33.4% and was \$2,838,857 in the 2024 FY compared to \$4,263,883 in the 2023 FY.

In the 2024 FY revenue generated from rentals increased by 84.1% and was \$2,328,781 compared to \$1,264,804 in the 2023 FY, which offset the reduction in outright sale of products in the 2024 FY which was \$7,210,169 compared to \$8,444,305 in the 2023 FY, representing a decrease of 14.6%. Commission costs decreased by 9.4% and were \$719,491 in the 2024 FY as compared to \$794,427 in the 2023 FY.

### *Services Business*

In the 2024 FY, the Services Business generated \$7,509,558 or 37.0% of our consolidated revenues compared to \$7,233,022 or 37.4% in the 2023 FY, representing an increase of 3.8%. Gross Profit Margin was higher at 55.8% in the 2024 FY compared to 51.6% in the 2023 FY, representing an increase of 4.2% points. This increase reflects the mix of engineering services composed within our 2024 FY revenue make up (more units of manufacturing compared to design work). Total operating expenses fell in the Services Business by 1.7% and were \$2,471,810 in the 2024 FY compared to \$2,515,664 in the 2023 FY. This is largely related to the reduction in staff headcount caused by volatility in the workforce in general and a shortage in engineering skills in the markets in which we operate. Income from operations in the 2024 FY was \$1,719,233 compared to \$1,216,121 in the 2023 FY.

This segment is comprised of the UK Operations (Martech) and the US Operations (Colmek) and is reliant on funding being available under Defense Programs. During the 2024 FY, the US Operations experienced significant delays in securing orders under Defense Programs caused by the reduced funding available under continuing resolutions which result in a shift in spending priorities. This has caused reduced order intake by our US Services Operations. Until a Federal Budget is adopted by the new Administration and the line-item appropriations are in place we expect this business unit to continue to be impacted.

We continue to work on the diversification of the Services Business revenue, which is highly concentrated and reliant on Defense funding being available, by investing in our Thermite® Octal range of mission computers.

### *Comparison of fiscal year ended October 31, 2024, to fiscal year ended October 31, 2023*

The information provided below pertains to the Company's consolidated financial results of operations. For information on the performance of each Segment including the disaggregation of revenues and geographical split, see "Note 15 Segment Analysis" and "Note 16 Disaggregation of Revenue" of our audited Consolidated Financial Statements as of October 31, 2024, and 2023.

**Revenue:**

	Year Ended October 31, 2024		Year Ended October 31, 2023		Percentage Change
\$	20,316,161	\$	19,352,088		Increase of 5.0%

Our consolidated revenues increased by 5.0% in the 2024 FY when compared to the 2023 FY. This increase is largely attributed to the increase in the revenue generated by the Marine Technology Business, which increased by 5.7%. Although revenue generated by this segment increased, its US Operations revenue decreased by 33.4% and was \$2,838,857 in the 2024 FY compared to \$4,263,883 in the 2023 FY. This was caused by reduced funding under Defense Programs. The Services segment was also impacted for the same reason and consequently, revenue from the Americas in the Current FY decreased by 20.0% and was \$7,287,561 compared to \$9,110,498 in the Previous FY. We expect weak order intake under these programs until the new Administration adopts a Federal Budget and line items are appropriated by the respective appropriation committees. In the Current FY, we were able to offset some of the impact of reduced funding under US Defense Programs, with an increase in rental income which in the Current FY was \$2,328,781 compared to \$1,264,804 in the Previous FY and also an increase in outright equipment sale in the strategic market of Asia which in the Current FY was \$5,475,401 compared to \$4,607,786 in the Previous FY.

**Gross Margin:**

	Year Ended October 31, 2024		Year Ended October 31, 2023		Percentage Change
	69.8% (Gross profit of \$14,173,105)		67.3% (Gross profit of \$13,031,055)		Increase of 2.5%

Our consolidated gross profit margins reported in our financial results may vary according to several factors, which include:

- The percentage of our consolidated sales that is attributable to the Marine Technology Business versus the Services Business. The Gross Profit Margin yielded by the Marine Technology Business is generally higher than that of the Services Business.
- The percentage of our consolidated sales that is attributable to the Services Business. The Services Business yields a lower gross profit margin on generated sales which are largely based on time and materials for our Department of Defense subcontracts.
- The mix of engineering projects performed by our Services Business (Design prototyping versus manufacturing).
- The mix of sales generated by the Marine Technology Business during the reporting period. The sales generated by the Marine Technology comprise of:
  - Outright sales versus rentals.
  - Hardware related sales versus Software related sales (Software is generally a higher margin).
  - Custom engineering around its technology (“services”) versus field services (where our technical support engineers are deployed to the field to provide support to our customers in their use of our technology).
- Levels of commission on sales.

Both the Marine Technology Business and our Services Business work with a global network of sales agents. Most of the sales made by the Marine Technology Business from Asia or South Africa attract commission as those are typically sales via our agents/distributors network. Although the Services Business works with sales agents this is on a lesser scale than the Marine Technology Business and typically commission costs incurred by the Services Business are immaterial.

See “Note 2 Summary of Accounting Policies” (Cost of Revenue), “Note 15 Segment Analysis” and “Note 16 Disaggregation of Revenue” of our audited Consolidated Financial Statements as of October 31, 2024, for more information covering commissions as a component of Cost of Revenues, segment reporting and the disaggregation of our revenues by type and geography, respectively.

- Level of assets in the rental pool and Cost of Revenue associated with these rental assets – see “Note 2 Summary of Accounting Policies” (Cost of Revenue). The assets utilized for our rental offering are subject to depreciation, a portion of which is allocated to Cost of Revenue.

In the 2024 FY gross profit margins for the Marine Technology Business were 77.9% compared to 76.7% in the 2023 FY. For the Services Business, these were 55.8% in the 2024 FY compared to 51.6% in the 2023 FY.

The Marine Technology Business incurred commission costs in the 2024 FY of \$719,491 compared to \$794,427 in the 2023 FY, representing a decrease of 9.4%.

Since there are more variable factors affecting Gross Profit Margins in the Marine Technology Business, a table showing a summary break-out of sales generated by the Marine Technology Business in the 2024 FY compared to the 2023 FY is set out below:

	2024 FY Products		2023 FY Products		Percentage Change
Equipment Sales	\$ 7,210,169	\$	8,444,305		(14.6)%
Equipment Rentals	2,328,781		1,264,804		84.1%
Software Sales	878,516		851,976		3.1%
Services	2,389,137		1,557,981		53.3%
Total Net Sales	\$ 12,806,603	\$	12,119,066		5.7%

The main reason for the reduction in equipment sales in the 2024 FY is the contraction in demand from the key strategic market of Defense Programs in the U.S. During the reporting period, these programs were funded through the use of continuing resolutions resulting in reduced allocation caused by a shift of funding priorities. Services supplied by this Business unit increased due to the higher demand for engineering support on the rental projects executed in the reporting period.

For more detailed information on the composition and disaggregation of our revenues, please refer to “Note 16 Disaggregation of Revenue” of our audited Consolidated Financial Statements of October 31, 2024, and 2023.

**Research and Development (R&D):**

	Year Ended October 31, 2024		Year Ended October 31, 2023		Percentage Change
\$	2,242,429	\$	2,096,467		Increase of 7.0%

Research and Development costs are, in general, an inherent ongoing cost for the Marine Technology Business operations and are expended on maintaining its products in the market, advancing these or expanding its technology portfolio.

Accordingly, we continue to invest in research and development to further our business goals including maintaining our lead in the real time volumetric imaging sonar sector (Marine Technology Business) and our new-to-market diving technology (DAVD).

In addition, the Services Business incurs research and development expenses on advancing its Thermite<sup>®</sup> Octal range of mission computer products with the strategic goals of increasing and diversifying its revenues and improving gross profit margins.

In the 2024 FY this category of expenditure increased by 7.0%. This is largely due to an increase in R&D expenditure by the Services Business which was incurred in connection with its development efforts around its Thermite<sup>®</sup> Octal range of mission computer products.

Changes in this category by Segment are set out immediately below:

Description	Amount	% change
Products Business (Products Segment) 2024 FY	\$ 2,019,112	Decrease 1.2%
Products Business (Products Segment) 2023 FY	\$ 2,043,890	
Engineering Business (Services Segment) 2024 FY	\$ 223,317	Increase 324.7%
Engineering Business (Services Segment) 2023 FY	\$ 52,577	

**Selling, General and Administrative Expenses (SG&A):**

	Year Ended October 31, 2024		Year Ended October 31, 2023		Percentage Change
\$	8,346,545	\$	8,195,036		Increase of 1.8%

In the 2024 FY SG&A expenditures increased by 1.8% when compared to the 2023 FY.

Notable factors in our SG&A expenses for the 2024 FY are:

- SG&A expenses include transactions which are cash charges and non-cash charges. The non-cash charges comprise Depreciation, Amortization, Stock-based compensation charges, Exchange Rate Variance and Credit Losses Allowance. In 2024 FY and 2023 FY, respectively, non-cash items as a percentage of SGA expenses were 12.4% and 15.6%, respectively.
- SG&A expenses include stock based compensation expenses (*Non-Cash Item*). In the 2024 FY we recorded expense of \$137,676 for stock-based compensation as compared to \$645,196 in the corresponding 2023 FY, representing a decrease of 78.7% reflecting the reduced stock grants made under the plan in the Current FY.
- SG&A expenses include exchange rate variance (*Non-Cash Item*). In relation to exchange rate variance we recorded expense of \$287,939 in the 2024 FY compared to \$190,073 in the 2023 FY.
- SGA includes credit losses allowance (*Non-Cash Item*). In the 2024 FY we recorded a credit loss of \$119,405.

Further discussions on SG&A are set out immediately below.

**Key Areas of SG&A Expenses across the Group for the year ended October 31, 2024, compared to the year ended October 31, 2023**

Expenditure	October 31, 2024	October 31, 2023	Percentage Change
Wages and Salaries	\$ 3,627,748	\$ 3,499,542	Increase of 3.7%
Legal and Professional Fees (including accounting, audit, tax and investor relations)	\$ 1,658,648	\$ 1,809,604	Decrease of 8.3%
Rent for our various locations	\$ 29,330	\$ 50,767	Decrease of 42.2%
Marketing (excluding associated travel)	\$ 382,440	\$ 216,403	Increase of 76.7%
Travel associated with Marketing activities	\$ 70,120	\$ 41,149	Increase of 70.4%

In the 2024 FY compared to the 2023 FY:

*Wages and Salaries* increased by 3.7%. Although in the 2024 FY as a Group we had less staff on payroll, these costs have increased due to inflation combined with the fierce competition for skills leading to higher payroll costs. In the financial year 2025 we anticipate that this area of expenditure will continue to increase as we have several key vacancies which we are seeking to fill, including management positions, and we continue to increase salaries to stabilize our workforce.

*Legal and Professional Fees* decreased by 8.3%. The main reason for the change in this area of expenditure is the re-allocation of external accounting services to internal accounting services and also the reduction in fees associated with Investor Relations activities.

*Rent* expenditure decreased by 42.2% compared to FY 2023. Rent is not a material expenditure in the Group as most of our premises are owned by the Company, except for premises used in Denmark. However, with the acquisition of PAL, we anticipate this area of expenditure will increase in the future.

*Marketing* increased by 76.7% and *Travel associated with marketing* increased by 70.4%. This is in keeping with our strategy to shift our focus to business development, marketing, and brand building. Expenditures in this area are spent on industry-related trade shows and events, demonstrations particularly on the DAVID market adoption and technology awareness campaigns, marketing events and customer visits and fees relating to the US Focus Group we retained to assist us in this area.

**Overhead related costs as a percentage of revenue for the year ended October 31, 2024, compared to the year ended October 31, 2023**

Our overhead SG&A expenditures comprise general corporate administrative costs.

Overhead SG&A as a percentage of revenue decreased by 2.4% and was 11.2%. The main reason for this is that stock compensation expense decreased by 78.7% and in the 2024 FY was \$137,676 compared to \$645,196 in the 2023 FY. At the same time, in keeping with our strategy to invest in brand building and marketing, our overheads include a new fee relating to the appointment of the US Focus Group to assist in this area, which was \$129,500.

**Operating Income:**

	Year Ended October 31, 2024		Year Ended October 31, 2023		Percentage Change
\$	3,584,131	\$	2,739,552		Increase of 30.8%

In 2024 FY, Operating Income increased by 30.8%. This is largely due to the increase in our consolidated revenue and gross profit.

**Other Income:**

	Year Ended October 31, 2024		Year Ended October 31, 2023		Percentage Change
\$	1,027,157	\$	681,676		Increase of 50.7%

In the 2024 FY, we had "Other Income" of \$1,027,157 compared to \$681,676, representing an increase of 50.7% from the 2023 FY. In the 2024 FY, \$938,775 of this amount represents interest income earned on our certified deposit accounts. In the 2023 FY we had interest income of \$642,530 (this was lower in the 2023 FY since the certified deposit accounts were established in February 2023). These accounts are for fixed 3-month rolling periods and constitute "cash equivalents" in our current audited Consolidated Financial Statements for the period ended October 31, 2024. We anticipate that the interest earned on these certified deposit accounts will be material in the future if interest rates remain the same or continue to rise and the Company continues to maintain this level of cash in the certified deposit accounts. See "Note 6 - Composition of Certain Financial Statement Captions" (Other Income) to the audited Consolidated Financial Statements for period ended October 31, 2024, where this is discussed further.

**Income before Income Tax Expense for the year ended October 31, 2024, compared to the year ended October 31, 2023**

	Year Ended October 31, 2024		Year Ended October 31, 2023		Percentage Change
\$	4,611,288	\$	3,421,228		Increase of 34.8%

In the 2024 FY, we had income before income taxes of \$4,611,288 as compared to \$3,421,228 in the 2023 FY, representing an increase of 34.8%. Net income before income taxes increased largely due to an increase in our consolidated revenues and a 46.1% increase in interest income in the 2024 FY (see Other Income above).

**Net Income for the year ended October 31, 2024, compared to the year ended October 31, 2023**

	Year Ended October 31, 2024		Year Ended October 31, 2023		Percentage Change
\$	3,645,996	\$	3,124,149		Increase of 16.7%

In the 2024 FY we had Net Income of \$3,645,996 compared to \$3,124,149 in the 2023 FY, representing an increase of 16.7%. This is a reflection of the increase in our pre-tax income for the reasons discussed earlier. In the 2024 FY our tax expenses increased, and we recorded a Current Tax Expense of \$713,670 compared to \$248,655 in the 2023 FY and a Deferred Tax Expense of \$251,622 compared to \$48,424 in the 2023 FY. Our effective tax rate is subject to significant variation due to several factors including variability in our pre-tax income and taxable income and/or loss and the mix of jurisdictions to which such income or losses relate, the applicability of special tax regimes, changes in tax regulations, changes in our stock price, changes in our deferred tax assets and liabilities, their valuation, foreign currency gains (losses). The mix of jurisdictions and related income or losses also affects our tax liability for Global Intangible Low-Taxed Income. Furthermore, our tax liability is also affected by the availability of carryforwards losses and R&D tax credits in the UK subsidiaries. In the 2024 FY, the Company and its US subsidiaries had a lower percentage of taxable income (due to lower sales caused by reduced Defense funding allocation) than the Company's foreign subsidiaries, while the Company's UK and Danish subsidiaries had a higher percentage of taxable income in their respective tax jurisdictions. The Company's UK subsidiaries benefit from carryforward losses (NOLs) and research and development (R&D) tax credits. These have been applied to offset a portion of the 2024 FY UK tax liability resulting in a current provision for tax liability of the UK subsidiaries of \$267,759 for Current Tax Expense and a Deferred expense of \$2,511. There was no provision made in 2023 FY for the UK subsidiaries as tax liabilities were fully offset through the application of offsets relating to R&D Tax Credits and NOLs. Our Danish subsidiary does not benefit from any carryforwards or other tax relief in its tax jurisdiction and therefore for the 2024 FY we have recorded a Current Tax Expense of \$218,670 and a Deferred Tax Expense of \$11,003.

**Comprehensive Income for the year ended October 31, 2024, compared to the year ended October 31, 2023**

	Year Ended October 31, 2024		Year Ended October 31, 2023		Percentage Change
\$	4,577,714	\$	4,418,724		Increase of 3.6%

In the 2024 FY Comprehensive income was \$4,577,714 compared to \$4,418,724 for the 2023 FY. This category is affected by fluctuations in foreign currency exchange transactions both relating to our profit and loss expenses and our assets and liabilities on our balance sheet and are largely paper losses or gains, as may be applicable, in the reporting period. In 2024 FY we recorded a lower gain of \$931,718 on foreign currency translation adjustment transactions compared to a gain of \$1,294,575 in the 2023 FY. A significant part of the Company's operations is based in the UK and Denmark, and therefore a major part of the Company's assets and liabilities recorded in its consolidated balance sheet and profit and loss expenses are translated from the functional currencies of these subsidiaries into USD for reporting purposes, thus accounting for the changes. See Table under the section of the MD&A which concerns "Foreign Currency & Inflation", and which shows the impact of the currency adjustments on our Income Statement and Balance Sheet in 2024 FY compared to 2023 FY.

## Segment Analysis

We operate two reportable segments, “Products Business” and “Service Business” which are managed separately based upon fundamental differences in their operations. Segment operating income is total segment revenue reduced by cost of revenues and operating expenses, Research and Development (“R&D”), and Selling, General & Administrative (“SG&A”) identifiable with the reporting business segment. Overheads include general corporate administrative costs. As previously disclosed, PAL was acquired on October 29, 2024 and had no material income statement activity for the remaining two days of up to October 31, 2024. Therefore, our Income Statement does not include PAL. However, the fair value of assets acquired and liabilities assumed for PAL have been included in our audited Consolidated Balance Sheet and in respect of the Segment information provided immediately below, PAL is included in the Supplemental Disclosure information in the table below but not in the Income Statement.

The Company evaluates performance and resources based upon operating income.

Inter-company sales are not included in our consolidated financial statements. For segment reporting purposes only, we have shown in the table below our inter-company sales during the reporting period, which have been eliminated from our financial statements.

The Products Segment is comprised of the Marine Technology Business (Coda Octopus Products – with entities in UK USA and Denmark) and PAL (a recently acquired business unit within the Products Segment). The Marine Technology Business is a supplier to the underwater/subsea market and sells both hardware and software solutions which include imaging sonar technology solutions, diving and diving communications technology, geophysical products, rental equipment, customization, and field operations services. PAL is a supplier of products to the ultrasound, acoustic measurement and NDT markets.

The Services Segment is comprised of Coda Octopus Colmek, Inc. (a Utah corporation) and Coda Octopus Martech Ltd (a UK corporation). The Services Segment operates as subcontractors mainly to prime Defense contractors where they provide engineering services.

The Segment information below which covers our income statement activities does not include PAL (which had no material Income Statement activity from the date of acquisition to the Company’s current fiscal year end). The Supplemental Disclosures in the Segment information covering assets and liabilities include PAL.

The following tables summarize certain balance sheets and statement of operations information by reportable segment for the financial years ending October 31, 2024, and October 31, 2023, respectively.

	<u>Products</u>	<u>Services</u>	<u>Overhead</u>	<u>Total</u>
<b>Year Ended October 31, 2024</b>				
Net Revenues	\$ 12,806,603	\$ 7,509,558	\$ -	\$ 20,316,161
Cost of Revenues	<u>2,824,541</u>	<u>3,318,515</u>	<u>-</u>	<u>6,143,056</u>
<b>Gross Profit</b>	9,982,062	4,191,043	-	14,173,105
Research & Development	2,019,112	223,317	-	2,242,429
Selling, General & Administrative	<u>3,814,860</u>	<u>2,248,493</u>	<u>2,283,192</u>	<u>8,346,545</u>
<b>Total Operating Expenses</b>	5,833,972	2,471,810	2,283,192	10,588,974
<b>Income (Loss) from Operations</b>	4,148,090	1,719,233	(2,283,192)	3,584,131
<b>Other Income</b>				
Other Income	53,960	34,422	-	88,382
Interest Income	<u>657,817</u>	<u>198,239</u>	<u>82,719</u>	<u>938,775</u>
<b>Total Other Income</b>	<u>711,777</u>	<u>232,661</u>	<u>82,719</u>	<u>1,027,157</u>
Income (Loss) before Income Taxes	4,859,867	1,951,894	(2,200,473)	4,611,288
<b>Income Tax Expense</b>				
Current Tax Expense	316,955	169,374	227,341	713,670
Deferred Tax Expense (Benefit)	<u>(5,655)</u>	<u>19,169</u>	<u>238,108</u>	<u>251,622</u>
<b>Total Income Tax Expense</b>	<u>311,300</u>	<u>188,543</u>	<u>465,449</u>	<u>965,292</u>
<b>Net Income (Loss)</b>	<u>\$ 4,548,567</u>	<u>\$ 1,763,351</u>	<u>\$ (2,665,922)</u>	<u>\$ 3,645,996</u>
<b>Supplemental Disclosures</b>				
*Total Assets	\$ 40,922,453	\$ 13,404,567	\$ 3,217,524	\$ 57,544,544
*Total Liabilities	\$ 3,072,876	\$ 842,450	\$ 500,695	\$ 4,416,021
Revenues from Intercompany Sales - eliminated from sales above	\$ 3,367,839	\$ 238,143	\$ 1,266,000	\$ 4,871,982
Depreciation and Amortization	\$ 632,882	\$ 88,166	\$ 49,487	\$ 770,535
Purchases of Long-lived Assets	\$ 345,191	\$ 23,786	\$ 89,103	\$ 458,079

\* The Total Assets and Total Liabilities included in the Supplemental Disclosures include PAL



	<u>Products</u>	<u>Services</u>	<u>Overhead</u>	<u>Total</u>
<b>Year Ended October 31, 2023</b>				
Net Revenues	\$ 12,119,066	\$ 7,233,022	\$ -	\$ 19,352,088
Cost of Revenues	<u>2,819,796</u>	<u>3,501,237</u>	<u>-</u>	<u>6,321,033</u>
<b>Gross Profit</b>	9,299,270	3,731,785	-	13,031,055
Research & Development	2,043,890	52,577	-	2,096,467
Selling, General & Administrative	<u>3,109,566</u>	<u>2,463,087</u>	<u>2,622,383</u>	<u>8,195,036</u>
<b>Total Operating Expenses</b>	5,153,456	2,515,664	2,622,383	10,291,503
<b>Income (Loss) from Operations</b>	4,145,814	1,216,121	(2,622,383)	2,739,552
<b>Other Income</b>				
Other Income	39,146	-	-	39,146
Interest Income	<u>544,892</u>	<u>97,638</u>	<u>-</u>	<u>642,530</u>
<b>Total Other Income</b>	<u>584,038</u>	<u>97,638</u>	<u>-</u>	<u>681,676</u>
Income (Loss) before Income Taxes	4,729,852	1,313,759	(2,622,383)	3,421,228
<b>Income Tax Expense (Benefit)</b>				
Current Tax Expense (Benefit)	272,126	78,876	(102,347)	248,655
Deferred Tax Expense (Benefit)	<u>115,954</u>	<u>(54,382)</u>	<u>(13,148)</u>	<u>48,424</u>
<b>Total Income Tax Expense (Benefit)</b>	<u>388,080</u>	<u>24,494</u>	<u>(115,495)</u>	<u>297,079</u>
<b>Net Income (Loss)</b>	<u>\$ 4,341,772</u>	<u>\$ 1,289,265</u>	<u>\$ (2,506,888)</u>	<u>\$ 3,124,149</u>
<b>Supplemental Disclosures</b>				
Total Assets	\$ 36,969,673	\$ 13,604,262	\$ 1,267,581	\$ 51,841,516
Total Liabilities	\$ 2,263,761	\$ 732,582	\$ 416,407	\$ 3,412,750
Revenues from Intercompany Sales - eliminated from sales above	\$ 4,602,741	\$ 584,622	\$ 1,200,000	\$ 6,387,363
Depreciation and Amortization	\$ 523,339	\$ 100,689	\$ 43,502	\$ 667,530
Purchases of Long-lived Assets	\$ 1,996,544	\$ 25,404	\$ 108,392	\$ 2,130,340

The Company's reportable business segments sell their goods and services in four geographic locations:

- Americas
- Europe
- Australia/Asia
- Middle East/Africa

## Liquidity and Capital Resources

As of October 31, 2024, the Company had an accumulated deficit of \$7,406,491, working capital of \$39,084,999 and stockholders' equity of \$53,128,523. For the year then ended, the Company generated cash flow from operations of \$2,451,675.

We believe that our current level of cash and cash generation will be sufficient to meet our short and medium-term liquidity needs. As of October 31, 2024, we had cash and cash equivalents on hand of \$22,479,072 and both billed and unbilled receivables of \$5,151,290. Our current cash balance represents approximately 33 months of Selling, General and Administrative Expenses. The Company continues to critically evaluate the level of expenses that it incurs and reduces its expenses as may be appropriate within its business priorities.

We also have access to a revolving line of credit of \$4 million from HSBC NA. This line of credit is available to the Company for short-term working capital purposes. All amounts under the Revolving Line of Credit are payable at the end of each financial year. The facility was extended for another year until November 2025. To date, the Company has not borrowed any funds under this credit line.

## Operating Activities

Net cash generated from operating activities for the year ended October 31, 2024, was \$2,451,675. We recorded net income for the period of \$3,645,996. Other items in uses and sources of funds from operations included non-cash charges related to depreciation of fixed assets, amortization of intangible assets, deferred tax asset, gain on sale of asset, allowance for credit loss and stock-based compensation, which collectively totaled \$1,245,331. Changes in operating assets decreased net cash from operating activities by \$2,183,361 and changes in current liabilities decreased net cash from operating activities by \$256,291.

## Investing Activities

Net cash used in investing activities, (net of cash acquired), for the year ended October 31, 2024, was \$4,421,092.

## Financing Activities

Net cash used in financing activities for the year ended October 31, 2024, was \$15,633.

## Foreign Currency and Inflation

The Company's consolidated results are a combination of its US operations and foreign subsidiaries. The foreign subsidiaries maintain their accounts in the native currencies of their operations, and which are:

US Dollars	For US Operations
British Pound	For United Kingdom Operations
Danish Kroner	For Danish Operations
Australian Dollars	For Australian Operations (operations are currently dormant)
Indian Rupees	For Indian Operations (operations are currently dormant)

The Company's consolidated financial results therefore include the translation of its foreign subsidiaries functional currencies into USD. See "Note 2 Summary of Accounting Policies" (Foreign Currency Translation) of our audited Consolidated Financial Statements as of October 31, 2024, for more information on the applicable rates used for our Balance Sheet transactions and Statements of Income and Comprehensive Income.

Fluctuations in currency exchange rates can directly (positively and negatively) impact on the Company's sales, profitability and financial position when the transactions of the foreign subsidiaries are translated from their functional currencies into USD for financial reporting. In addition, the Company is also subject to currency fluctuation risk with respect to certain foreign currency denominated receivables and payables incurred in the ordinary course of its business operations (cross-border transactions such as inventory purchasing). In general, the Company's subsidiaries perform financial transactions in their native currencies. Exceptionally, a subsidiary may perform financial transactions in foreign currencies (such as purchasing inventory from a foreign supplier, for example, in foreign currency). Furthermore, the Company holds significant cash balances in foreign currencies, such as British Pound, Euro and Danish Kroner. The Company cannot predict the extent to which currency fluctuations may affect its business and financial position, and there is a risk that such fluctuations may have an adverse impact on the Company's sales, profits and financial position. The Company does not hedge its currency exposure risks.

Applying the Constant Rate (as the term is defined immediately below), the impact of currency fluctuations in the 2024 FY compared with the 2023 FY, is shown below.

For Revenue and Expenses (Income Statement Transactions) for the Current FY, the Constant Rate means:	The “prevailing weighted average” exchange rate in the current 12-month period for the Current FY compared to the “prevailing weighted average” exchange rate in the 12-month period for the Previous Year.
For Balance Sheet Transactions Constant Rate means:	The prevailing exchange rate as of October 31, 2024, when compared to prevailing exchange rate as of October 31, 2023.

These are the values we have used in the calculations below which show the impact of these currency fluctuations on our operations in the 2024 FY:

	Based British Pounds		Based Australian Dollar		Based Danish Kroner		TOTAL USD		*Total Effect (\$)
	Actual Results (\$)	Constant Rates (\$)	Actual Results (\$)	Constant Rates (\$)	Actual Results (\$)	Constant Rates (\$)	Actual Results (\$)	Constant Rates (\$)	
Revenues	9,391,144	9,078,639	-	-	3,545,611	3,507,130	12,936,755	12,585,769	350,986
Costs	8,880,421	8,584,911	6,056	6,064	686,573	679,121	9,597,625	9,297,474	300,151
Net profit (losses)	510,723	493,728	(6,056)	(6,064)	2,859,038	2,828,009	3,339,130	3,288,295	50,835
Assets	29,762,265	28,088,109	19,986	19,319	841,717	818,887	30,635,932	28,938,396	1,697,536
Liabilities	(2,944,586)	(2,778,950)	(2,991)	(2,891)	(325,643)	(316,811)	(3,286,084)	(3,111,641)	(174,443)
Net assets	26,817,679	25,309,159	16,995	16,428	516,074	502,076	27,349,848	25,826,755	1,523,093

The effect of exchange rate movements between the Previous FY and the Current FY increased net assets by \$1,523,093.

The table above does not show separately the effect of exchange rate impact for Indian Rupees since this operation is dormant and the impact is not material.

\*Total Effect summary column data is the difference between the Actual Results in the reporting period and the results when the Constant Rate is applied.

#### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

#### Inflation

Inflation affects our Business in several ways including:

➤	Cost of Operations (including wages, salaries, utilities) and therefore our overheads.
➤	Bill of Material (BOM) Costs of our Products and Input Materials for Engineering Services.
➤	Our revenue. An inflationary environment is likely to reduce demand for our goods and services.
➤	Impacts on our ability to compete for key skills required for our Business

High inflation affects our business in a number of areas including costs of operations, including wages and salaries which have increased in relation to the number of staff in the Current FY (which has reduced) compared to the number of staff in the Previous FY. In addition, our general costs of operations have increased along with raw material costs for our products and solutions.

Inflation is also an inherently destabilizing factor for both retaining staff and recruiting staff and therefore impacts on our business plans and the effectiveness of our assembled workforce.

Furthermore, our revenue continues to be affected in strategic markets and geographies due to inflationary pressures which have made the pricing for our solutions unattractive for those markets.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Index of Financial statements following Part III of this Report for a listing of the Company's Consolidated Financial Statements and Notes thereto.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### *Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our Chief Executive Officer and Interim Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13(a)- 15(e) under the Exchange Act), as of the end of the period covered by this Report. Based on the evaluation of our disclosure controls and procedures as of October 31, 2024, our Chief Executive Officer and Interim Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of this date.

Attached as exhibits to this Form 10-K are certifications of the Company's Chief Executive Officer and Interim Chief Financial Officer, which are required in accordance with Rules 13a-15(e) and 15d-15(e) of the Exchange Act.

This "Controls and Procedures" section includes information concerning the controls and controls evaluation referred to in the certifications and it should be read in conjunction with the certifications, for a more complete understanding of the topics presented.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

### *Management's Report on Internal Control over Financial Reporting*

A company's internal control over financial reporting is a process designed by, or under the supervision of, a public company's principal executive and principal financial officers, or persons performing similar functions, and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US generally accepted accounting principles ("US GAAP") including those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our management, with the participation of our Chief Executive Officer and Interim Chief Financial Officer, has assessed the effectiveness of our internal control over financial reporting as of October 31, 2024. In making this assessment, our management used the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 Framework). Based on its assessment, our management believes that, as of October 31, 2024, our internal control over financial reporting was effective based on those criteria.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Under SEC rules, the management's report was not subject to attestation by the Company's independent registered public accounting firm.

### **Changes in Internal Control over Financial Reporting**

During the year ended October 31, 2024, there were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## ITEM 9B. Other Information

Not Applicable

## ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

##### Directors and Executive Officers

The following persons are the executive officers and directors as of the date hereof:

<b>Name</b>	<b>Age</b>	<b>Position</b>
<b>Annamarie Gayle</b>	61	Chief Executive Officer and Chairman
<b>Gayle Jardine</b>	54	Interim Chief Financial Officer
<b>Blair Cunningham</b>	56	President of Technology
<b>Michael Hamilton</b>	77	Director
<b>Robert Harcourt</b>	79	Director
<b>Anthony Tata</b>	65	Director
<b>Tyler G. Runnels</b>	68	Director
<b>Gwenael Rouy-Poirier</b>	50	Director
<b>Dr. Angus McFadzean</b>	60	Director

**Annamarie Gayle** has been our Chief Executive Officer and a member of the Board of Directors since 2011 and our Chairman since March 2017. She is also our Chief Executive Officer for our flagship products business, Coda Octopus Products, Limited (UK) since 2013. Prior thereto, she spent two years assisting with the restructuring of our Company. She previously served with the Company as Senior Vice President of Legal Affairs between 2006 and 2007. Earlier in her career she worked for a leading City-London law firm specializing in Intellectual Property Rights, the United Nations in various legal positions and the European Union. Ms. Gayle has a strong background in restructuring and has spent more than 12 years in a number of countries where she has been the lead adviser to a number of transitional administrations on privatizing banks and reforming state-owned assets in the Central Eastern European countries including banking, infrastructure, mining and telecommunications assets. Ms. Gayle has also managed a number of large European Union funded projects providing transitional support and capacity. Ms. Gayle holds a Law degree gained at the University of London and a Master of Law degree in International Commercial Law from Cambridge University and has completed her professional law exams to practice law in England & Wales. Because of her wealth of experience in corporate governance, large-scale project management, restructuring, strategy, structuring and managing corporate transactions, we believe that she is highly qualified to act as our Chief Executive Officer.

**Gayle Jardine** joined the Company as European Director of Finance in September 1, 2015. She was appointed as the Interim CFO on February 14, 2024. From 2009 to 2015, she was the Controlling Director of Pentland Accounting Ltd providing management accounting services to a variety of businesses related to software provision and commercial property offerings. Between 2004 and 2009 she held senior finance management roles in Wireless Fiber Systems, Scottish Water Solutions and Honeywell. The majority of her earlier career from 1992-2002 was spent at Hewlett Packard (HP) / Agilent Technologies where she started as a Graduate Financial Analyst and worked her way through various roles to be Financial Operations Manager of a worldwide product line managing teams in UK, Germany and USA. From 1995-1996 she had a foreign services assignment to Santa Rosa, California with HP as a Financial Business Consultant in their Test & Measurement Business. Ms. Jardine qualified as a Chartered Management Accountant (CIMA) in 1996 and has a BA (Hons) in Business Studies from Robert Gordon University in Aberdeen.

**Blair Cunningham** joined the Company in July 2004 and held several roles in the Company including Chief Technology Officer between July 2004 and July 2005. He is currently our President of Technology and Divisional CEO of Coda Octopus Products, Inc. Mr. Cunningham received an HND in Computer Science in 1989 from Moray College of Further Education, Elgin, Scotland. Because of Mr. Cunningham's expertise in technology, systems software development and project management, the Company believes that he is highly qualified to serve in his current roles.

**Michael Hamilton** was our Chairman of the Board between June 2010 and March 2017. He is currently serving as an independent director of our Board. He has been a member of the board of directors and a member of the audit committee of Tian Ruixiang Holdings Ltd., a Nasdaq traded public company, since 2020. Since 2014, Mr. Hamilton has provided accounting and valuation services for a varied list of clients. He was Senior Vice President of Powerlink Transmission Company from 2011 through 2014. From 1988 to 2003, he was an audit partner at PricewaterhouseCoopers. He holds a Bachelor of Science in Accounting from St. Frances College and is a certified public accountant and is accredited in business valuation. Because of Mr. Hamilton's background in auditing, strategic corporate finance solutions, financial management and financial reporting, we believe that he is highly qualified to be a member of our Board of Directors.

**G. Tyler Runnels** was elected as a director at the 2018 annual meeting. Mr. Runnels has nearly 30 years of investment banking experience including debt and equity financing, private placements, mergers and acquisitions, initial public offerings, bridge financings, and financial restructurings. Since 2003 Mr. Runnels has been the Chairman and Chief Executive Officer of T.R. Winston & Company, LLC, an investment bank and member of FINRA, where he began working in 1990. Mr. Runnels was an early-stage investor in our company and T.R. Winston & Company, LLC has served as our exclusive placement agent in one of our private placements raising early rounds of capital for our company. Mr. Runnels has successfully completed and advised on numerous transactions for clients in a variety of industries, including healthcare, oil and gas, business services, manufacturing, and technology. Mr. Runnels is also responsible for working with high-net-worth clients seeking to diversify their portfolios to include real estate products through established relationships with real estate brokers, accountants, attorneys, qualified intermediaries, and financial advisors. Prior to joining T.R. Winston & Co., LLC, Mr. Runnels held the position of Senior Vice President of Corporate Finance for H.J. Meyers & Company, a regional investment bank. Mr. Runnels received a B.S. and MBA from Pepperdine University. Mr. Runnels holds FINRA Series 7, 24, 55, 63 and 79 licenses.

**Robert Harcourt** has been a member of Coda's Board of Directors since June 26, 2023. Mr. Harcourt is a retired Audit and Advisory Partner of KPMG with a professional career spanning over 40 years where he executed a variety of roles at the partnership level during the time with KPMG, including Assurance Partner from 1978 – 1999 and Advisory Partner from 1999- 2007. He also worked as Associate Director, Division of Registration and Inspection of the Public Company Accounting Oversight Board (PCAOB) from 2011-2016. He most recently worked for the Analysis Group and Cornerstone Research from 2018-2021. He is a Certified Public Accountant and holds a BBA in Accountancy from Pace University and has completed course work at Harvard University and Stanford University.

**Brigadier General Anthony Tata (Ret)** has been a member of Coda's Board of Directors since June 26, 2023. Brigadier General Tata most recently performed the duties of Undersecretary of Defense for Policy, the number 3 position in the United States Department of Defense, where he implemented the National Defense Strategy and worked closely with allies and partners to achieve strategic defense goals globally. His military career includes commands in the 82<sup>nd</sup> and 101<sup>st</sup> Airborne Divisions and the 10<sup>th</sup> Mountain Division, as well as many overseas operations. He is a West Point graduate with a Bachelor of Science and two master's degrees in Operational Planning and International Relations. He is also a distinguished national security fellow at Harvard University's JFK School of Government and a successful author. His military awards include the bronze star, combat action badge, ranger tab, master parachutist badge and Department of Defense award for distinguished public service.

**Gwenaël Rouy-Poirier** was elected as a director in April 2024. Since January 2024, he has been an independent consultant for companies in the aerospace and defense sectors. From May to December 2023, he was Chief Financial Officer for SHL (Scandinavian Health Ltd.) Medical, a private company backed up by private equity operating as a leading solutions provider in the design, development, and manufacturing of advanced medical delivery devices such as autoinjectors and pen injectors. From April 2021 to December 2022, he was Chief Financial Officer of GKN Aerospace, one of the world's leading multi-technology Tier 1 aerospace suppliers, serving 90% of the world's aircraft and engine manufacturers. From 2019 to 2021, he was Chief Financial Officer of Nobel Biocare Systems, a premium dental implant leader whose portfolio also included restorative solutions, dentist hardware equipment and digital treatment technologies. Prior thereto, he worked for Honeywell mostly in the Aerospace division, as well as in the Homes & Building Technologies and Specialty Materials), l'Oréal and Arthur Andersen, among others. He earned a Bachelor (Mathematics) from Lycée Victor Duruy and a Master of Management in Corporate Finance from EDHEC Business School in France. Because of his strong financial background and ties to the defense industry, the Company believes that he is highly qualified to serve on the Board.

**Dr. Angus McFadzean** became a director on July 1, 2024. He is one of the co-founders of the Company's Marine Technology Business and has been affiliated with the Company in various capacities since its inception in 1994. From 2013 until his retirement in May 2024, Dr. McFadzean was the Research and Development Director of the Company's Marine Technology subsidiary, where, among other things, he was responsible for overseeing and managing the Marine Technology Business' R&D Program including developments relating to the Echoscope® and DAVD. He was also responsible for the Company's Cyber Security Management Program. Dr. McFadzean holds a master's degree in electrical and electronic engineering as well as a Ph.D. from Heriot-Watt University in Edinburgh, Scotland. Because of his deep knowledge of the Company's technology, the Company believes that he is highly qualified to serve on the Board.

#### **Family Relationships**

None of our Directors are related by blood, marriage, or adoption to any other Director, executive officer, or other key employees.

## **Board Leadership Structure**

The Board of Directors is currently chaired by the Chief Executive Officer of the Company, Anmarie Gayle. The Company believes that combining the positions of Chief Executive Officer and Chairman of the Board of Directors helps to ensure that the Board of Directors and management act with a common purpose. Integrating the positions of Chief Executive Officer and Chairman can provide a clear chain of command to execute the Company's strategic initiatives. The Company also believes that it is advantageous to have a chairman with an extensive history with, and knowledge of, the Company. Notwithstanding the combined role of Chief Executive Officer and Chairman, key strategic initiatives and decisions involving the Company are discussed and approved by the entire Board of Directors. The Company believes that the current leadership structure and processes maintain an effective oversight of management and independence of the Board of Directors as a whole without separate designation of a lead independent director. However, the Board of Directors will continue to monitor its functioning and will consider appropriate changes to ensure the effective independent function of the Board of Directors in its oversight responsibilities.

## **Independence of the Board of Directors and its Committees**

After review of all relevant transactions or relationships between each director, or any of his or her family members, and the Company, its senior management and its Independent Registered Public Accounting Firm, the Board of Directors has determined that all the Company's directors are independent within the meaning of the applicable NASDAQ listing standards, except Ms. Gayle, the Company's Chairman and Chief Executive Officer. The Board of Directors met 4 times and acted by unanimous written consent 4 times during the fiscal year ended October 31, 2024. Each member of the Board of Directors attended all meetings of the Board of Directors held in the last fiscal year during the period for which he or she was a director and of the meetings of the committees on which he or she served in the last fiscal year during the period for which he or she was a committee member.

The Board of Directors has three committees: the Audit Committee, the Compensation Committee and the Nominating Committee. Below is a description of each committee of the Board of Directors. The Board of Directors has determined that each member of each committee meets the applicable rules and regulations regarding "independence" and that each member is free of any relationship that would interfere with his or her individual exercise of independent judgment with regard to the Company.

### **Audit Committee**

The Audit Committee of the Board of Directors oversees the Company's corporate accounting and financial reporting process. For this purpose, the Audit Committee performs several functions. The Audit Committee, among other things: evaluates the performance, and assesses the qualifications, of the Independent Registered Public Accounting Firm; determines and pre-approves the engagement of the Independent Registered Public Accounting Firm to perform all proposed audit, review and attest services; reviews and pre-approves the retention of the Independent Registered Public Accounting Firm to perform any proposed, permissible non-audit services; determines whether to retain or terminate the existing Independent Registered Public Accounting Firm or to appoint and engage a new independent registered Public Accounting Firm for the ensuing year; confers with management and the Independent Registered Public Accounting Firm regarding the effectiveness of internal control over financial reporting; establishes procedures as required under applicable law, for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; reviews the financial statements to be included in the Company's Annual Report on Form 10-K and the Company's periodic quarterly filings on Form 10-Q, recommends whether or not such financial statements should be so included; and discusses with management and the Independent Registered Public Accounting Firm the results of the annual audit and review of the Company's quarterly financial statements.

The Audit Committee is currently composed of four outside directors: Michael Hamilton (Chairman), Robert Harcourt, Anthony Tata and Gwenaël Rouy-Poirier. The Audit Committee met four times during the fiscal year ended October 31, 2024. The Audit Committee Charter is available on the Company's website, [www.codaoctopusgroup.com](http://www.codaoctopusgroup.com).

The Board of Directors periodically reviews the NASDAQ listing standards' definition of independence for Audit Committee members and has determined that all members of the Company's Audit Committee are independent (as independence is currently defined in Rule 5605(c)(2)(A) of the NASDAQ listing standards and Rule 10A-3(b)(1) of the Securities Exchange Act, as amended). The Board of Directors has determined that Michael Hamilton qualifies as an "audit committee financial expert," as defined in applicable SEC rules. The Board of Directors made a qualitative assessment of Mr. Hamilton's level of knowledge and experience based on a number of factors, including his formal education and his service in executive capacities, having financial oversight responsibilities.

#### **Compensation Committee**

The Compensation Committee of the Board of Directors reviews, modifies and approves the overall compensation strategy and policies for the Company. The Compensation Committee, among other things, reviews and approves corporate performance goals and objectives relevant to the compensation of the Company's officers; determines and approves the compensation and other terms of employment of the Company's Chief Executive Officer; determines and approves the compensation and other terms of employment of the other officers of the Company; and administers the Company's stock option and purchase plans, pension and profit sharing plans and other similar programs.

The Compensation Committee is composed of four outside directors: G. Tyler Runnels (Chairman), Robert Harcourt, Michael Hamilton and Gwenaël Rouy-Poirier. All members of the Compensation Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). The Compensation Committee met three times during the fiscal year ended October 31, 2024. The Compensation Committee Charter is available on the Company's website at [www.codaoctopusgroup.com](http://www.codaoctopusgroup.com).

#### **Compensation Committee Interlocks and Insider Participation**

No member of our compensation committee has at any time been an employee of ours. None of our executive officers serves as a member of the board of directors or the compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

#### **Nominating Committee**

The Nominating Committee of the Board of Directors is responsible for, among other things, identifying, reviewing and evaluating candidates to serve as directors of the Company; reviewing, evaluating and considering incumbent directors; recommending to the Board of Directors candidates for election to the Board of Directors; making recommendations to the Board of Directors regarding the membership of the committees of the Board of Directors, and assessing the performance of the Board of Directors.

The Nominating and Governance Committee is currently composed of four outside directors: G. Tyler Runnels (Chair), Michael Hamilton, Robert Harcourt and Gwenaël Rouy-Poirier. All members of the Nominating Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). The Nominating Committee met three times during the fiscal year ended October 31, 2024. The Nominating Committee Charter is available on the Company's website at [www.codaoctopusgroup.com](http://www.codaoctopusgroup.com).

The Nominating Committee has not established any specific minimum qualifications that must be met for recommendation for a position on the Board of Directors. Instead, in considering candidates for director the Nominating Committee will generally consider all relevant factors, including among others the candidate's applicable education, expertise and demonstrated excellence in his or her field, the usefulness of the expertise to the Company, the availability of the candidate to devote sufficient time and attention to the affairs of the Company, the candidate's reputation for personal integrity and ethics and the candidate's ability to exercise sound business judgment. Other relevant factors, including diversity, experience, and skills, will also be considered. Candidates for director are reviewed in the context of the existing membership of the Board of Directors (including the qualities and skills of the existing directors), the operating requirements of the Company and the long-term interests of its stockholders.

The Nominating Committee considers each director's executive experience and his or her familiarity and experience with the various operational, scientific and/or financial aspects of managing companies in our industry.

With respect to diversity, the Nominating Committee seeks a diverse group of individuals who have executive leadership experience and a complementary mix of backgrounds and skills necessary to provide meaningful oversight of the Company's activities. The Company meets the NASDAQ standards for diversity on the board of directors. The Nominating Committee annually reviews the Board's composition in light of the Company's changing requirements. The Nominating Committee uses the Board of Director's network of contacts when compiling a list of potential director candidates and may also engage outside consultants. Pursuant to its charter, the Nominating Committee will consider, but not necessarily recommend to the Board of Directors, potential director candidates recommended by stockholders. All potential director candidates are evaluated based on the factors set forth above, and the Nominating Committee has established no special procedure for the consideration of director candidates recommended by stockholders.

### **Employment Agreements**

#### ***Annamarie Gayle***

Pursuant to the terms of an employment agreement dated March 16, 2017, the Company employs Ms. Gayle as its Chief Executive Officer on a full-time basis and a member of its Board of Directors. Effective July 1, 2019, Ms. Gayle's annual salary is \$305,000. She is also entitled to an annual performance bonus of up to \$100,000, upon achieving certain targets that are to be defined on an annual basis. The agreement provides for 30 days of paid vacation in addition to public holidays observed in Denmark where she is resident.

The agreement has no definitive term and may be terminated upon twelve months' prior written notice by Ms. Gayle. In the event that the Company terminates her at any time without cause, she is entitled to a payment equal to her annual salary as well as a separation bonus of \$150,000. The Company may terminate the agreement for cause, immediately and without notice. Among others, "for cause" includes gross misconduct, a serious or repeated breach of the agreement and negligence and incompetence as reasonably determined by the Company's Board. The agreement includes a 12-month non-compete and non-solicitation provision.

#### ***Blair Cunningham***

Under the terms of an employment contract dated January 1, 2013, our wholly owned subsidiary Coda Octopus Products, Inc. employs Blair Cunningham as its Chief Executive Officer and President of Technology. On January 24, 2025, Mr. Cunningham's annual salary was increased to \$270,000 from 225,000, effective February 1, 2025. Mr. Cunningham is entitled to 25 vacation days in addition to any public holiday. The Company also makes a contribution to certain benefits such as 401(k), dental and medical cover.

The agreement may be terminated only upon twelve-month prior written notice without cause. The Company may terminate the agreement for cause, immediately and without notice. Among others, "for cause" includes gross misconduct, a serious or repeated breach of the agreement and negligence and incompetence as reasonably determined by the Company's Board. The agreement includes an 18-month non-compete and non-solicitation provision.

#### ***Gayle Jardine***

Under the terms of an employment contract dated September 2015, our wholly owned subsidiary Coda Octopus Products, Limited. employs Gayle Jardine as its European Finance Director. She is being paid an annual base salary of £82,000 (equivalent of \$104,875). Mrs. Jardine is entitled to 25 vacation days in addition to any public holiday.

In February 2024, Mrs. Jardine was appointed as Interim Chief Financial Officer of the Company. As an inducement for assuming the additional duties as Interim CFO, she is paid an additional short-term incentive payment of £6,000 (approximately \$7,674) for each month that she acted in such a capacity.

The total compensation package paid by the Company to Mrs. Jardine is \$196,963.

The company may terminate the agreement by giving nine weeks prior written notice without cause.

### **Code of Ethics**

We have adopted a code of ethics for all our employees, including our chief executive officer, principal financial officer and principal accounting officer or controller, and/or persons performing similar functions, which is available on our website, under the link entitled "Code of Ethics".

### **Claw Back Policy**

We have adopted a Claw Back Policy with effect from September 7, 2023. The Claw Back policy applies to Covered Executive of the Company and provide for the recovery of (i) Erroneously Awarded Compensation from Covered Executives, and (ii) Recoverable Amounts from Covered Executives. This Policy is designed to comply with Nasdaq Rule 5608 and with Section 10D and Rule 10D-1 of the Exchange Act.

**ITEM 11. EXECUTIVE COMPENSATION**

The Summary Compensation Table shows certain compensation information for services rendered for the fiscal years ended October 31, 2024, and 2023, by our executive officers. The following information includes the dollar value of base salaries, bonus awards, stock options grants and certain other compensation, if any, whether paid or deferred.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Restricted Stock Awards</u>	<u>Option Awards</u>	<u>* All Other Compensation</u>	<u>Total</u>
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Annmarie Gayle	2024	305,000	100,000	-0-	-0-		405,000
<i>Chief Executive Officer</i>	2023	305,000	100,000			-0-	405,000
Gayle Jardine**	2024	82,600	71,622	-0-	-0-	17,426	171,648
<i>Interim Chief Financial Officer</i>	2023	95,204	23,801	20,275	-0-	32,922	172,202
Kevin Kane***	2024	67,582	-0-	-0-	-0-	23,918	91,500
<i>Divisional Chief Executive Officer</i>	2023	200,000	-0-	-0-	-0-	21,876	221,876
John Price	2024	52,198	-0-	-0-	-0-	26,737	78,935
<i>Chief Financial Officer****</i>							
Blair Cunningham	2024	225,000	8,000	-0-	-0-	32,932	265,932
<i>President of Technology</i>	2023	225,000	30,000	-0-	-0-	21,854	276,854

\*The amounts described in the category of “All Other Compensation” comprise Health, Dental, Vision, Short Term Disability, Long Term Disability and Accidental Death and Dismemberment insurance premiums which the Company contributed to the officers’ identified plan.

\*\* Mrs. Gayle Jardine was appointed as Interim Chief Financial Officer of the Company in February 2024.

\*\*\* Mr. Kevin Kane vacated his role in March 2024.

\*\*\*\* Mr. John Price was Chief Financial Officer from November 27, 2023 until February 12, 2024.

**Grants of restricted stock awards as of October 31, 2024**

<u>Name</u>	<u>Grant Date</u>	<u>All other restricted awards; number of securities underlying restricted stock awards</u>	<u>Exercise or base price of restricted stock awards</u>	<u>Grant date fair value of restricted stock awards</u>
Gayle Jardine	5/3/2023	2,500	8.11	20,275

**Outstanding option awards as of October 31, 2024**

<u>Name</u>	<u>Option Awards</u>			
	<u>Number of securities underlying unexercised options exercisable</u>	<u>Number of securities underlying unexercised options unexercisable</u>	<u>Exercise or base price of option awards</u>	<u>Option expiration date</u>
Gayle Jardine	3,334	-	4.62	3/23/2025

## Option exercises for October 31, 2024

None

## DIRECTOR COMPENSATION

The following table sets forth the compensation paid to each of our directors (who are not also officers of the Company) for the fiscal year ended October 31, 2024, in connection with their services to the company. In accordance with the SEC's rules, the table omits columns showing items that are not applicable. Except as set forth in the table, no other persons were paid any compensation for director services.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Total (\$)
Michael Hamilton	\$ 50,000	\$ 15,000	\$ 65,000
Mr. Gwenael Rouy-Poirier	\$ 27,083	\$ 50,000	\$ 77,083
Dr. Angus McFadzean	\$ 16,700	\$ 40,000	\$ 56,700
G. Tyler Runnels	\$ 50,000	\$	\$ 50,000
Robert Harcourt	\$ 50,000	\$	\$ 50,000
Anthony Tata	\$ 50,000	\$	\$ 50,000

### Stock Incentive Plans

The Company has two active Stock Incentive Plans - 2017 Stock Incentive Plan and 2021 Stock Incentive Plan.

#### 2017 Stock Incentive Plan

On December 6, 2017, the Board of Directors adopted the 2017 Stock Incentive Plan (the "2017 Plan"). The purpose of the Plan is to advance the interests of the Company and its stockholders by enabling the Company and its subsidiaries to attract and retain qualified individuals through opportunities for equity participation in the Company, and to reward those individuals who contribute to the Company's achievement of its economic objectives. The Plan, which was adopted subject to stockholders' approval, was approved by Stockholders at its meeting held on July 24, 2018.

The maximum number of shares of Common Stock that will be available for issuance under the Plan is 913,612. The shares available for issuance under the Plan may, at the election of the Committee, be either treasury shares or shares authorized but unissued, and, if treasury shares are used, all references in the Plan to the issuance of shares will, for corporate law purposes, be deemed to mean the transfer of shares from treasury.

The Plan is administered by the Compensation Committee of the Board of Directors which has the authority to determine all provisions of Incentive Awards as the Committee may deem necessary or desirable and as consistent with the terms of the Plan, including, without limitation, the following: (i) eligible recipients; (ii) the nature and extent of the Incentive Awards to be made to each Participant; (iii) the time or times when Incentive Awards will be granted; (iv) the duration of each Incentive Award; and (v) the restrictions and other conditions to which the payment or vesting of Incentive Awards may be subject.

During the fiscal year ended October 31, 2024, pursuant to the terms of the 2017 Plan, the Company granted 21,208 restricted stock awards for an aggregate share of common stock of 21,208 to various eligible individuals. During this period 15,000 restricted stock awards were forfeited, and 2,394 units were converted into Treasury Stock and a further 72,542 vested and were issued to the holders of these by the Company. During the fiscal year ended October 31, 2024, no options were exercised, awarded or forfeited. As a result, as of October 31, 2024, there were 366,486 shares available for future issuance under the 2017 Plan.

The Company also issued 5,250 shares of common stock to an external consultant for services rendered in the reporting period.

#### 2021 Stock Incentive Plan

On July 12, 2021, the Board of Directors adopted the 2021 Stock Incentive Plan (the "2021 Plan"), which was approved by the Company's stockholders at its meeting held on August 2, 2021. The 2021 Plan is identical to the 2017 Plan in all material respects, except that the number of shares available for issuance thereunder is 1,000,000.

During 2024 FY the Company issued a total of 77,792 shares of common stock.

### Section 16(a) Beneficial Ownership Reporting Compliance

Under the Exchange Act, our directors, our executive officers, and any persons holding more than 10% of our common stock are required to report their ownership of the common stock and any changes in that ownership to the SEC. To our knowledge, based solely on our review of the copies of such reports received or written representations from certain reporting persons that no other reports were required, except as set forth below, we believe that during our fiscal year ended October 31, 2024, no reports relating to our securities required to be filed by current reporting persons were filed late.

We will continue monitoring Section 16 compliance by each of our directors and executive officers and will assist them where possible in their filing obligations.

**ITEM 12. SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth information as of January 25, 2025, regarding the beneficial ownership of our Common Stock, based on information provided by (i) each of our executive officers and directors; (ii) all executive officers and directors as a group; and (iii) each person who is known by us to beneficially own more than 5% of the outstanding shares of our Common Stock. The percentage ownership in this table is based on 11,218,804 shares issued and outstanding as of January 25, 2025.

Unless otherwise indicated, we believe that all persons named in the following table have sole voting and investment power with respect to all shares of Common Stock that they beneficially own.

Name and Address of Beneficial Owner <sup>(1)</sup>	Amount and Nature of Beneficial Ownership of Common Stock	Percent of Common Stock
Michael Hamilton	5,533	*
Annamarie Gayle <sup>(2)</sup>	2,367,952	21.1%
Gayle Jardine <sup>(3)</sup>	6,333	*
Blair Cunningham	38,211	*
Robert Harcourt	6,273	*
Anthony Tata	6,273	*
G. Tyler Runnels <sup>(4)</sup>	875,685	7.8%
Gwenael Rouy-Poirier <sup>(5)</sup>	-0-	*
Angus McFadzean <sup>(6)</sup>	17,411	*
<i>All Directors and Executive Officers as a Group</i> (Nine persons) <sup>(2)(3)(4)(5)(6)</sup> :	3,323,671	29.6%
Niels Sondergaard Carit Etlars Vej 17A 8700 Horsens Denmark	2,241,581	20%
J. Steven Emerson <sup>(7)</sup> 1522 Ensley Avenue Los Angeles, CA 90024	1,301,232	11.6%
Bryan Ezralow <sup>(8)</sup> 23622 Calabasas Rd. Suite 200 Calabasas, CA 91302	1,073,120	9.6%

\*) Less than 1%.

- 1) Unless otherwise indicated, the address of all individuals and entities listed below is c/o Coda Octopus Group, Inc. 3300 S Hiawasse Rd, Suite 104-105, Orlando, Florida, 32835.
- 2) Consists of 95,038 shares held by Ms. Gayle and 2,241,581 shares beneficially owned by Ms. Gayle's spouse, Niels Sondergaard. Ms. Gayle disclaims any beneficial ownership in those shares.
- 3) Includes 3,333 shares issuable upon exercise of currently exercisable options.
- 4) Includes 609,331 shares held by the G. Tyler Runnels and Jasmine Niklas Runnels TTEES of The Runnels Family Trust DTD 1-11-2000 of which Mr. Runnels is a trustee; 227,700 shares held by T.R. Winston; 24,368 shares held by TRW Capital Growth Fund, Ltd.; and 14,286 shares held by Pangaea Partners. The Company has been advised that Mr. Runnels has voting and dispositive power with respect to all of these shares.
- 5) Does not include 7,898 shares that will vest on April 15, 2025.
- 6) Includes 16,666 shares of common stock issuable upon exercise of currently exercisable options. Does not include 6,107 shares of common stock that vest on May 23, 2025.
- 7) Includes the following: 217,081 held by J. Steven Emerson IRA R/O II; 350,000 shares held by J. Steven Emerson Roth IRA; 49,328 shares held by Brian Emerson IRA; 310,928 shares held by Emerson Partners; 217,250 shares held by 1993 Emerson Family Trust; 8,286 shares held by the Alleghany Meadows IRA; 8,286 shares held by the Jill Meadows IRA; and 144,073 shares held by the Emerson family Foundation. The Company has been advised that Mr. Emerson has voting and dispositive power with respect to all of these shares.
- 8) Consists of 896,079 shares held by the Bryan Ezralow 1994 Trust u/t/d 12/22/1994; and 177,041 shares held by EZ MM&B Holdings, LLC. According to filings made with the SEC, Mr. Ezralow has voting and dispositive power with respect to these shares.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

None that are required to be reported herein.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

**Audit Fees.** The aggregate fees billed by Frazier & Deeter, LLC, our principal accountants, for professional services rendered for the audit and audit related services of the Company's annual financial statements for the last two fiscal years and for the reviews of the financial statements included in the Company's Quarterly reports on Form 10-Q during the last two fiscal years 2024 and 2023 were \$361,125 and \$381,987 respectively.

**Tax Fees.** The Company did not engage its principal accountants to render any tax services to the Company during the last two fiscal years.

**All Other Fees.** The Company did not engage its principal accountants to render services to the Company during the last two fiscal years, other than as reported above.

Prior to the Company's engagement of its independent auditor, such engagement is approved by the Company's Audit Committee. The services provided under this engagement may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. Pursuant to the Company's Audit Committee Charter, the independent auditors and management are required to report to the Company's audit committee at least quarterly regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. The audit committee may also pre-approve particular services on a case-by-case basis. All audit-related fees, tax fees and other fees incurred by the Company for the year ended October 31, 2024, were approved by the Company's Audit Committee.

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

<b>Exhibit Number</b>	<b>Description</b>
2.1	<a href="#">Plan and Agreement of Merger dated July 12, 2004 by and between Panda and Coda Octopus</a> <sup>(1)</sup>
3.1	<a href="#">Restated Certificate of Incorporation</a> <sup>(2)</sup>
3.2	<a href="#">By-Laws</a> <sup>(1)</sup>
10.30	<a href="#">Employment Contract dated January 1, 2013 between Coda Octopus Products, Inc. and Blair Cunningham</a> <sup>(3)</sup>
10.31	<a href="#">Employment Contract dated March 16, 2017 between the Company and Annmarie Gayle</a> <sup>(4)</sup>
10.32	<a href="#">2017 Stock Incentive Plan</a> <sup>(5)</sup>
10.33	<a href="#">Employment Agreement dated May 7, 2021 between Coda Octopus Colmek, Inc and Kevin Kane</a> <sup>(6)</sup>
10.34	<a href="#">2021 Stock Incentive Plan</a> <sup>(7)</sup>
10.35	<a href="#">Employment Agreement dated August 30, 2023, between the Company and John Price</a> <sup>(8)</sup>
10.36	<a href="#">Share Purchase Agreement dated October 29, 2024, between LG Motion and Others and Coda Octopus R&amp;D Limited.</a>
14	<a href="#">Code of Ethics</a> <sup>(9)</sup>
23.1	<a href="#">Consent of Frazier &amp; Deeter, LLC (filed herewith)</a>
31.1	<a href="#">Chief Executive Office and Interim Chief Financial Officer Certification</a>
32	<a href="#">Certificate Pursuant to 18 U.S.C Section 1350</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

- (1) Incorporated by reference to the Company's Registration Statement on Form SB-2 (SEC File No.143144)
- (2) Incorporated by reference to the Company's Registration Statement on Form 10.
- (3) Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended October 31, 2010
- (4) Incorporated by reference to the Company's Registration Statement on Form 10/A filed March 29,2017
- (5) Incorporated by reference to the Company's Annual Report on Form 10 for the year ended October 31, 2017
- (6) Incorporated by reference to the Company's Form 10-K for the year ended October 31, 2021, filed February 14, 2022
- (7) Incorporated by reference to the Company's Definitive Statement filed August 2, 2021
- (8) Incorporated by reference to the Company's Current Report on Form 8-K filed September 5, 2023
- (9) Incorporated by reference to the Company's Form 10-K for the year ended October 31, 2017, filed January 30, 2018

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: January 29, 2025

CODA OCTOPUS GROUP, INC.

/s/ Annmarie Gayle  
Chief Executive Officer

## POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Annmarie Gayle, his or her true and lawful attorney-in-fact and agent, with full power of substitution and re-substitution, severally, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this annual report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof. This power of attorney may be executed in counterparts.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Annmarie Gayle</u> Annmarie Gayle	Chief Executive Officer and Chairman (Principal Executive Officer)	January 29, 2025
<u>/s/ Gayle Jardine</u> Gayle Jardine	Interim Chief Financial Officer (Principal Financial and Accounting Officer)	January 29, 2025
<u>/s/ Michael Hamilton</u> Michael Hamilton	Director	January 29, 2025
<u>/s/ Robert Harcourt</u> Robert Harcourt	Director	January 29, 2025
<u>/s/ Anthony Tata</u> Anthony Tata	Director	January 29, 2025
<u>/s/ G. Tyler Runnels</u> G. Tyler Runnels	Director	January 29, 2025
<u>/s/ Gwenael Rouy-Poirier</u> Gwenael Rouy-Poirier	Director	January 29, 2025
<u>/s/ Angus McFadzean</u> Dr. Angus McFadzean	Director	January 29, 2025

CODA OCTOPUS GROUP, INC.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Coda Octopus Group, Inc.

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Coda Octopus Group, Inc. and subsidiaries (the “Company”) as of October 31, 2024 and 2023, and related consolidated statements of income and comprehensive income, changes in stockholders’ equity, and cash flows for the years then ended, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2024 and 2023, and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

## Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### *Valuation of Intangible Asset*

As described in Note 7 to the consolidated financial statements, the Company acquired Precision Acoustics Limited (“PAL”), for a net purchase price of approximately \$6.5 million. As part of its purchase price allocation, the Company determined approximately \$2.9 million should be allocated to an acquired technology intangible asset.

We identified the Company’s valuation of the intangible asset as a critical audit matter because of the significant estimates and assumptions management used in the estimate of the preliminary acquisition date fair value, including forecasts of future revenues and expenses and the selection of the discount rates. Auditing management’s valuation methodologies and forecasts of future revenues and expenses as well as the selection of the discount rates involved a high degree of auditor judgment and increased audit effort, including the use of our valuation specialists, as changes in these assumptions could have a significant impact on the preliminary acquisition date fair value of the intangible asset.

Our audit procedures related to the Company’s estimate of the preliminary acquisition date fair value of the intangible asset included the following, among others:

- We read the purchase agreements and full closing document binder to understand and evaluate the terms of the transaction to determine that the acquisition met the requirements of a business combination.
- We evaluated the analysis of the initial allocation of the purchase price accounting as well as the determination of the balance sheet classification of the intangible asset.
- We obtained the Company’s valuation expert report to gain an understanding of the processes and key assumptions for estimating the fair value of intangible asset.
- We utilized our valuation specialists to evaluate the adequacy and appropriateness of the methodologies and assumptions, including the weighted-average cost of capital and the discount rate, used by the Company’s third-party valuation expert in developing the estimated fair value of the intangible asset.
- We assessed the reasonableness of management’s cash flow forecasts based on historical results, revenue growth assumptions and expected inflation.
- We performed independent calculations to test the reasonableness and mathematical accuracy of the fair value concluded on by the Company.
- We evaluated the qualifications of the Company’s valuation expert based on credentials, reputation and experience.
- We assessed the appropriateness of the disclosures in the consolidated financial statements.

*/s/ Frazier & Deeter, LLC*

We have served as the Company’s auditor since 2014.

Atlanta, Georgia

January 29, 2025

**CODA OCTOPUS GROUP, INC.**  
**Consolidated Balance Sheets**  
**October 31, 2024 and 2023**

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 22,479,072	\$ 24,448,841
Accounts Receivable	3,493,463	2,643,461
Inventory	13,975,529	11,685,525
Unbilled Receivables	1,657,827	894,251
Prepaid Expenses	537,289	181,383
Other Current Assets	838,835	1,034,626
<b>Total Current Assets</b>	<b>42,982,015</b>	<b>40,888,087</b>
<b>FIXED ASSETS</b>		
Property and Equipment, net	6,822,990	6,873,320
Right of Use Assets	413,171	-
<b>Total Fixed Assets</b>	<b>7,236,161</b>	<b>6,873,320</b>
<b>OTHER ASSETS</b>		
Goodwill	3,639,334	3,382,108
Intangible Assets, net	3,687,034	486,615
Deferred Tax Asset	-	211,386
<b>Total Other Assets</b>	<b>7,326,368</b>	<b>4,080,109</b>
<b>Total Assets</b>	<b>\$ 57,544,544</b>	<b>\$ 51,841,516</b>

**CODA OCTOPUS GROUP, INC.**  
**Consolidated Balance Sheets (Continued)**  
**October 31, 2024 and 2023**

	2024	2023
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,034,488	\$ 1,308,201
Current portion of operating lease liabilities	32,298	-
Accrued Expenses and Other Current Liabilities	1,604,596	995,630
Deferred Revenue	1,225,634	975,537
<b>Total Current Liabilities</b>	<b>3,897,016</b>	<b>3,279,368</b>
<b>LONG TERM LIABILITIES</b>		
Deferred Tax Liability, net	82,011	-
Non-current operating lease liabilities	380,873	-
Deferred Revenue, less current portion	56,121	133,382
<b>Total Long Term Liabilities</b>	<b>519,005</b>	<b>133,382</b>
<b>Total Liabilities</b>	<b>4,416,021</b>	<b>3,412,750</b>
<b>Commitments and contingencies</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock, \$.001 par value; 150,000,000 shares authorized, 11,195,487 issued and outstanding as of October 31, 2024 and 11,117,695 shares issued and outstanding as of October 31, 2023	11,195	11,118
Preferred Stock \$.001 par value; 5,000,000 shares authorized, zero issued and outstanding as of October 31, 2024 and 2023	-	-
Treasury Stock	(61,933)	(46,300)
Additional Paid-in Capital	63,096,583	62,958,984
Accumulated Other Comprehensive Loss	(2,510,831)	(3,442,549)
Accumulated Deficit	(7,406,491)	(11,052,487)
<b>Total Stockholders' Equity</b>	<b>53,128,523</b>	<b>48,428,766</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 57,544,544</b>	<b>\$ 51,841,516</b>

**CODA OCTOPUS GROUP, INC.**  
**Consolidated Statements of Income and Comprehensive Income**

	Year Ended October 31,	
	2024	2023
Net Revenues	\$ 20,316,161	\$ 19,352,088
Cost of Revenues	6,143,056	6,321,033
Gross Profit	14,173,105	13,031,055
<b>OPERATING EXPENSES</b>		
Research & Development	2,242,429	2,096,467
Selling, General & Administrative	8,346,545	8,195,036
Total Operating Expenses	10,588,974	10,291,503
<b>INCOME FROM OPERATIONS</b>	<b>3,584,131</b>	<b>2,739,552</b>
<b>OTHER INCOME</b>		
Other Income	88,382	39,146
Interest Income	938,775	642,530
Total Other Income	1,027,157	681,676
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	<b>4,611,288</b>	<b>3,421,228</b>
<b>INCOME TAX EXPENSE</b>		
Current Tax Expense	713,670	248,655
Deferred Tax Expense	251,622	48,424
Total Income Tax Expense	965,292	297,079
<b>NET INCOME</b>	<b>\$ 3,645,996</b>	<b>\$ 3,124,149</b>
<b>NET INCOME PER SHARE:</b>		
Basic	\$ 0.33	\$ 0.28
Diluted	\$ 0.32	\$ 0.28
<b>WEIGHTED AVERAGE SHARES:</b>		
Basic	11,166,956	11,131,469
Diluted	11,290,327	11,323,568
<b>NET INCOME</b>	<b>\$ 3,645,996</b>	<b>\$ 3,124,149</b>
Foreign Currency Translation Adjustment	931,718	1,294,575
Total Other Comprehensive Income	\$ 931,718	\$ 1,294,575
<b>COMPREHENSIVE INCOME</b>	<b>\$ 4,577,714</b>	<b>\$ 4,418,724</b>

**CODA OCTOPUS GROUP, INC.**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the Years Ended October 31, 2024 and 2023**

	Common Stock		Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock	Total
	Shares	Amount					
Balance, October 31, 2022	<u>10,916,853</u>	<u>\$ 10,918</u>	<u>\$ 62,313,988</u>	<u>\$ (4,737,124)</u>	<u>\$ (14,176,636)</u>	<u>\$ (28,337)</u>	<u>\$ 43,382,809</u>
Employee stock-based compensation	-	-	645,196	-	-	-	645,196
Stock issued for options exercised and stock grants	200,842	200	(200)	-	-	(17,963)	(17,963)
Foreign currency translation adjustment	-	-	-	1,294,575	-	-	1,294,575
Net Income	-	-	-	-	3,124,149	-	3,124,149
Balance, October 31, 2023	<u>11,117,695</u>	<u>\$ 11,118</u>	<u>\$ 62,958,984</u>	<u>\$ (3,442,549)</u>	<u>\$ (11,052,487)</u>	<u>\$ (46,300)</u>	<u>\$ 48,428,766</u>
Employee stock-based compensation	-	-	137,676	-	-	-	137,676
Stock issued for options exercised and stock grants	77,792	77	(77)	-	-	(15,633)	(15,633)
Foreign currency translation adjustment	-	-	-	931,718	-	-	931,718
Net Income	-	-	-	-	3,645,996	-	3,645,996
Balance, October 31, 2024	<u>11,195,487</u>	<u>\$ 11,195</u>	<u>\$ 63,096,583</u>	<u>\$ (2,510,831)</u>	<u>\$ (7,406,491)</u>	<u>\$ (61,933)</u>	<u>\$ 53,128,523</u>

**CODA OCTOPUS GROUP, INC.**  
**Consolidated Statements of Cash Flows**

	Year Ended October 31,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 3,645,996	\$ 3,124,149
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	710,059	603,467
Amortization of intangible assets	60,476	64,063
Stock-based compensation	137,676	645,196
Deferred income taxes	251,622	48,726
Gain on sale of property and equipment	(33,907)	-
Allowance for credit loss	119,405	-
(Increase) decrease in operating assets, net of assets acquired		
Accounts receivable	(506,120)	291,873
Inventory	(707,897)	(1,287,108)
Unbilled receivables	(758,537)	(281,981)
Prepaid expenses	(284,041)	68,836
Other current assets	73,234	(330,516)
(Decrease) increase in operating liabilities, net of liabilities assumed		
Accounts payable and other current liabilities	93,685	(613,239)
Deferred revenue	(349,976)	56,410
<b>Net Cash Provided by Operating Activities</b>	<b>2,451,675</b>	<b>2,389,876</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(502,525)	(2,021,948)
Purchases of other intangible assets	(89,103)	(108,392)
Acquisitions, net of acquired cash	(4,605,285)	-
Proceeds from the sale of property and equipment	775,821	609,565
<b>Net Cash Used in Investing Activities</b>	<b>(4,421,092)</b>	<b>(1,520,775)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Purchase of treasury stock	(15,633)	(17,963)
<b>Net Cash Used in Financing Activities</b>	<b>(15,633)</b>	<b>(17,963)</b>
<b>EFFECT OF CURRENCY TRANSLATION ON CHANGES IN CASH AND CASH EQUIVALENTS</b>		
	15,281	670,332
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,969,769)</b>	<b>1,521,470</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>24,448,841</b>	<b>22,927,371</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>\$ 22,479,072</b>	<b>\$ 24,448,841</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for taxes	\$ 363,374	\$ 1,406,562
Cash paid for interest	-	-

**CODA OCTOPUS GROUP, INC.**  
Notes to the Consolidated Financial Statements  
October 31, 2024 and 2023

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Until October 29, 2024, Coda Octopus Group, Inc. (“Coda,” “the Company,” or “we”) operated two operating business units. These are the Marine Technology Business (“Products Business,” or “Products Segment”) and the Marine Engineering Business (“Services Business,” “Engineering Business” or “Services Segment”). On October 29, 2024, the Company acquired Precision Acoustics Limited (“PAL”). For Segment Reporting purposes this newly acquired business unit will be reported within our Products Segment.

The Marine Technology Business is an established supplier of underwater technologies and solutions, to the underwater/subsea market. Its products and solutions comprise both hardware and software for which it is the innovator, developer, manufacturer and distributor. It has key proprietary 3D/4D/5D/6D imaging sonar technology marketed under the name of Echoscope<sup>®</sup> and Echoscope PIPE<sup>®</sup> and diving technology marketed under the name of CodaOctopus<sup>®</sup> DAVD (Diver Augmented Vision Display). The Echoscope<sup>®</sup> sonar series is the only sonar that can generate multiple real time 3D images of moving objects underwater in zero visibility conditions. This business also launched the DAVD system in 2021 which emanated from the requirements of the Office of Naval Research as part of its Future Naval Requirements Program. The DAVD embeds inside of the diver Head up Display (HUD) a pair of transparent glasses which is used as the data hub for displaying real time data to the diver. It allows both the diver underwater and the dive supervisor on the surface to see the same data or underwater scene. In addition, by combining the DAVD with the Echoscope<sup>®</sup>, dive operations can be performed in zero visibility conditions. These conditions are a common barrier which impinges on the ability to perform these activities and therefore the DAVD combined with the Echoscope<sup>®</sup> is a real requirement for these operations.

The Engineering Business is an established sub-contractor to prime defense contractors and generally designs, engineers, manufactures and supplies proprietary sub-assemblies for incorporation into broader mission critical defense systems. These sub-assemblies are typically supplied for the life of the program. The Marine Engineering Business’ scope of services for these defense programs typically extends to concept, design, prototype, manufacture, and post-sale support. The manufacturing contracts for these sub-assemblies can run over many years and during this time they enjoy sole supplier status for these sub-assemblies which they supply into these programs.

On October 29, 2024, we acquired PAL, a company established under the laws of England. This Company is a recognized leader in the ultrasound and acoustic measurement field. Specializing in acoustic hydrophone design and innovative acoustic materials, they provide a comprehensive range of products and solutions, with a primary focus on medical imaging and Non-Destructive Testing (NDT). NDT is used to validate the viability of structures such as aircraft, ship hulls, wellheads and other subsea structures. Their expertise extends to working closely with national and global standard-setting bodies (such as the National Physical Laboratory of the UK), contributing to the establishment of the primary measurement standards in the industry. This business was acquired to gain access to their expertise and leverage this across the group including in the area of advancing the Echoscope<sup>®</sup> technology. We believe the addition of their expertise and capabilities positions the Group to qualify to compete for larger Defense contracts. PAL had no material income statement activity in the two days from the acquisition date to the end of the Company’s fiscal end on October 31, 2024. Therefore, there are no revenues or expenses relating to PAL recorded in the Company’s Consolidated Statements of Income and Comprehensive Income.

**CODA OCTOPUS GROUP, INC.**  
Notes to the Consolidated Financial Statements  
October 31, 2024 and 2023

The consolidated financial statements include the accounts of Coda Octopus Group, Inc. and its wholly owned domestic and foreign subsidiaries (except as disclosed, PAL is not included in the Company's Consolidated Statements of Income and Comprehensive Income for the year ended October 31, 2024 as it had no material income statement activity from the date of acquisition to the Company's fiscal year end). All significant intercompany transactions and balances have been eliminated in the consolidated financial statements.

**NOTE 2 - SUMMARY OF ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying consolidated financial statements of the Company and its wholly owned subsidiaries have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States ("U.S.") and the applicable rules and regulations of the Securities and Exchange Commission (the "SEC") and the Public Company Accounting Oversight Board ("PCAOB").

The Company's fiscal year ends on October 31. The Company employs a calendar month-end reporting period for its quarterly reporting.

**Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The accounting estimates and assumptions that require management's most significant, challenging, and subjective judgment include estimates related to the percentage of completion method used to account for contracts including costs and earnings in excess of billings, billings in excess of costs and estimated earnings, the valuation of the deferred tax asset, the valuation of the assets purchased and liabilities assumed in our acquisition of PAL, and the valuation of goodwill. Actual results realized by the Company may differ from management's estimates.

**Reclassifications**

Certain amounts included in the accompanying Consolidated Balance Sheets, Consolidated Statements of Income and Comprehensive Income, and Consolidated Statements of Cash Flows for the year ended October 31, 2023, have been reclassified to conform to the October 31, 2024, presentation.

**Revenue Recognition**

Revenue is recognized when control of the promised goods or services is transferred to a customer in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services, which may include various combinations of goods and services which are generally capable of being distinct and accounted for as separate performance obligations. See "Note 4 – Revenue" for a detailed discussion on revenue and revenue recognition.

**Cost of Revenue**

Our Cost of Revenues includes the cost of materials and related direct costs. With respect to sales made through the Company's sales agents distribution network, we include in our costs of revenues the commissions paid to agents for the specific sales that they make. All other sales-related expenses, including those related to unsuccessful bids, are included in selling, general and administrative costs. Sales commissions included as a component of Cost of Revenues were \$740,507 and \$826,719 for the years ended October 31, 2024 and 2023, respectively.

**CODA OCTOPUS GROUP, INC.**  
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#### Foreign Currency Translation

The Company's operations are split between the United States, United Kingdom, Denmark, Netherlands, Australia and India. The foreign subsidiaries' functional currencies are those of their respective local jurisdictions and are translated into U.S. dollars for the purpose of reporting the Company's consolidated financial results. The translation of assets and liabilities into U.S. dollars for subsidiaries with a functional currency other than the U.S. dollar is performed using exchange rates in effect at the balance sheet date of October 31, 2024 and 2023 respectively. Stockholders' equity, fixed assets and long-term investments are recorded at historical exchange rates. The translation of revenues and expenses into U.S. dollars for subsidiaries with a functional currency other than the U.S. dollar is performed using the average exchange rate for the respective reporting period. Gains or losses from cumulative translation adjustments, net of tax, are included as a component of accumulated other comprehensive loss in the Consolidated Balance Sheets. The Company records net foreign exchange transaction gains and losses in the Consolidated Statements of Income and Comprehensive Income.

For the years ended October 31, 2024, and 2023, the Company recorded an aggregate transaction loss of \$287,939 and \$190,073, respectively. The aggregate transaction losses were recorded as a component of Selling, General & Administrative ("SG&A").

#### Treasury Stock

Repurchases by the Company of common stock awarded pursuant to the Company's Stock Incentive Plan to provide our employees with funds to pay their tax obligations on such common stock are classified as treasury stock on our Consolidated Balance Sheet. We account for treasury stock under the cost method. When treasury stock is re-issued at a price higher than its cost, the difference is recorded as a component of additional paid-in-capital in our Consolidated Balance Sheet. When treasury stock is re-issued at a price lower than its cost, the difference is recorded as a reduction of retained earnings in our Consolidated Balance Sheet.

#### Segment Reporting

Operating segments are defined as components of an enterprise for which separate financial information is available and that is evaluated on a regular basis by the chief operating decision-maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's operations are organized into two reportable segments: Products Segment (Marine Technology Business serving the subsea market and PAL, which sells other products (acoustic hydrophones and acoustic materials to a different market); and the Services Segment (Marine Engineering Business). The Company's organizational structure is based on many factors that the CODM uses to evaluate, view and run the business operations, which include, but are not limited to, customer base and homogeneity of products and technology. The segments are based on this organizational structure and information reviewed by the Company's CODM to evaluate segment results. The CODM uses several metrics to evaluate the performance of the overall business, including revenue and earnings from operations, and uses these results to allocate resources to each of the segments.

#### Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents are maintained with various financial institutions. As of October 31, 2024, approximately \$21.0 million may be in excess of federal deposit insurance limits.

**CODA OCTOPUS GROUP, INC.**  
Notes to the Consolidated Financial Statements  
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## Financial Instruments

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, accounts receivable, trade and other payables, and deferred revenue. The carrying amounts of the Company's cash equivalents, accounts receivables, unbilled receivables, accounts payables, accrued liabilities and deferred revenue, as reflected in the consolidated financial statements approximate fair value due to the short-term maturity of these items. Fair value is defined 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 long-term deferred revenue approximates its carrying amounts as assessed by management. The Company's financial instruments are exposed to certain financial risks, primarily concentration risk. Concentration risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash, cash equivalents and trade receivables. The carrying amount of the financial assets represents the maximum credit exposure. The Company limits its exposure to concentration risk on cash by placing these financial instruments with high-credit, quality financial institutions and only investing in liquid, investment grade securities. The Company's bank deposits are held with financial institutions both in and outside the United States. At times, such amounts may be in excess of applicable government mandated insurance limits. The Company has not experienced any losses in such accounts or lack of access to its cash. The Company's accounts receivables are subject to potential concentrations of credit risk, since a significant part of the Company's sales are to a small number of companies and, even though these are generally established businesses, market fluctuations may affect our customers' ability to meet their obligations to us. Furthermore, trade disputes may result in impairment or delays in receivables.

### Accounts Receivable

The timing of revenue recognition may differ from the timing of invoicing to customers. The Company records a receivable when revenue is recognized prior to cash collection.

Payment terms and conditions vary by contract type, location of customer and the products or services offered, although terms generally require payment from a customer within 30-60 days (depending on the type of customer) for our Products Business and between 45-60 days from our Services Business. When the timing of revenue recognition differs from the timing of cash collection, an evaluation is performed to determine whether the contract includes a significant financing component. Accounts Receivable were \$3,493,463, \$2,643,461 and \$2,870,600 as of October 31, 2024, 2023 and 2022, respectively.

### Allowance for Credit Losses

The allowance for credit losses, which includes the allowance for accounts receivable and unbilled accounts receivable, represents the Company's best estimate of lifetime expected credit losses inherent in those financial assets. The Company's lifetime expected credit losses are determined using relevant information about past events (including historical experience), current conditions, and reasonable and supportable forecasts that affect collectability. The Company monitors its credit exposure through ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. In addition, the Company performs routine credit management activities such as timely account reconciliations, dispute resolution, and payment confirmations. The Company may employ collection agencies and legal counsel to pursue recovery of defaulted receivables. The Allowance for Credit Losses was \$119,405 for the year ended October 31, 2024, and \$0 for the years ended October 31, 2023 and 2022, respectively.

### Inventory

Inventories consist primarily of raw materials and finished goods and are stated at the lower of cost or net realizable value on an aggregate basis. Cost is computed using the average of actual cost, on a first-in, first-out basis. Adjustments to reduce the carrying amount of inventory to the lower of cost or net realizable value are made, if required, for excess or obsolete goods, which includes a review of, among other factors, demand requirements and market conditions. This valuation requires us to make judgments, based on currently available information, about the likely method of disposition, such as through sales to individual customers, returns of product to vendors, or liquidations, and expected recoverable values of each disposition category. These assumptions about the future disposition of inventory are inherently uncertain and changes in our estimates and assumptions may cause us to realize material write-downs in the future. In addition, we enter into supplier commitments for certain electronic device components and certain products. These commitments are based on forecasted customer demand. If we reduce these commitments, we may incur additional costs.

**CODA OCTOPUS GROUP, INC.**  
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#### Business Combinations

The Company accounts for business combinations using the acquisition method of accounting in accordance with ASC 805, “Business Combinations.” Identifiable assets acquired and liabilities assumed are recorded at their fair values on the acquisition date. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Acquisition-related costs are expensed as incurred. Upon acquisition, the accounts and results of operations are consolidated as of and subsequent to the acquisition date. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. The Company utilizes commonly accepted valuation techniques, such as the income, market and cost approaches, as appropriate, in establishing the fair value of intangible assets. Typically, key assumptions include projections of cash flows that arise from identifiable intangible assets of acquired businesses as well as discount rates based on an analysis of the weighted average cost of capital, adjusted for specific risks associated with the assets.

#### Goodwill and Intangible Assets

Goodwill and intangible assets consist principally of the excess of cost over the fair value of net assets acquired (i.e., goodwill), customer relationships, value of technology, non-compete agreements and licenses. Goodwill was allocated to our reporting units based on the original purchase price allocation. Goodwill is not amortized and is evaluated for impairment annually or more often if circumstances indicate impairment may exist. Customer relationships, non-compete agreements, value of technology, patents and licenses are being amortized on a straight-line basis over periods of 2 to 15 years. The Company amortizes its intangible assets using the straight-line method over their estimated period of benefit. We annually evaluate the recoverability of goodwill and intangible assets and carefully consider events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists.

The goodwill impairment test is conducted once a year, or more frequently if necessary, and is used to identify potential impairment by comparing the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting units, which is based on future discounted cash flows, exceeds the carrying amount, goodwill is not considered impaired. If the fair value of the reporting unit is less than its carrying amount, goodwill is impaired in the amount of the difference between the higher carrying amount and the fair value of the reporting unit. The Company has adopted Accounting Standards Codification 2017 – 04, Simplifying the Test for Goodwill Impairment, which permits the Company to impair the difference between the carrying amount in excess of the fair value of the reporting unit as a reduction in goodwill.

At the end of each year, we evaluate goodwill on a separate reporting unit basis to assess recoverability, and impairments, if any, are recognized in earnings. An impairment loss would be recognized in an amount equal to the excess of the carrying amount of the reporting unit compared to the fair value of the reporting unit. To date, the Company has not had any goodwill impairments.

Finite-lived intangible assets consist of acquired patents, customer relationships, value of technology and non-compete agreements resulting from business combinations. The Company’s intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from 2 to 15 years. The Company makes judgments about the recoverability of finite-lived intangible assets whenever facts and circumstances indicate that the useful life is shorter than originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances exist, the Company assesses recoverability by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets. If the useful life is shorter than originally estimated, the Company would accelerate the rate of amortization and amortize the remaining carrying value over the new shorter useful life. The Company evaluates the carrying value of indefinite-lived intangible assets on an annual basis, and an impairment charge would be recognized to the extent that the carrying amount of such assets exceeds their estimated fair value.

**CODA OCTOPUS GROUP, INC.**  
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Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for minor replacements, maintenance and repairs which do not increase the useful lives of the property and equipment are charged to operations as incurred. Major additions and improvements are capitalized.

Depreciation and amortization are computed using the straight-line method over their estimated useful lives:

Buildings	50 years
Office machinery and equipment	3-5 years
Rental assets	3-7 years
Furniture, fixtures, and improvements	3-5 years

Depreciation expense is presented as a component of SG&A expense in the Consolidated Statements of Income and Comprehensive Income. Depreciation expense related to the Marine Technology Products Business "Rental Assets" used for generating rental income is allocated 70% to Cost of Goods Sold and the remaining 30% as a component of SG&A expense. For the years ended October 31, 2024 and 2023, our depreciation costs allocated to Cost of Sales for rental assets were \$271,276 and \$186,361, respectively.

Leases

We review our documents to determine if an arrangement is a lease or contains a lease at inception. Even though we own most of our property, we still may have a lease agreement for office and/or production facilities. The determination if these agreements are lease agreements does not require significant estimates or judgments on our part. Our leases may also contain non-lease components such as payments of maintenance, utilities, and taxes ("non-lease components") which we account for separately as these non-lease components are readily determinable. At the commencement date of a lease, we recognize a liability to make lease payments and an asset representing the right to use the asset over the lease term. The lease liability is measured at the present value of the minimum rental payments discounted using our incremental borrowing rate over the lease term. The incremental borrowing rate is the rate of interest that we would have to pay to borrow on a fully collateralized basis over a similar term and amount equal to the lease payments in a similar economic environment at the time of lease initiation. We determine the incremental borrowing rate through discussion with our principal bank. The right-of-use asset is measured at cost, which includes the initial measurement of the lease liability and initial direct costs, net of lease incentives, if any.

The lease term used to measure right-of-use assets and lease liabilities may include renewal options which we deem are reasonably certain to be exercised. Operating lease costs are recognized on a straight-line basis over the lease term. Variable lease expense increases, based on indices that are fixed and included in the lease document, are included in the right-of-use asset and lease liability. Currently, we are only capitalizing one lease that we acquired in connection with the acquisition of PAL.

Our lease portfolio consists of one non-cancellable operating lease of office and production space that we assumed in our acquisition of PAL. This lease expires in March 2033. There was no operating lease payments included in our financial statements for this lease expense during the year ended October 31, 2024, although we did establish the right-of-use asset and lease liability in the fair value opening balance sheet of PAL.

**CODA OCTOPUS GROUP, INC.**  
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Other information related to operating leases were as follows (in \$, years for life and percentage for interest rate):

Description	Year ended October 31, 2024	Year ended October 31, 2023
Lease liability assumed at acquisition	\$ 413,171	-
Future minimum lease payments	568,076	-
Cash paid for amounts included in the measurement of lease liability	-	-
Remaining life of the lease in Years	8.42	-
Discount Rate	6.75%	-

#### Impairment of Long-Lived Assets

Management reviews long-lived assets, including property and equipment, right of use assets and intangible assets, for possible impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Such events and changes may include: a significant decrease in market value, changes in asset use, negative industry or economic trends, and changes in the Company's business strategy. The Company measures recoverability of these assets by comparing the carrying amounts to the future undiscounted cash flows that the assets or the asset group are expected to generate. If the carrying value of the assets is not recoverable, an impairment charge is recognized by discounting the undiscounted cash flow and determining the amount by which the carrying amount of the asset exceeds the fair value of the assets.

#### Research and Development

Research and development costs are comprised primarily of employee-related costs, stock-based compensation expense, engineering consulting expenses associated with new product and technology development, product commercialization, quality assurance and testing costs, as well as costs related to information technology, patent applications and examinations, materials, supplies, and an allocation of facilities costs. All research and development costs are expensed as they are incurred.

#### Stock-Based Compensation

The Company accounts for stock-option compensation expense in accordance with the authoritative guidance on stock-based payments. Under the provisions of the guidance, stock-option based compensation expense is measured at the grant date based on the fair value of the option using a Black-Scholes option pricing model and is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period.

The authoritative guidance also requires that the Company measure and recognize stock-based compensation expense upon modification of the term of a stock award. The stock-based compensation expense for such modification is the sum of any unamortized expense of the award before modification and the modification expense. The modification expense is the incremental amount of the fair value of the award before the modification and the fair value of the award after the modification, measured on the date of modification. In the event the modification results in a longer requisite period than in the original award, the Company has elected to apply the pool method where the aggregate of the unamortized expense and the modification expense is amortized over the new requisite period on a straight-line basis. In addition, any forfeiture will be based on the original requisite period prior to the modification.

Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the stock-based awards, stock price volatility, and the pre-vesting option forfeiture rate. The Company estimates the expected life of options granted based on historical exercise patterns, which are believed to be representative of future behavior. The Company estimates the volatility of the Company's common stock on the date of grant based on historical volatility. The assumptions used in calculating the fair value of stock-based awards represent the Company's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and the Company uses different assumptions, its stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. The Company estimates the forfeiture rate based on historical experience of its stock-based awards that are granted, exercised and cancelled. If the actual forfeiture rate is materially different from the estimate, stock-based compensation expense could be significantly different from what was recorded in the current period.

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The Company may grant restricted stock units (“RSUs”) to employees or consultants. RSU awards vest upon grant or fixed term, generally 36 months. The Company uses the closing trading price of its common stock on the date of RSUs vest as the fair value of awards of restricted stock units. Stock-based compensation from RSU awards is recognized on a straight-line basis over the RSU awards’ vesting period.

#### Income Taxes

The Company accounts for income taxes in accordance with Accounting Standards Codification 740, Income Taxes (ASC 740). Under ASC 740, deferred income tax assets and liabilities are recorded for the income tax effects of differences between the bases of assets and liabilities for financial reporting purposes and their bases for income tax reporting. The Company’s differences arise principally from the use of various accelerated and modified accelerated cost recovery systems for income tax purposes versus straight line depreciation used for book purposes and from the utilization of net operating loss carry-forwards.

Deferred tax assets and liabilities are the amounts by which the Company’s future income taxes are expected to be impacted by these differences as they reverse. Deferred tax assets are based on differences that are expected to decrease future income taxes as they reverse. Correspondingly, deferred tax liabilities are based on differences that are expected to increase future income taxes as they reverse. Note 11 Income Taxes discloses the amounts of deferred tax assets and liabilities and presents the impact of significant differences between financial reporting income and taxable income.

For income tax purposes, the Company uses the percentage of completion method of recognizing revenues on long-term contracts which is consistent with the Company’s financial reporting under GAAP.

From time to time, the Company engages in transactions in which the tax consequences may be subject to uncertainty. Significant judgment is required in assessing and estimating the tax consequences of these transactions. Accruals for unrecognized tax benefit liabilities, which represent the difference between a tax position taken or expected to be taken in a tax return and the benefit recognized for financial reporting purposes, are recorded when the Company believes it is not more-likely-than-not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Adjustments to unrecognized tax benefits are recognized when facts and circumstances change, such as the closing of a tax audit, notice of an assessment by a taxing authority or the refinement of an estimate. Income tax benefit includes the effects of adjustments to unrecognized tax benefits, as well as any related interest and penalties. The Company currently does not have any uncertain tax positions.

#### Comprehensive Income

Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Comprehensive income includes gains and losses on foreign currency translation adjustments and is included as a component of stockholders’ equity.

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Advertising

Advertising costs are expenses as incurred and are presented as a component of SG&A expense in the Consolidated Statements of Income and Comprehensive Income. Advertising expenses for the years ended October 31, 2024 and 2023, were \$2,732 and \$0 respectively.

Contingencies

From time to time, the Company may be involved in legal and administrative proceedings and claims of various types. The Company records liability in its consolidated financial statements for these matters when a loss is known or considered probable, and the amount can be reasonably estimated. Management reviews these estimates in each accounting period as additional information becomes known and adjusts the loss provision when appropriate. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in the consolidated financial statements. If a loss is probable but the amount of loss cannot be reasonably estimated, the Company discloses the loss contingency and an estimate of possible loss or range of loss (unless such an estimate cannot be made). The Company does not recognize gain contingencies until they are realized. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company currently does not have any loss contingencies.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncements to be Adopted

In October 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. ASU 2023-07 will affect how we report segment information, starting with our Form 10-K for the year ended October 31, 2025, and our quarterly reports on Form 10-Q starting with our quarterly report for the quarter ended January 31, 2026. The ASU requires that we provide disclosures of significant segment expenses and other segment items that are regularly provided to our CODM and included in each reported measure of segment profit or loss. We will also have to disclose other segment items by reportable segment (i.e., the difference between reported segment revenues less the significant segment expenses (which are disclosed) less reported segment profit or loss). We will identify the CODM and their position within the company and details about the information that they regularly review to make capital allocation and other operating decisions about each segment, as well as an explanation of how the CODM uses the reported measures and other disclosures. The information needed for these disclosures is available, but we will need to determine the best way to provide that information for these required segment disclosures.

In December 2023, the FASB issued Accounting Standards Update 2023-09 entitled Improvements to Income Tax Disclosures (ASU 2023-09), which is primarily applicable to public companies and requires a significant expansion of the granularity of the income tax rate reconciliation as well as an expansion of other income tax disclosures. The majority of the disclosures will only be made on an annual basis, although there is a modest expansion of required quarterly income tax disclosures. The amendments in ASU 2023-09 require disclosure of specific income tax categories in the statutory to effective rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income (or loss) by the applicable statutory income tax rate. There are also additional disclosures related to taxes paid to local jurisdictions, and to income taxes paid. This information is currently available to the Company but was not a required disclosure. The Company expects to adopt ASU 2023-09 on November 1, 2025.

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In March 2024, the FASB issued Accounting Standards Update 2024-01 entitled Scope Application of Profits Interest and Similar Awards (ASU 2024-01) to improve GAAP by adding an illustrative example to demonstrate how an entity should apply the scope guidance to determine whether profits interest and similar awards should be accounted for in accordance with FASB ASC 718, Compensation—Stock Compensation. While profits interest is not defined in GAAP, those interests are differentiated from capital interests held by investors that provide those holders with rights to the existing net assets in a partnership in a partnership or similar entity. The Company does not expect ASU 2024-01 to have any effect since the Company does not presently issue profits interest awards.

In November 2024, the FASB issued Accounting Standards Update 2024-03 entitled—Reporting Comprehensive Income—Expense Disaggregation Disclosures, Disaggregation of Income Statement Expense (ASU 2024-03). The FASB issued ASU 24-03 to improve the disclosure about a public business entity’s expense and to address requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization and depletion) included in commonly presented expense captions (such as cost of sales, SG&A and research and development). This is a disclosure-only standard and the Company expects to adopt ASU 2024-03 on November 1, 2026. There is currently a Proposed Accounting Standards Update that would, if adopted, accelerate the effective date of this standard by one year. If that Proposed standard is adopted, we would expect to adopt ASU 2024-03 on November 1, 2025.

#### NOTE 4 – REVENUE

##### Revenue Recognition

The Company recognizes revenue under the Financial Accounting Standards Board’s Topic 606, *Revenue from Contracts with Customers* (“Topic 606”).

Topic 606 has established a five-step process to determine the amount of revenue to record from contracts with customers. The five steps are:

- Determine if we have a contract with a customer;
- Determine the performance obligations in that contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations; and
- Determine when to recognize revenue.

Revenues are earned under formal contracts with our customers and are derived from both sales and rental of underwater technologies and equipment for real time 3D imaging, mapping, defense, and survey applications and from the engineering services which we provide primarily to prime defense contractors. Our contracts do not include the possibility for additional contingent consideration so that our determination of the contract price does not involve having to consider potential additional variable consideration. Our sales do not include a right of return by the customer.

For the Marine Technology Business, all of our products are sold on a stand-alone basis and those market prices are evidence of the value of the products. To the extent that we also provide services (e.g., installation, training, post-sales technical support etc.), those services are either included as part of the product or are subject to written contracts based on the stand-alone value of those services. Revenue from the sales of services is recognized when those services have been provided to the customer and evidence of the provision of those services exists.

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Revenue derived from either our subscription package offerings or rental of our equipment is recognized when performance obligations are met, in particular, on a daily basis during the subscription or rental period.

For arrangements with multiple performance obligations, we recognize product revenue by allocating the transaction revenue to each performance obligation based on the relative fair value of each deliverable and recognize revenue when performance obligations are met including when equipment is delivered, and for rental of equipment, when installation and other services are performed.

Our contracts sometimes require customer payments in advance of revenue recognition and are recognized as revenue when the Company has fulfilled its obligations under the respective contracts. Until such time, we recognize this prepayment as deferred revenue.

For software license sales for which any services rendered are not considered distinct to the functionality of the software, we recognize revenue upon delivery of the software.

With respect to revenues related to our Services Business, there are contracts in place that specify the fixed hourly rate and other reimbursable costs to be billed based on material and direct labor hours incurred and, revenue is recognized on these contracts based on material and the direct labor hours incurred. Revenues from fixed-price contracts are recognized on the percentage-of-completion method, measured by the percentage of costs incurred (materials and direct labor hours) to date to estimated total services (materials and direct labor hours) for each contract. This method is used as we consider expenditures for direct materials and labor hours to be the best available measure of progress on these contracts.

On a quarterly basis, we examine all our fixed-price contracts to determine if there are any losses to be recognized during the period. Any such loss is recorded in the quarter in which the loss first becomes apparent based upon costs incurred to date and the estimated costs to complete as determined by experience from similar contracts. Variations from estimated contract performance could result in adjustments to operating results.

*Recoverability of Deferred Costs*

In accordance with Topic 606, we defer costs on projects for service revenue. Deferred costs consist primarily of incremental direct costs to customize and install systems, as defined in individual customer contracts, including costs to acquire hardware and software from third parties and payroll costs for our employees and other third parties. The pricing of these service contracts is intended to provide for the recovery of these types of deferred costs over the life of the contract.

We recognize such costs in accordance with our revenue recognition policy by contract. For revenue recognized under the percentage of completion method, costs are recognized as products are delivered or services are provided in accordance with the percentage of completion calculation. For revenue recognized over time, costs are recognized rateably over the term of the contract, commencing on the date of revenue recognition. At each quarterly balance sheet date, we review deferred costs, to ensure they are ultimately recoverable.

Any anticipated losses on uncompleted contracts are recognized when evidence indicates the estimated total cost of a contract exceeds its estimated total revenue.

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*Other Revenue Disclosures*

See Note 15 – “Disaggregation of Revenue” for a breakdown of revenues from external customers and cost of those revenues between our Product Segment and Services Segment including information on the split of revenues by geography.

**Contracts in Progress (Unbilled Receivables and Deferred Revenue)**

Unbilled Receivables includes earned revenue in excess of billings on incomplete contracts representing accumulated project expenses plus fees which have not been invoiced to customers as of the date of the balance sheet. The amount of unbilled contracts receivable may not exceed their net realizable value. Unbilled Receivables were \$1,657,827, \$894,251 and \$602,115 as of October 31, 2024, 2023 and 2022, respectively.

Sales of equipment include a provision for warranty or through life support (TLS) services and is treated as deferred revenue, along with extended warranty sales or TLS, which may be purchased by customers. These amounts are amortized over the relevant warranty or TLS period (12 months is our standard warranty contract obligation or for TLS 24, 36 or 60 months) from the date of sale.

Deferred Revenue (current) includes paid customer invoices prior to delivery of the agreed service, customer prepaid support to be delivered within twelve months and provision for warranty services to be provided within twelve months. Deferred Revenue was \$1,225,634 and \$975,537 as of October 31, 2024, and 2023, respectively.

Deferred Revenue (current) consisted of the following as of October 31, 2024, 2023 and 2022:

	2024	2023	2022
Deferred Revenue	\$ 670,339	\$ 420,611	\$ 430,962
Customer Technical Support Obligations	275,347	324,218	283,369
Product Warranty	279,948	230,708	229,238
<b>Total Deferred Revenue (Current)</b>	<b>\$ 1,225,634</b>	<b>\$ 975,537</b>	<b>\$ 943,569</b>

Deferred Revenue (current) includes customer prepaid support, TLS, to be delivered past the initial twelve months and provision for extended warranty services to be provided past the initial twelve months.

Deferred Revenue (non-current) was \$56,121, \$133,382 and \$76,127 as of October 31, 2024, 2023 and 2022, respectively.

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NOTE 5 – FAIR VALUE

The Company follows the authoritative guidance for fair value measurement and the fair value option for financial assets and financial liabilities. The Company carries its financial instruments at fair value. Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability, or an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. At October 31, 2024 and 2023, respectively, the Company's financial assets and liabilities were in cash and cash equivalents. The cash equivalents are highly liquid investments with maturities of three months or less. Our recently acquired subsidiary, PAL, whose financial assets and liabilities were in cash and cash equivalents, follows the Company's existing practice of keeping these assets in highly liquid investments with maturities of three- months or less.

The established fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets.
- Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When applying fair value principles in the valuation of assets, the Company is required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The Company calculates the fair value of its Level 1 and Level 2 instruments based on the exchange traded price of similar or identical instruments, where available, or based on other observable inputs.

There were no marketable securities required to be measured at fair value on a recurring basis as of October 31, 2024 and 2023.

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NOTE 6 – COMPOSITION OF CERTAIN FINANCIAL STATEMENT CAPTIONS

Certified Deposit Interest Bearing Accounts

The Company established certified deposit interest-bearing accounts with its current bankers HSBC NA and Jyske Bank in February 2023. These interest-bearing accounts are for rolling fixed short-term periods not exceeding 3 months and are classified in our financial statements as “cash equivalents”. The Company also maintains an interest-bearing deposit account in the UK that tracks the Bank of England base rate, which has no restrictions on access and has a current rate of 4.75%. The table below indicates the amounts which, at the date hereof, are held in certified deposit and unrestricted interest-bearing accounts, and interest earned in the period:

Country	Deposit October 31, 2024	Interest October 31, 2024	Deposit October 31, 2023	Interest October 31, 2023
USA	\$ 15,156,719	\$ 823,816	\$ 15,201,579	\$ 486,756
UK	764,659	103,144	1,516,641	86,266
Denmark	-	11,815	2,400,000	69,508
	<u>\$ 15,921,378</u>	<u>\$ 938,775</u>	<u>\$ 19,118,282</u>	<u>\$ 642,530</u>

Inventory consisted of the following as of:

	October 31, 2024	October 31, 2023
Raw materials and parts	\$ 10,368,350	\$ 8,994,482
Work in progress	193,062	483,227
Finished goods	3,340,464	2,207,816
Stock in transit	73,653	-
Total Inventory	<u>\$ 13,975,529</u>	<u>\$ 11,685,525</u>

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Other current assets consisted of the following as of:

	October 31, 2024	October 31, 2023
Deposits and other assets	\$ 63,630	\$ 23,081
Other US Tax Receivables/Prepaid Taxes	240,909	450,625
Employee Retention Credit Receivables	212,300	212,300
Other Foreign Tax Receivables	321,996	348,620
<b>Total Other Current Assets</b>	<b>\$ 838,835</b>	<b>\$ 1,034,626</b>

Fixed assets consisted of the following as of:

	October 31, 2024	October 31, 2023
Buildings	\$ 5,881,237	\$ 6,386,705
Land	200,000	200,000
Office machinery and equipment	1,872,693	1,596,026
Rental assets	2,784,921	2,323,446
Furniture, fixtures and improvements	1,549,965	1,172,169
<b>Totals</b>	<b>12,288,816</b>	<b>11,678,346</b>
Less: accumulated depreciation	(5,465,826)	(4,805,026)
<b>Total Property and Equipment, net</b>	<b>6,822,990</b>	<b>6,873,320</b>
Right of use assets	413,171	-
<b>Total Fixed Assets, net</b>	<b>\$ 7,236,161</b>	<b>\$ 6,873,320</b>

On January 16, 2024, the Company sold its flat located in Copenhagen, Denmark for a price of DKK 5,300,000 (equivalent of \$771,807 at transaction date). Prior to the sale this was composed within our Fixed Assets – Property and Equipment. We realized a gain of \$30,244 upon sale.

Depreciation expense for the years ended October 31, 2024 and 2023 was \$710,059 and \$603,467 respectively.

Property and equipment, net, by geographic areas were as follows:

	October 31, 2024	October 31, 2023
USA	\$ 1,743,840	\$ 1,751,260
Europe	5,079,150	5,122,060
<b>Total Property and Equipment, net</b>	<b>\$ 6,822,990</b>	<b>\$ 6,873,320</b>

Accrued Expenses and Other Current Liabilities consisted of the following as of:

	October 31, 2024	October 31, 2023
Accruals	\$ 560,986	\$ 384,880
Other Tax Payables	924,735	525,565
Employee Related	118,875	85,185
<b>Total Accrued Expenses and Other Current Liabilities</b>	<b>\$ 1,604,596</b>	<b>\$ 995,630</b>

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Total Other Income, net consisted of the following for the year ended:

	October 31, 2024	October 31, 2023
Grant Income	\$ 34,422	\$ -
Other	53,960	39,146
	<u>88,382</u>	<u>39,146</u>
Interest	\$ 938,775	642,530
Total Other Income, net	<u>\$ 1,027,157</u>	<u>\$ 681,676</u>

**NOTE 7 – ACQUISITION OF PRECISION ACOUSTICS LIMITED**

On October 29, 2024, the Company acquired all the issued and outstanding shares of PAL for \$6,538,569 in cash. At the acquisition date, the Company had immediate access to PAL's cash balance of \$1,933,284, which resulted in a net cash outlay at the acquisition date of \$4,605,285. The Company agreed to pay the sellers for all cash in PAL's bank account on the date of its acquisition, which was in excess of the agreed working capital amount of \$595,869 and, as part of the transaction, the Company paid the sellers \$1,337,415 for the excess cash balance.

The Company acquired PAL to gain access to its expertise in acoustic and medical imaging technologies which we believe can be leveraged through development for use in the subsea market, the primary sector for the Marine Technology Business and more broadly to expand the Group's collective capabilities in order to qualify to compete for larger Defense-related contracts. Prior to the acquisition, PAL was a non-key supplier to our Marine Technology Business, which purchased on average approximately \$80,000 of acoustic materials from PAL. It expects to continue to purchase these materials, at a similar dollar level, from PAL in the future.

In addition to the cash paid at closing, the share purchase agreement provides for certain earn-out payments over a three-year period and which are conditional upon PAL meeting the defined targets (revenue and pre-tax) in each of the earn-out year. The potential earnout provision amounts are shown in the table below applying an exchange rate (from British Pound to USD) of \$1.278973:

Earn Out	2025 FY	2026 FY	2027 FY
Revenue Target	\$ 5,334,584	\$ 5,867,914	\$ 6,454,962
Pre-Tax Profit Target	\$ 1,046,476	\$ 1,295,597	\$ 1,573,133
Earn Out Amount Payable based on Targets	\$ 208,472	\$ 418,223	\$ 652,275

Based on the projections the Company used, there would be no earnouts payable and, subsequently, no contingent liability for earnout payments has been recorded in the Company's accounts. To the extent that the Company does not record a contingent liability for these payments, any amount actually earned under the earn out provisions would be expensed in the year the qualifying condition is met.

PAL had no material Income Statement activity in the two days from the acquisition to the Company's fiscal year end. Therefore, the Company's Income Statement in this Form 10-K for the year ended October 31, 2024, does not include any revenue or expenses relating to PAL.

In the event that the business combination between the Company and PAL had occurred at the beginning of the Company's comparable annual reporting period, the unaudited supplemental pro-forma information concerning revenue and expenses for PAL (which have been translated from British Pound to USD using the exchange rate used by the Company for those reporting periods) is shown below:

	October 31, 2024	October 31, 2023
<b>Net Revenue</b>		
Coda Octopus Group	\$ 20,316,161	\$ 19,352,088
Precision Acoustics	4,942,389	3,777,057
Combined Net Revenue	<u>25,258,550</u>	<u>23,129,145</u>
<b>Net Income</b>		
Amortization of acquired intangible assets, pro forma	\$ (477,181)	\$ (477,181)
Coda Octopus Group	3,645,996	3,124,149
Precision Acoustics	483,776	113,793
Combined Net Income	<u>\$ 3,652,591</u>	<u>\$ 2,760,761</u>

*Purchase Price Allocation*

In accordance with the requirements of FASB ASU 805, Business Combinations, the acquisition of PAL was accounted for using the acquisition method of accounting. The Company determined the fair value of the PAL balance sheet as of October 29, 2024, the date of acquisition.

The Company has up to one-year from October 29, 2024, to make any measurement period adjustments to the fair value of the opening balance sheet.

The table below shows the fair value of the assets acquired and liabilities assumed in connection with the PAL acquisition.

Description	Amount
<b>Tangible assets and liabilities acquired</b>	
Cash (including excess cash amount purchased of \$1,337,415)	\$ 1,933,284
Accounts receivable	698,595
Inventory	980,594

Property, plant and equipment	509,337
Right of Use Asset (Lease)	417,881
Accounts payable	(362,305)
Lease liability	(417,881)
Deferred revenues	(498,422)
Accruals and other liabilities	(151,532)
<b>Intangible assets and liabilities at fair value</b>	
Fair value of noncompete agreement	224,637
Value of technology	2,947,155
Expected value of earn out provision	-
Goodwill	257,226
<b>Total purchase price</b>	<b>\$ 6,538,569</b>
<b>Acquisition, net of acquired cash</b>	<b>\$ 4,605,285</b>

PAL's technology was valued using the multi-period excess earnings method related to the income approach since this is the main identifiable intangible asset. Significant inputs used to measure the fair value included estimates of projected revenue and costs associated with generating those revenues and a discount rate of 12.36%. The discount rate is a level 2 fair value measurement, and the other assumptions used in the determination of the opening value of the PAL balance sheet at fair value are level 3 inputs.

The fair value of the non-compete agreement was developed using the with and without income approach method.

Estimates of the potential loss of business resulting from certain employees leaving the business were made and compared to the value of the business assuming the employee did not leave during the four-year non-compete period. Revenue projections and related projected costs of revenue were made and discounted at a 12.36% discount rate. The discount rate is a level 2 fair value measurement, and the other assumptions used in the determination of the opening value of the PAL balance sheet at fair value are level 3 inputs.

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The Company did not record a liability related to the earn-out liability provision contained in the share purchase agreement because the forecast that the Company developed and used to determine the fair value of the intangible assets related to this acquisition indicated that no earn-out would be paid. In addition, historical PAL financial information indicated that PAL has never produced historical financial results that would lead the Company to believe that an earn-out payment would occur.

Goodwill represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including an experienced workforce that will help accelerate product development and our go to market strategy, as well as expected future synergies generated by integrating PAL's products with those in our existing platform. None of the goodwill is expected to be deductible for tax purposes.

We recorded as part of our SG&A expenses transaction related costs of \$41,531, in the twelve-months ended October 31, 2024.

**NOTE 8 – GOODWILL AND IDENTIFIED INTANGIBLE ASSETS**

Intangibles consisted of the following as of:

Finite-lived intangible assets	Average Life (Years)	October 31, 2024			October 31, 2023		
		Gross Asset	Accumulated Amortization	Net	Gross Asset	Accumulated Amortization	Net
Customer Relationships	10	\$ 919,503	\$ (919,503)	\$ -	\$ 919,503	\$ (906,422)	\$ 13,081
Non-Compete Agreements	4	423,548	(198,911)	224,637	198,911	(198,911)	-
Value of Technology	7	2,947,155	-	2,947,155	-	-	-
Patents	10	820,555	(305,313)	515,242	581,739	(108,205)	473,534
<b>Total intangible assets</b>		<b>\$ 5,110,761</b>	<b>\$ (1,423,727)</b>	<b>\$ 3,687,034</b>	<b>\$ 1,700,153</b>	<b>\$ (1,213,538)</b>	<b>\$ 486,615</b>

Estimated future annual amortization expenses of finite-lived assets as of October 31, 2024, is as follows:

Years Ending October 31,	Amount
2025	\$ 524,068
2026	523,381
2027	522,821
2028	522,821
2029	466,662
Thereafter	1,127,281
<b>Totals</b>	<b>\$ 3,687,034</b>

Amortization of intangible assets for the years ended October 31, 2024, and 2023 was \$60,476 and \$64,063 respectively.

Goodwill consisted of the following as of:

	October 31, 2024	October 31, 2023
Coda Octopus Colmek, Inc.	\$ 2,038,669	\$ 2,038,669
Coda Octopus Products, Ltd	62,315	62,315
Coda Octopus Martech, Ltd	1,281,124	1,281,124
Precision Acoustics Ltd	257,226	-
<b>Total Goodwill</b>	<b>\$ 3,639,334</b>	<b>\$ 3,382,108</b>

**NOTE 9 – NET INCOME PER SHARE**

The following table sets forth the computation of basic and fully diluted loss per common share for the years ended:

Fiscal Period	2024	2023
<b>Numerator:</b>		
Net Income	\$ 3,645,996	\$ 3,124,149
<b>Denominator:</b>		
Basic weighted average common shares outstanding	11,166,956	11,131,469
Unexercised portion of options and restricted stock awards	123,371	192,099
<b>Diluted outstanding shares</b>	<b>11,290,327</b>	<b>11,323,568</b>
<b>Net income per share</b>		
Basic	\$ 0.33	\$ 0.28
Diluted	\$ 0.32	\$ 0.28



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NOTE 10 – CAPITAL STOCK

Common Stock

**2017 Stock Incentive Plan**

On December 6, 2017, the Board of Directors adopted the 2017 Stock Incentive Plan (the “2017 Plan”). The purpose of the Plan is to advance the interests of the Company and its stockholders by enabling the Company and its subsidiaries to attract and retain qualified individuals through opportunities for equity participation in the Company, and to reward those individuals who contribute to the Company’s achievement of its economic objectives. The Plan was adopted subject to stockholders’ approval and was approved by Stockholders at the Company’s Annual General Meeting held on July 24, 2018.

The maximum number of shares of Common Stock available for issuance under the 2017 Plan is 913,612 shares. The shares available for issuance under the 2017 Plan may, at the election of the Compensation Committee, be either treasury shares or shares authorized but unissued, and, if treasury shares are used, all references in the 2017 Plan to the issuance of shares will, for corporate law purposes, be deemed to mean the transfer of shares from treasury.

**2021 Stock Incentive Plan**

On July 12, 2021, the Board of Directors adopted the 2021 Stock Incentive Plan (the “2021 Plan”). The 2021 Plan was approved by the Company’s stockholders at its Annual General Meeting held on September 14, 2021. The 2021 Plan is identical to the 2017 Plan in all material respects, except that the number of shares available for issuance thereunder is 1,000,000.

As of October 31, 2024, there were a total of 1,366,486 shares available for issuance under the 2017 and 2021 Plans.

A summary of stock options activity is as follows:

	Number of Shares Subject to Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Balance at October 31, 2022	307,167	-		
Granted	-	-		
Vested	-	-		
Exercised	(199,496)	\$ 4.62		
Forfeited or cancelled	(3,000)	\$ 6.23		
Balance at October 31, 2023	104,671	\$ 4.67	3.40	\$ 202,419
Granted	-	-		
Vested	-	-		
Exercised	-	-		
Forfeited or cancelled	-	-		
Balance at October 31, 2024	104,671	\$ 4.67	2.40	\$ 202,419
Vested and expected to vest at October 31, 2024	104,671	\$ 4.67	2.40	\$ 202,419
Exercisable at October 31, 2024	104,671	\$ 4.67	2.40	\$ 202,419

The following table summarizes information about stock options outstanding and exercisable under the Company’s Stock Option Plan at October 31, 2024:

Options Outstanding				Options Exercisable			
Range of Exercise Prices per Share	Number Outstanding	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in years)	Range of Exercise Prices per Share	Number Exercisable	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in years)
\$ 4.62	101,671	\$ 4.62	2.32	\$ 4.62	101,671	\$ 4.62	2.32
\$ 6.23	3,000	\$ 6.23	2.85	\$ 6.23	3,000	\$ 6.23	2.85
	104,671	\$ 4.67			104,671	\$ 4.67	

Unamortized compensation expense in future years is \$0.

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A summary of restricted stock award activity is as follows:

	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Non-Vested</u>	<u>Weighted Average Grant Date Fair Value</u>
Outstanding at October 31, 2022	110,506	\$ 8.10	110,506	\$ 8.10
Granted	100,428	\$ 7.10	98,546	\$ 6.96
Vested	(108,568)	\$ 7.91	(108,568)	\$ 7.91
Treasury Stock	(1,932)	\$ 9.30	(1,932)	\$ 9.30
Forfeited or cancelled	(13,006)	\$ 5.77	(13,006)	\$ 5.77
Outstanding at October 31, 2023	87,428	\$ 7.04	85,546	\$ 7.04
Granted	21,208	\$ 6.37	21,208	\$ 6.37
Vested	(72,542)	\$ 7.06	(70,660)	\$ 7.06
Treasury Stock	(2,394)	\$ 7.16	(2,394)	\$ 7.16
Forfeited or cancelled	(15,000)	\$ 7.39	(15,000)	\$ 7.39
Outstanding at October 31, 2024	18,700	\$ 6.42	18,700	\$ 6.42

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that option holders would have realized had all option holders exercised their options on the last trading day of fiscal years 2024 and 2023. The aggregate intrinsic value is the difference between the Company's closing stock price on the last trading day of the fiscal year and the exercise price, multiplied by the number of in-the-money options (CODA: NASDAQ).

In certain situations, in 2024 and 2023, certain RSAs that vested were net share settled such that the Company withheld common shares with a value equivalent to the employees' obligation for the applicable income and other employment taxes and remitted the cash to the appropriate taxing authorities. The total shares withheld were zero for 2024 and 109,154 for 2023 and were based on the value of the RSAs on their respective vesting dates as determined by the Company's closing stock price. The Company has classified the withheld common shares as treasury stock and may issue these shares at a future date.

All stock options and restricted stock awards have been made pursuant to the 2017 Plan.

Total stock-based compensation expense from stock options and restricted stock awards was \$137,676 and \$645,196, respectively for the years ended October 31, 2024, and 2023. As of October 31, 2024, there was approximately \$58,333 of total unrecognized stock-based compensation cost related to 18,700 unvested restricted stock awards.

Preferred Stock

Series A and Series C Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock with a par value of \$0.001 per share. As of October 31, 2024, there were no shares of Preferred Stock issued or outstanding.

**CODA OCTOPUS GROUP, INC.**  
Notes to the Consolidated Financial Statements  
October 31, 2024 and 2023

NOTE 11 - INCOME TAXES

The Company provides for income taxes and the related accounts under the asset and liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates and will be updated if the tax rate changes before the expected reversal dates. Valuation allowances are established when management determines it is more likely than not that some portion, or all, of the deferred tax assets will not be realized.

The provision (benefit) for income taxes comprises:

	October 31, 2024	October 31, 2023
Current federal expense	\$ 174,094	\$ 264,955
Current state income tax expense	53,147	5,789
Foreign tax expense (benefit)	486,429	(22,089)
<b>Total current tax expense</b>	<b>713,670</b>	<b>248,655</b>
Deferred federal expense	249,693	14,941
Deferred state expense (benefit)	(11,585)	3,913
Deferred foreign tax expense	13,514	29,570
<b>Deferred tax expense</b>	<b>251,622</b>	<b>48,424</b>
<b>Total Income Tax Expense</b>	<b>\$ 965,292</b>	<b>\$ 297,079</b>

**CODA OCTOPUS GROUP, INC.**  
Notes to the Consolidated Financial Statements  
October 31, 2024 and 2023

The expense for income taxes differed from the U.S. statutory rate due to the following:

	October 31, 2024	October 31, 2023
Statutory tax rate	21.0%	21.0%
R&D Relief	(8.8)%	(9.7)%
Change in valuation allowance	-	(3.4)%
Foreign Tax expense	7.5%	2.1%
State Income Tax	1.2%	(1.3)%
<b>Total</b>	<b>20.9%</b>	<b>8.7%</b>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax assets and liabilities are as follows:

	October 31, 2024	October 31, 2023
<b>Noncurrent deferred tax assets</b>		
Temporary differences		
U.S. NOL carryforwards	\$ -	\$ -
Deferred Revenue	-	-
Restricted Stock Awards	42,441	263,218
Book/Tax Depreciation	(7,666)	(21,554)
Foreign fixed assets	(213,484)	(218,045)
Foreign capital loss carryforwards	-	11,182
Foreign NOL carryforwards	96,698	176,585
<b>Total</b>	<b>(82,011)</b>	<b>211,386</b>
Valuation allowance	-	-
<b>Total Deferred Net (Liability) Asset</b>	<b>\$ (82,011)</b>	<b>\$ 211,386</b>

As of October 31, 2024, we had no remaining U.S. federal net operating loss (NOL) carryforwards.

The Company's tax jurisdictions are USA, UK, Denmark, India, and Australia (our India and Australian operations are currently dormant). As a result, the Company's foreign derived income is subject to GILTI tax in the United States. The Company has elected to treat GILTI inclusions as period costs.

The Company has filed tax returns for federal, state, and foreign jurisdictions. The Company's evaluation of uncertain tax matters was performed for the tax years ended October 31, 2024, and October 31, 2023. The Company has elected to retain its existing accounting policy with respect to the treatment of interest and penalties attributable to income taxes and continues to reflect interest and penalties attributable to income taxes, to the extent they arise, as a component of its income tax provision or benefit as well as its outstanding income tax assets and liabilities. The Company believes that its income tax positions and deductions would be sustained upon audit and does not anticipate any adjustments to result in a material change to its financial position.

The Company's UK Operations, under the applicable UK tax rules, have certain carryforward trading losses (referred to in this Form 10-K disclosure as "UK NOLs"). Under the applicable UK tax rules, any trading tax losses incurred from 2017 up to and including the current fiscal year can be surrendered for group relief (between and among the Company's "UK companies") to offset or reduce current year tax liability relating to any of the UK companies. Any UK NOLs arising before 2017 in a UK company can only be used by the UK company to which it pertains (and cannot be used within the UK tax group). The benefit of these UK NOLs is available indefinitely unless the nature of the business with the tax benefit changes substantially. Under UK tax rules, the UK entities are also eligible for research and development (R&D) Tax Credit. The UK Marine Technology Business in any one financial year performs significant R&D work due to the nature of its business (researching and developing products and solutions) and typically receives R&D allowance. In the 2024 FY our UK R&D allowance was insufficient to completely eliminate tax liability and as such we have recorded an income tax provision for UK entities of \$267,759 for 2024 FY, compared to \$0 for 2023 FY, where we were able to offset all tax liability by applying our R&D allowance. Our UK Operations have the equivalent of \$386,788 in NOL carryforwards which under the applicable rules can only be used by the entity in which the loss occurred and therefore is not available for the broader abatement of tax liability of the UK tax group. The new UK products business, PAL, also performs significant R&D work and prior to the acquisition, historically it benefited from UK R&D Tax Credit. PAL will also be included in our UK tax group and will be eligible, where applicable to use any available UK NOLs to offset tax obligation, if available

**CODA OCTOPUS GROUP, INC.**  
Notes to the Consolidated Financial Statements  
October 31, 2024 and 2023

NOTE 12 – LINE OF CREDIT

The Company entered into a \$4,000,000 revolving line of credit facility with HSBC NA on November 27, 2019, with the interest rate established as the applicable prime rate. This revolving line of credit facility is subject to annual renewal and has been extended to November 2025. We have not utilized this line of credit and as a result the outstanding balance on the line of credit was \$0 as of October 31, 2024 and 2023.

NOTE 13 – CONCENTRATIONS

Significant Customers

During the year ended October 31, 2024, the Company had one customer from whom it generated sales greater than 10% of net revenues. Revenues from this customer were \$3,104,089, or 15.3% of net revenues during the period. Total accounts receivable from this customer as of October 31, 2024, was \$294,149 or 8.1% of accounts receivable.

During the year ended October 31, 2023, the Company had two customers from whom it generated sales greater than 10% of net revenues. Revenues from these customers were \$4,430,389, or 22.9% of net revenues during the period. Total accounts receivable from these customers as of October 31, 2023, was \$173,930 or 6.6% of accounts receivable

NOTE 14 - EMPLOYEE BENEFIT PLANS

The Company's U.S. subsidiaries maintain a 401(k)-retirement plan. The plan allows the Company to make matching contributions of 4% of employee compensation, subject to IRS contribution limits. U.S. employees who have at least six months of service with the Company are eligible. In addition, the Company's UK subsidiaries operate statutory pension schemes which provide for the payment of certain contributions by the Company and the Employee. These schemes in the UK operate on a defined contribution money purchase basis and the contributions are charged to operations as they arise. Finally, the Company is obligated to provide pension funding according to the laws in which it operates including in both Denmark, Australia and India. The Company has an arrangement that fulfils this requirement. Costs related to the Company's contribution to these employee benefit plans for the years ended October 31, 2024 and 2023 were \$130,650 and \$128,988, respectively

**CODA OCTOPUS GROUP, INC.**  
Notes to the Consolidated Financial Statements  
October 31, 2024 and 2023

NOTE 15 -SEGMENT ANALYSIS

We operate in two reportable segments, “Products Business” and “Service Business” which are managed separately based upon fundamental differences in their operations. Segment operating income is total segment revenue reduced by cost of revenues and operating expenses, Research and Development (“R&D”), and Selling, General & Administrative (“SG&A”) identifiable with the reporting business segment. Overheads include general corporate administrative costs. Up until October 29, 2024, the Products Segment was constituted by our Marine Technology Business. On October 29, 2024, we acquired an additional business unit within the Products Segment, PAL. For the purposes of this Note 15, PAL is excluded from the Consolidated Statements of Income and Comprehensive Income since this entity was acquired on October 29, 2024, and it had no material Income Statement activity in the two days from the acquisition date to the end of the Company’s fiscal end on October 31, 2024. However, the fair value of assets acquired, and liabilities assumed for PAL, have been included in our Consolidated Balance Sheet and in respect of the Segment information provided immediately below, PAL is included in the Supplemental Disclosure information in the table below but not in the income and expense statement.

The Company evaluates performance and resources based upon operating income.

There are inter-segment sales in the table below which have been eliminated from our financial statements. Inter-company sales are not included in our financial statements. For segment reporting purposes we have shown in the table below our inter-company sales during the reporting period.

Coda Octopus Products (with entities operating in the UK, USA and Denmark) constitute the Marine Technology Business (“Products Segment”) where it is a supplier to the underwater/subsea market and selling both hardware and software solutions which include imaging sonar technology solutions, diving and diving communications technology, geophysical products, rental equipment, customization, and field operations services. Coda Octopus Colmek, Inc. (a Utah corporation). PAL is a supplier of products to the ultrasound, acoustic measurement and NDT market. Coda Octopus Martech Ltd (a UK corporation) constitute the Marine Engineering Business (Services Segment) and are subcontractors mainly to prime Defense contractors where they provide engineering services.

The following table summarizes segment asset and operating balances by reportable segment as of and for the years ended October 31, 2024 and 2023, respectively.

The Company’s reportable business segments sell their goods and services in four geographic locations:

- Americas
- Europe
- Australia/Asia
- Middle East/Africa

**CODA OCTOPUS GROUP, INC .**  
Notes to the Consolidated Financial Statements  
October 31, 2024 and 2023

	<u>Products</u>	<u>Services</u>	<u>Overhead</u>	<u>Total</u>
<b>Year Ended October 31, 2024</b>				
Net Revenues	\$ 12,806,603	\$ 7,509,558	\$ -	\$ 20,316,161
Cost of Revenues	<u>2,824,541</u>	<u>3,318,515</u>	<u>-</u>	<u>6,143,056</u>
<b>Gross Profit</b>	9,982,062	4,191,043	-	14,173,105
Research & Development	2,019,112	223,317	-	2,242,429
Selling, General & Administrative	<u>3,814,860</u>	<u>2,248,493</u>	<u>2,283,192</u>	<u>8,346,545</u>
<b>Total Operating Expenses</b>	5,833,972	2,471,810	2,283,192	10,588,974
<b>Income (Loss) from Operations</b>	4,148,090	1,719,233	(2,283,192)	3,584,131
<b>Other Income</b>				
Other Income	53,960	34,422	-	88,382
Interest Income	<u>657,817</u>	<u>198,239</u>	<u>82,719</u>	<u>938,775</u>
<b>Total Other Income</b>	<u>711,777</u>	<u>232,661</u>	<u>82,719</u>	<u>1,027,157</u>
Income (Loss) before Income Taxes	4,859,867	1,951,894	(2,200,473)	4,611,288
<b>Income Tax Expense</b>				
Current Tax Expense	316,955	169,374	227,341	713,670
Deferred Tax Expense (Benefit)	<u>(5,655)</u>	<u>19,169</u>	<u>238,108</u>	<u>251,622</u>
<b>Total Income Tax Expense</b>	311,300	188,543	465,449	965,292
<b>Net Income (Loss)</b>	<u>\$ 4,548,567</u>	<u>\$ 1,763,351</u>	<u>\$ (2,665,922)</u>	<u>\$ 3,645,996</u>
<b>Supplemental Disclosures</b>				
*Total Assets	\$ 40,922,453	\$ 13,404,567	\$ 3,217,524	\$ 57,544,544
*Total Liabilities	\$ 3,072,876	\$ 842,450	\$ 500,695	\$ 4,416,021
Revenues from Intercompany Sales - eliminated from sales above	\$ 3,367,839	\$ 238,143	\$ 1,266,000	\$ 4,871,982
Depreciation and Amortization	\$ 632,882	\$ 88,166	\$ 49,487	\$ 770,535
Purchases of Long-lived Assets	\$ 345,191	\$ 23,786	\$ 89,103	\$ 458,079

\* The Total Assets and Total Liabilities included in the Supplemental Disclosures include PAL

**CODA OCTOPUS GROUP, INC.**  
Notes to the Consolidated Financial Statements  
October 31, 2024 and 2023

	<u>Products</u>	<u>Services</u>	<u>Overhead</u>	<u>Total</u>
<b>Year Ended October 31, 2023</b>				
Net Revenues	\$ 12,119,066	\$ 7,233,022	\$ -	\$ 19,352,088
Cost of Revenues	<u>2,819,796</u>	<u>3,501,237</u>	<u>-</u>	<u>6,321,033</u>
<b>Gross Profit</b>	9,299,270	3,731,785	-	13,031,055
Research & Development	2,043,890	52,577	-	2,096,467
Selling, General & Administrative	<u>3,109,566</u>	<u>2,463,087</u>	<u>2,622,383</u>	<u>8,195,036</u>
<b>Total Operating Expenses</b>	5,153,456	2,515,664	2,622,383	10,291,503
<b>Income (Loss) from Operations</b>	4,145,814	1,216,121	(2,622,383)	2,739,552
<b>Other Income</b>				
Other Income	39,146	-	-	39,146
Interest Income	<u>544,892</u>	<u>97,638</u>	<u>-</u>	<u>642,530</u>
<b>Total Other Income</b>	<u>584,038</u>	<u>97,638</u>	<u>-</u>	<u>681,676</u>
Income (Loss) before Income Taxes	4,729,852	1,313,759	(2,622,383)	3,421,228
<b>Income Tax Expense (Benefit)</b>				
Current Tax Expense (Benefit)	272,126	78,876	(102,347)	248,655
Deferred Tax Expense (Benefit)	<u>115,954</u>	<u>(54,382)</u>	<u>(13,148)</u>	<u>48,424</u>
<b>Total Income Tax Expense (Benefit)</b>	388,080	24,494	(115,495)	297,079
<b>Net Income (Loss)</b>	<u>\$ 4,341,772</u>	<u>\$ 1,289,265</u>	<u>\$ (2,506,888)</u>	<u>\$ 3,124,149</u>
<b>Supplemental Disclosures</b>				
Total Assets	\$ 36,969,673	\$ 13,604,262	\$ 1,267,581	\$ 51,841,516
Total Liabilities	\$ 2,263,761	\$ 732,582	\$ 416,407	\$ 3,412,750
Revenues from Intercompany Sales - eliminated from sales above	\$ 4,602,741	\$ 584,622	\$ 1,200,000	\$ 6,387,363
Depreciation and Amortization	\$ 523,339	\$ 100,689	\$ 43,502	\$ 667,530
Purchases of Long-lived Assets	\$ 1,996,544	\$ 25,404	\$ 108,392	\$ 2,130,340

**CODA OCTOPUS GROUP, INC.**  
Notes to the Consolidated Financial Statements  
October 31, 2024 and 2023

NOTE 16 - DISAGGREGATION OF REVENUE

	For the Year Ended October 31, 2024		
	Marine Technology Business	Marine Engineering Business	Grand Total
<b>Disaggregation of Total Net Sales</b>			
<b>Primary Geographical Markets</b>			
Americas	\$ 2,838,857	\$ 4,448,704	\$ 7,287,561
Europe	3,372,430	3,060,854	6,433,284
Australia/Asia	5,475,401	-	5,475,401
Middle East/Africa	1,119,915	-	1,119,915
<b>Total Revenues</b>	<b>\$ 12,806,603</b>	<b>\$ 7,509,558</b>	<b>\$ 20,316,161</b>
<b>Major Goods/Service Lines</b>			
Equipment Sales	\$ 7,210,169	\$ 1,193,776	\$ 8,403,945
Equipment Rentals	2,328,781	-	2,328,781
Software Sales	878,516	-	878,516
Engineering Parts	-	5,520,032	5,520,032
Services	2,389,137	795,750	3,184,887
<b>Total Revenues</b>	<b>\$ 12,806,603</b>	<b>\$ 7,509,558</b>	<b>\$ 20,316,161</b>
Goods transferred at a point in time	\$ 8,088,685	\$ 1,248,751	\$ 9,337,436
Services transferred over time	4,717,918	6,260,807	10,978,725
<b>Total Revenues</b>	<b>\$ 12,806,603</b>	<b>\$ 7,509,558</b>	<b>\$ 20,316,161</b>

**CODA OCTOPUS GROUP, INC.**  
Notes to the Consolidated Financial Statements  
October 31, 2024 and 2023

	For the Year Ended October 31, 2023		
	Marine Technology Business	Marine Engineering Business	Grand Total
<b>Disaggregation of Total Net Sales</b>			
<b>Primary Geographical Markets</b>			
Americas	\$ 4,263,883	\$ 4,846,615	\$ 9,110,498
Europe	2,225,915	2,386,407	4,612,322
Australia/Asia	4,607,786	-	4,607,786
Middle East/Africa	1,021,482	-	1,021,482
<b>Total Revenues</b>	<b>\$ 12,119,066</b>	<b>\$ 7,233,022</b>	<b>\$ 19,352,088</b>
<b>Major Goods/Service Lines</b>			
Equipment Sales	\$ 8,444,305	\$ 944,737	\$ 9,389,042
Equipment Rentals	1,264,804	-	1,264,804
Software Sales	851,976	-	851,976
Engineering Parts	-	4,075,850	4,075,850
Services	1,557,981	2,212,435	3,770,416
<b>Total Revenues</b>	<b>\$ 12,119,066</b>	<b>\$ 7,233,022</b>	<b>\$ 19,352,088</b>
Goods transferred at a point in time	\$ 9,296,281	\$ 944,737	\$ 10,241,018
Services transferred over time	2,822,785	6,288,285	9,111,070
<b>Total Revenues</b>	<b>\$ 12,119,066</b>	<b>\$ 7,233,022</b>	<b>\$ 19,352,088</b>



EXECUTION VERSION

DATED 29 October 2024

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**SHARE PURCHASE AGREEMENT**

between

**L G MOTION LIMITED AND OTHERS**

and

**CODA OCTOPUS R&D LIMITED**

EXECUTION VERSION

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EXECUTION VERSION

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## EXECUTION VERSION

**THIS AGREEMENT** is dated 29 October 2024

### **PARTIES**

- (1) L G Motion and the several persons whose names and addresses are set out in Schedule 1 (**Sellers**).
- (2) Coda Octopus R&D Limited incorporated and registered in Scotland with company number SC232622 whose registered office is at 38 South Gyle Crescent, South Gyle Business Park, Edinburgh, EH12 9EB (**Buyer**).

### **BACKGROUND**

- (A) Precision Acoustics Limited is a private company limited by shares having an authorised share capital of £200,000 divided into 200,000 Ordinary shares of £1 each of which 103,750 have been issued as fully paid.
- (B) Further particulars of the Company at the date of this agreement are set out in Part 3 of Schedule 1.
- (C) The Sellers are the legal and beneficial owners of, or are otherwise able to procure the transfer of, the legal and beneficial title to the number of Sale Shares set out opposite their respective names in Schedule 1 comprising in aggregate the whole of the issued share capital of the Company.
- (D) The Sellers have agreed to sell and the Buyer has agreed to buy the Sale Shares subject to the terms and conditions of this agreement.

### **AGREED TERMS**

#### **1. INTERPRETATION**

1.1 The definitions and rules of interpretation in this Clause apply in this agreement.

**Accounts:** the accounts of the Company for the accounting period ended on the Accounts Date, financial statements of the Company properly prepared by a qualified accountant and in accordance with UK GAAP as at and to the Accounts Date, including the balance sheet, profit and loss account together with the related notes to such accounts (copies of which are attached to the Disclosure Letter).

**Accounts Date:** 31 December 2023.

**Accounts Receivables:** payments received by the Company from its customers in the ordinary course of business.

**Adjusted Completion Accounts:** the Completion Accounts adjusted to remove the Excess Cash Floor Amount.

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## EXECUTION VERSION

**Adjustment Provisions:** those set out in Clause 4 and which provides for the downward adjustment of the Completion Date Payment as a result of any Revaluation contemplated in this agreement.

**Affiliate:** in relation to a party, any entity that directly or indirectly, is controlled by, or is under common control with that party at the date of this agreement.

**Aged Accounts Payable:** payments due to be made to third parties by the Company incurred in the ordinary course of its business and which exceed their payment terms by 15 days or more.

**APL:** Acoustic Polymer Limited with its principal address at Churcham Business Park, Churcham, Gloucester, GL2 8AX a key supplier to the Company both in relation to manufacture of the Company's products and NPL's products (and which make up a material part of the Company's revenues).

**Business:** the business of the Company which comprises the provision of specialised consultancy services in the field of acoustics including in ultrasound technology, acoustic measurements and performance, acoustic performance modelling, custom acoustic sensor development, acoustic characterisation, acoustic encapsulation materials, the manufacture and sale of products (including those which are listed in Schedule 9 ) and whose global client base include medical organisations, research institutes, universities and marine companies.

**Business Day:** a day (other than a Saturday, Sunday or public holiday) when banks in the City of London are open for business.

**Business Opportunities:** the business opportunities relating to the Company and which the Majority Shareholder and/or the Controlling Shareholder have handled during the last 3 years including business relationships and plans.

**Cash Floor:** £400,000 for working capital and which shall be in the Company's bank account in cleared funds at Completion Date and which shall exclude Aged Accounts Payable and gross payroll expense for the month of October 2024 but include all Customer Prepayments received by the Company after the close of business on 18 October 2024.

**CA 2006:** the Companies Act 2006

**Claim:** a Tax Claim, Warranty claim or Indemnity Claim.

**Company:** Precision Acoustics Limited, a company incorporated and registered in England and Wales with company number 02466435 whose registered office is at Hampton Farm Business Park, Higher Bockhampton, Dorchester, Dorset DT2 8QH, further details of which are set out in of Part 3 of Schedule 1.

**Completion Accounts:** the Accounts of the Company from the Accounts Date up to and including the Completion Date and including the balance sheet and profit and loss account together with the related notes to such accounts as required by applicable accounting standards which also take into account the matters set out in Clause 4 of this agreement.

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## EXECUTION VERSION

**Completion:** completion of the sale and purchase of the Sale Shares in accordance with this agreement.

**Completion Date:** the date of this agreement.

**Completion Date Payment:** the payments stipulated in Clauses 3.1 (a) and (b) but excluding the Deferred Consideration set out in Clause 3.1.(c) and Schedule 2 (Deferred Consideration Payment).

**Condition of the Company:** the assets, business, properties, operations, business consents, licence or condition (financial or otherwise) of the Company taken as a whole.

**Connected:** in relation to a person, has the meaning contained in section 1122 of the CTA 2010.

**Control:** has the meaning given in section 1124 of the CTA 2010 and controls, controlled and the expression change of Control shall be interpreted accordingly.

**Controlling Shareholder:** the individual who has Control in and over the Company and L G Motion Limited, being Gary Livingstone.

**CTA 2009:** the Corporation Tax Act 2009

**CTA 2010:** the Corporation Tax Act 2010

**Customer Invoicing:** means all invoicing in the normal course of business by the Company for services rendered and/or products sold from the Accounts Date up to and including Completion Date.

**Customer Prepayments:** amounts paid in advance to the Company for the performance of obligations incurred in the ordinary course of business and for which the Company at Completion Date has not performed the obligation in whole.

**Cumulative Pricing Assumptions:** are those assumptions set out in Clause 3.2. and upon which the Purchase Price for the Sale Shares are agreed between the Sellers and the Buyer.

**Data Protection Laws:** has the meaning given in Paragraph 24.1 of Part 1 of Schedule 4.

**Deed of Guarantee:** the Deed, in the agreed form, to be entered into between the Buyer and the Controlling Shareholder under which the Controlling Shareholder guarantees the Guaranteed Obligations.

**Deed of Release and Waiver:** the deed of release and waiver in relation to the Shareholders' Agreement in the agreed form.

**Deferred Consideration:** has the meaning set out in Clause 3.1 (c) and Schedule 2.

**Director:** each person who is a director or shadow director of the Company, the names of whom are set out in Part 3 of Schedule 1.

**Disclosed:** fairly disclosed or deemed to have been disclosed (with sufficient details to identify the nature and scope of the matter disclosed) in or under the Disclosure Letter.

**Disclosure Documents:** the bundle of documents annexed to the Disclosure Letter.

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## EXECUTION VERSION

**Disclosure Letter:** the letter from the Sellers to the Buyer with the same date as this agreement and described as the disclosure letter, including the Disclosure Documents.

**Employee:** has the meaning given in Paragraph 25.1 of Part 1 of Schedule 4.

**Employment Agreements:** the agreements to be entered into between the Company and the Key Employees.

**Encumbrance:** any interest or equity of any person (including any right to acquire, option or right of pre-emption) or any mortgage, charge, pledge, lien, assignment, hypothecation, security, interest, title, retention or any other security agreement or arrangement.

**Engagement:** the services provided post Completion to the Company by the Majority Shareholder/and or the Controlling Shareholder including business development activities by the Controlling Shareholder as the Director of the Company.

**Event:** has the meaning given in Schedule 5 (Tax Covenant).

**Excess Cash Floor Amount:** all cleared cash amounts over and above the Cash Floor in the Company's bank account (excluding Aged Accounts Payable), on Completion Date and which have been received in the ordinary course of the Company's business and expressly excludes any unusual cash transactions or cash transactions deposited in the Company's bank accounts since the Accounts Date which have not been received in the ordinary course of business.

**FRS 102:** the Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and the Republic of Ireland as issued by the Financial Reporting Council of the UK and in force for the account period ended on the Accounts Date.

**Group:** in relation to a company, that company, any subsidiary undertaking or any parent undertaking from time to time of that company and any subsidiary undertaking from time to time of a parent undertaking of that company. Each company is a Group is a member of the Group.

**Guaranteed Obligations:** the obligations of the Majority Shareholders under this Agreement and which solely for the benefit of the Buyer are guaranteed by the Controlling Shareholder under the Deed of Guarantee in the agreed form as a condition of the Buyer entering into this Agreement.

**Half Year-Period:** means the six months period from the Accounts Date.

**HMRC:** HM Revenue & Customs

**IHTA 1984:** the Inheritance Tax Act 1984.

**Indemnity Claim:** a claim under any of the events in Clause 10.

**Intellectual Property Rights:** has the meaning given in Paragraph 23.1 of Part 1 of Schedule 6.

**Intercompany Sale:** the sale of goods and services between the Company and any member of the Buyer's Group.

**ITEPA 2003:** the Income Tax (Earnings and Pensions) Act 2003.

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## EXECUTION VERSION

**Internet Assets:** any Internet domain names and other computer user identifiers and any rights in and to sites on the worldwide web, including rights in and to any text, graphics, audio and video files and html or other code incorporated in such sites.

**Key Employees:** Dr. Andrew Hurrell, Dr. Paul Stephen Morris and Mr. Thomas Robert Kelley.

**Lease:** means the lease of the Property between the Company and Helen Developments Limited with Company Number 08295839 dated 21 March 2023.

**Licence Agreement:** the licence agreement between the Company and NPL.

**Majority Shareholder:** the majority shareholder of the Company and which is L G Motion Limited, one of the Sellers.

**Majority Shareholder Services or MSHS:** the services provided to the Company by the Majority Shareholder up to and including the Completion Date.

**National Physical Laboratory or NPL:** the UK's National Metrology Institute (NMI) developing and maintaining the national primary measurement standards, with its principal place of business at Hampton Road, Teddington, Middlesex, TW11 0LW.

**Net Assets:** means all assets excluding Excess Cash Floor Amount, any items representing goodwill or any other intangible assets with the exception of debtors and work-in-progress less liabilities of the Company as at Completion Date ascertained in accordance with the provisions of Clause 4.

**New Accounts Date:** the new Accounts Date of the Company following Completion and which shall be 1 November.

**New Insurance Policies:** the insurance policies with a reputable company to cover business risks of the Company including Employer's Liability, Public Liability, Product Liability and Professional Indemnity liability in accordance with Clause 12.

**Order Intake:** orders from customers to purchase from the Company its products and/or services in the ordinary and normal course of its business from the Accounts Date to and including the Completion Date.

**Pension Scheme:** the Company's Aviva Group pension scheme established with effect from 1 January 2024 and which is registered under Chapter 2 of Part 4 of the Finance Act 2004.

**Person:** any individual, firm, corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, limited liability company, Governmental Authority or other entity of any kind, and shall include any successor (by merger or otherwise) of such entity.

**Planning Permission:** the Planning Permission granted to the Company under Application Number WD/D/17/002415.

**Previous Accounts:** the accounts in respect of the three accounting periods prior to the Accounts Date.

**Products:** means the products listed in Schedule 9.



## EXECUTION VERSION

**Property:** the leasehold property at J9 Hampton Farm Business Park, Higher Bockhampton, Dorchester DT2 8QH the details of which are fully described in the Lease, details of which are set out in Schedule 8.

**Purchase Price:** the purchase price for the Sale Shares to be paid by the Buyer to the Sellers in accordance with Clause 3.

**Requirements of the Law:** as to any Person, any law, Environmental Law, statute, treaty, rule, regulation, right, privilege, qualification, license or franchise or determination of an arbitrator or a court or other governmental authority or stock exchange, in each case applicable or binding upon such Person or any of its property or to which such Person or any of its property is subject or pertaining

**Revaluation:** the revaluation of that part of the Completion Date Payment set out in Clause 3(1) (a) based on the Cumulative Pricing Assumptions not being met.

**Sale Shares:** the entire issued share capital in the Company at the date of Completion and being 103,750 Ordinary Shares of £1 each in the Company, all of which has been issued and paid and free from Encumbrance.

**Sellers' Accountants:** Lane Monnington Welton, Riverside View, Basing Road, Old Basing, Basingstoke, Hampshire RG24 7AL.

**Sellers' Solicitors:** Phillips Law, Town Gate, 38 London Street, Basingstoke, Hampshire RG21 7NY.

**Service Agreement:** the agreement between the Company and the Majority Shareholder in the agreed form to be entered into on Completion.

**Shareholders' Agreement:** the agreement between the Sellers dated 30 April, 2015 and any other similar arrangements between the Sellers regulating their rights and obligations in respect of the ownership of shares or other securities in the Company.

**Suppliers' Prepayments:** amounts paid in advance by the Company for business supplies and for which at Completion Date the contracted supplies have not been received by the Company.

**Tax or Taxation:** has the meaning given in Schedule 5.

**Tax Covenant:** the tax covenant as set out in Schedule 5.

**Tax Claim:** has the meaning given in Schedule 5.

**Tax Warranties:** the Warranties in Part 2 of Schedule 2.

**Taxation Authority:** has the meaning given in Schedule 5.

**Taxation Statute:** has the meaning given in Schedule 5.

**TCGA 1992:** the Taxation of Chargeable Gains Act 1992.

**TIOPA 2010:** the Taxation (International and Other Provisions) Act 2010.

**TMA 1970:** the Taxes Management Act 1970.

**Transaction:** the transaction contemplated by this agreement or any part of that transaction.



## EXECUTION VERSION

**UK GAAP:** generally accepting accounting principles in the UK.

**UK GDPR:** has the meaning given in section 3(10) (as supplemented by section 205(4) of the Data Protection Act 2018.

**VATA 1994:** the Value Added Tax Act 1994.

**Warranties:** the warranties set out in Clause 6 and Schedule 2.

1.2 Clause and schedule headings do not affect the interpretation of this agreement.

1.3 Words in the singular include the plural and in the plural include the singular.

1.4 A reference to one gender includes a reference to the other gender.

1.5 A reference to a particular statute, statutory provision or subordinate legislation is a reference to it as it is in force from time to time taking account of any amendment or re-enactment and includes any statute, statutory provision or subordinate legislation which it amends or re-enacts and subordinate legislation for the time being in force made under it. Provided that, as between the parties, no such amendment or re-enactment made after the date of this agreement shall apply for the purposes of this agreement to the extent that it would impose any new or extended obligation, liability or restriction on, or otherwise adversely affect the rights of, any party.

1.6 **Writing** or **written** includes e-mail.

1.7 Documents in **agreed form** are documents in the form agreed by the parties or on their behalf.

1.8 A reference in this agreement or any other agreement or document, is a reference to this agreement or such other agreement or document, in each case as varied from time to time.

1.9 References to clauses and schedules are to the clauses and Schedules are clauses of and Schedules to this agreement and references to paragraphs are to paragraphs of the relevant Schedule.

1.10 A reference to the Sellers shall include a reference to each of them.

## 2. SALE AND PURCHASE AND WAIVER OF PRE-EMPTION RIGHTS

2.1 On the terms of this agreement, the Sellers shall sell and the Buyer shall buy, with effect from Completion, the Sale Shares with full title guarantee, free from

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## EXECUTION VERSION

all Encumbrances and together with all rights that attach (or may in the future attach) to them including, in particular, the right to receive all dividends and distributions declared, made or paid on or after the date of this agreement.

- 2.2 Each of the Sellers severally waives any right of pre-emption, drag along rights, tag along rights, put or call options, rights to dividend or other distribution, or other restriction on transfer in respect of the Sale Shares or any of them conferred on him under the articles of association of the Company, the Shareholders Agreement or otherwise and shall procure the irrevocable waiver of any such right or restriction conferred on any other person who is not a party to this agreement.
- 2.3 The Buyer is not obliged to complete the purchase of any of the Sale Shares unless the purchase of all the Sale Shares is completed simultaneously.

### 3. PURCHASE PRICE

- 3.1 The Purchase Price shall comprise the amounts stated in this Clause 3:
- (a) Four Million Pounds Sterling (£4,000,000) payable at Completion Date to the Sellers' Solicitors in the proportions set out opposite the Sellers' names in Schedule 1, Part 1. This amount is subject to the Adjustment Provisions and Revaluation provided for in Clause 4.
  - (b) The Excess Cash Floor Amount payable to each of the Sellers in the proportion set out opposite the Seller's name in Schedule 1, Part 2.
  - (c) The Deferred Consideration of up to £1,000,000 payable in accordance with the provisions of Schedule 2 (Deferred Consideration).
- 3.2 The Purchase Price is agreed between the parties on the Cumulative Pricing Assumptions set out in this Clause 3.2:
- (a) Net Assets are not less than £1,283,092 including the Cash Floor amount but excluding the Excess Cash Floor Amount;
  - (b) Customer Invoicing for the Half Year Period is not less than £1,895,000;
  - (c) Order Intake for the Half Year Period is not less than £1,779,000;
  - (d) Invoicing and Order Intake since the Accounts Date, up to and including the day before Completion Date, being at least £3,158,000 and £2,965,000, respectively
  - (e) There has been no material adverse change in the Condition of the Company since the Accounts Date.

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## EXECUTION VERSION

### 4. ADJUSTMENT OF PURCHASE PRICE

- 4.1 The Adjustment Provisions shall apply if the Cumulative Pricing Assumptions are not met.
- 4.2 If any of the Cumulative Pricing Assumptions is lower by five percent or more, the Revaluation shall be triggered, and the Completion Date Payment shall be adjusted downward by reducing the Completion Date Payment by whole of the percentage change in the deviation from the Cumulative Pricing Assumptions. For the avoidance of doubt, if any one of the Cumulative Pricing Assumptions is lower by 4.9% there shall be no Revaluation triggered. if any one of the Cumulative Pricing Assumptions is lower by 5.1%, then the Revaluation is triggered and the adjustment of the Completion Date Payment shall be by 5.1%.
- 4.3 Unless disputed, all amounts payable to the Buyer as a result of a Revaluation under this Clause 4, shall be paid to the Buyer within ten (10) Business Days from Completion in the proportion of payment made to the Sellers.
- 4.4 The Customer Invoicing and Order Intake shall be Disclosed in the Disclosure Letter with supporting documentation and evidence.
- 4.5 The Net Assets shall be ascertained from the Completion Accounts.
- 4.6 The Completion Accounts shall be prepared by the Sellers' Accountants consistent with policies applied in the Previous Accounts and delivered to the Buyer on Completion Date on the following bases:
- (a) a provision shall be made in the Completion Accounts to cover Tax Liability of the Company since the last Accounts Date;
  - (b) a provision is made in the Completion Accounts for Aged Accounts Payable and payroll expenses which are due up to and including 31 October, 2024;
  - (c) Customer Prepayments shall be excluded;
  - (d) Suppliers' Prepayments shall be excluded;
  - (e) the Excess Cash Floor Amount shall be excluded;
  - (f) appropriate provision shall be made for debts which are 60 days or more overdue as at the Completion Date;
  - (g) appropriate provision shall be made for obsolete and/or slow-moving stock;
  - (h) appropriate provision shall be made for known liabilities up to and including Completion Date;
  - (i) appropriate provision shall be made for contracts in progress for which acceptance of deliverables have not been finalised;

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## EXECUTION VERSION

- (j) in accordance with UITF 40 the debtors' figure on Completion shall recognise work-in-progress;
  - (k) inclusion of all credit card transactions and liabilities up to and including Completion Date;
  - (l) under the historical cost convention and on bases consistent with those accounting policies and principles in preparing the Accounts; and
  - (m) subject to the foregoing applying the accounting policies and principles adopted by the Company in its most recent filed Accounts and in accordance with FRS 102.
- 4.7 Except as required by law, the accounting policies used in the preparation of the Completion Accounts shall be consistent with the Previous Accounts.
- 4.8 If any accounting policies, bases and principles applied in preparing the Completion Accounts have been changed or modified when preparing the Completion Accounts, the Completion Accounts shall have appropriate notes relating to the changes, including justification for change.
- 4.9 The Buyer bears no responsibility for the costs incurred by the Sellers (including the costs of the Sellers' Accountants) in preparing the Completion Accounts and the Sellers bear no responsibility for the costs of the Buyer or any member of the Buyer's Group including the costs of the Buyer's auditors in reviewing or agreeing the Completion Accounts.
- 4.10 Within 14 Business Days of delivery of the Completion Accounts, the Buyer shall notify the Sellers in writing of any item or items they wish to dispute including regarding the Excess Cash Floor Amount. In the event that the Buyer does not dispute the Completion Accounts by such time (except where the Sellers have agreed in writing an extension), the Completion Accounts shall be deemed agreed.
- 4.11 If the Cumulative Pricing Assumptions, are not agreed in writing between the Sellers and the Buyer within 30 Business Days of delivery of Completion, the matters disputed shall be determined by:
- (a) such firm of chartered accountants as the parties may agree in writing; or
  - (b) failing agreement on the identity of the firm of chartered accountants within a further 5 Business Days from the expiry of the period of 30 Business Days referred to in Clause 4.11(a), such firm of chartered accountants as may be appointed for this purpose on the application of any party to this Agreement by the President for the time being of the Institute of Chartered Accountants in England and Wales.

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## EXECUTION VERSION

- 4.12 The parties bearing in mind the delay that may ensue from utilising the dispute mechanism provided for in Clause 4.11(b) and also the costs implications of same, shall prior to appointing accountants provided for under Clause 4.11, have an overriding obligation to attempt, in good faith to resolve the disputed item or items relating to the Completion Accounts.
- 4.13 The accountant appointed under Clause 4.11 (the "**Accountants**") shall act on the following basis:
- (a) as experts and not as arbitrators;
  - (b) their terms of reference shall be to determine an amount which in their opinion represents the item or items in dispute, as notified to them in writing by either the joint Sellers or the Buyer within 20 Business Days of their appointment;
  - (c) the Sellers and the Buyer shall cooperate with the Accountants and, as required, provide (or procure that relevant third parties provide) them with all information and/or access to documents and all other necessary assistance which they reasonably require and the Accountants shall be entitled (to the extent they consider it appropriate) to base their opinion on such information and on the accounting and other records of the Company;
  - (d) the determination of the Accountants shall (in the absence of manifest error) be conclusive including upon the PCAOB registered accountants appointed for the purposes stated in Clause 4.14;
  - (e) their costs shall be borne equally as between the Sellers on the one hand and the Buyer on the other hand unless the Accountant directs otherwise; and
  - (f) they shall give written reasons for their decision.
- 4.14 The acceptance of the Completion Accounts by the Buyer is subject to their certification by PCAOB registered accountants at the Buyer's direction and cost, such certification to be provided within 10 Business Days of agreement or determination of the Completion Accounts in accordance with this Clause 4.
- 4.15 Following the determination of the Accountants, or the Parties agreeing, that a Revaluation is triggered and an adjustment of the Completion Date Payment is due to be made, each Seller shall cause the Buyer to be paid the adjustment amount provided for in Clause 4.2, in the proportion set forth in Schedule 1 within 5 Business Days of the written determination be made.

## 5. COMPLETION

- 5.1 Completion shall take place on the Completion Date:
- (a) virtually; or

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## EXECUTION VERSION

- (b) at any other place or time as agreed in writing by the Sellers and the Buyer.
- 5.2 At Completion, the Sellers shall:
- (a) deliver or cause to be delivered the documents and evidence set out in Part 1 of Schedule 3;
  - (b) procure that a board meeting of the Company is held at which the matters identified in Part 2 of Schedule 3 are carried out;
  - (c) deliver any other documents referred to in this agreement as being required to be delivered by them.
- 5.3 At Completion, the Majority Shareholder shall:
- (a) deliver a copy of the resolution(s) passed by the shareholder of the Majority Shareholder authorising the Transaction;
  - (b) deliver a copy of the resolution(s) adopted by the board of directors of the Majority Shareholder authorising the Transaction and the execution and delivery by the officers specified in the resolution of this agreement, and any other documents referred to in this agreement as being required to be delivered by it.
  - (c) deliver or cause to be delivered the documents and evidence set out in Part 3 of Schedule 3.
  - (d) deliver any other documents referred to in this agreement as being required to be delivered by them.
- 5.4 At Completion, the Buyer shall:
- (a) pay the Completion Date Payment to the Sellers or Sellers' Solicitors (who are irrevocably authorised to receive the same and otherwise in accordance with Clause 3.1). Payment made in accordance with this clause shall constitute a valid discharge of the Buyer's obligations under Clause 3.1(a) and (b);
  - (b) deliver a copy of the resolution(s) passed by the shareholder of the Buyer authorising the Transaction; and
  - (c) deliver a copy of the resolution adopted by the board of directors of the Buyer authorising the Transaction and the execution and delivery by the officers specified in the resolution of this agreement, and any other documents referred to in this agreement as being required to be delivered by it.
- 5.5 As soon as practicable after Completion the Sellers shall send to the Buyer (at the Buyer's registered office for the time being) all records, correspondence, documents, files, memoranda and other papers relating to the Company not required to be delivered at Completion and which are not kept at the Property.

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## EXECUTION VERSION

### 6. WARRANTIES AND UNDERTAKINGS

- 6.1 The Sellers warrant to the Buyer that except as Disclosed, each Warranty is true at the date of this agreement.
- 6.2 Warranties qualified by the expression **so far as the Sellers are aware** or any similar expression are deemed to be given to the best of the knowledge, information and belief of the Sellers and, where appropriate, after they have made reasonable enquiries.
- 6.3 Each of the Warranties is separate and, unless otherwise specifically provided, is not limited by reference to any other Warranty or any other provision in this agreement.
- 6.4 No information relating to the Company, which the Buyer has knowledge of (whether constructive or imputed but not including actual knowledge) other than by reason of it being Disclosed shall prejudice any claim which the Buyer shall be entitled to bring against the Sellers under the terms of this Agreement or shall operate to reduce any amount recoverable by the Buyer under this Agreement. The Buyer confirms that as at the date of this Agreement it does not have actual knowledge of a claim which could be brought against the Sellers.
- 6.5 The Sellers agree that any information supplied by the Company or by or on behalf of any of the employees, directors, agents or officers of the Company (**Officers**) to the Sellers or their advisers in connection with the Warranties, the information Disclosed in the Disclosure Letter or otherwise shall not constitute a warranty, representation or guarantee as to the accuracy of such information in favour of the Sellers and Controlling Shareholder, and the Sellers and the Controlling Shareholder hereby undertake to the Buyer and to the Company, and each Officer that they waive any and all claims which they might otherwise have against any of them in respect of such claims.
- 6.6 For the avoidance of doubt, the Buyer's rights and remedies in respect of any Claim or claim under the Tax Covenant shall not be affected by Completion.
- 6.7 The Buyer warrants to the Sellers that:
- (a) it is duly incorporated and is validly existing under the laws of its place of incorporation, and has power to carry on its business as now being conducted and to own its own property and other assets;
  - (b) it has full power and authority to execute, deliver and perform its obligations under this agreement and no limitation on the powers of the Buyer will be exceeded as a result of the Buyer entering into this agreement;

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## EXECUTION VERSION

- (c) this agreement, when executed, shall constitute legal, valid and binding obligations of the Buyer and is enforceable against the Buyer in accordance with its terms;
  - (d) the execution and delivery of, and the performance by the Buyer of its obligations under this agreement shall not:
    - (i) result in a breach of, or constitute a default under any instrument by which the Buyer is bound, or result in a breach of the constitutional documents of the Buyer;
    - (ii) conflict with or result in a breach of any law, judgment, order or regulation of any court or governmental or administrative agency; or
    - (iii) require the consent of the Buyer's shareholders or of any other person;
  - (e) it has obtained all necessary authorisations to enable it to lawfully enter into and comply with its obligations under this agreement and such authorisations are in full force and effect; and
  - (f) no litigation, arbitration or administrative proceedings are pending or threatened against it before any court, arbitral body or agency, which might reasonably be expected to have a material adverse effect on the Buyer's ability to perform its obligations under this agreement.
- 6.8 The Buyer undertakes to the Sellers that it shall and shall procure that during the Deferred Consideration Period, the Company shall:
- (a) not directly or indirectly, take any action, or cause or permit anything to be done with the purpose of reducing the Deferred Consideration;
  - (b) use reasonable endeavours to conduct the Business in good faith and to maintain the Company as a going concern and with a view to making sustainable profits. Notwithstanding the foregoing, the Buyer has no obligation to inject working capital in the Company and the Sellers warrant that the Cash Floor Amount is sufficient for the working capital requirements of the Company for the manner in which it has been run up to Completion;
  - (c) not artificially reduce the profitability of the Company by any act or omission. For the avoidance of doubt, the exclusion of Intercompany Sale transactions from the Company's Accounts shall not be construed as contravening the purpose of this Clause 6.8(c);
  - (d) not enter into any transaction other than on arm's length terms or outside the ordinary course of business or any transaction which may materially or artificially increase the costs incurred or reduce the income received by the Company; or
  - (e) not ease, suspend, change or reduce significantly the Company's Business, whether in whole or in part or dispose of any of its assets or business other than in the ordinary course of business.

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## EXECUTION VERSION

- 6.9 Subject to the provisions of Clause 6.8, the Buyer shall have sole discretion with regard to all matters relating to the management and operation of the Company following Completion and nothing in this Clause 6.8 is intended to restrict this right.

## 7. SELLERS' LIMITATIONS ON LIABILITY

- 7.1 Save as is provided in Clause 7.7, this Clause 7 limits the liability of the Sellers in relation to Claims.
- 7.2 The aggregate liability of the Sellers for Claims shall not exceed the Purchase Price.
- 7.3 The Sellers shall not be liable for a Claim unless:
- (a) the amount of such Claim exceeds £50,000; and
  - (b) the amount of that Claim, either individually or aggregated with all other Claims exceeds £100,000 in which case the Sellers shall be liable for the whole amount of the Claim(s) and not just the amount above the threshold specified in this Clause 7.3(b).

For the purposes of this Clause 7.3, a Claim is connected with another Claim if the Claims arise from the same facts, events or circumstances.

- 7.4 The Sellers shall not be liable for a Claim unless notice in writing summarising the nature of the Claim (in so far as it is known to the Buyer) and, as far as is reasonably practicable, the amount claimed has been given by or on behalf of the Buyer to the Sellers and the Controlling Shareholder:
- (a) In the case of a Claim for breach of the Tax Warranties on or before the seventh anniversary of the date of this Agreement; and
  - (b) In the case of a Warranty Claim within 24 months of the date of this Agreement.
- 7.5 The Sellers and the Controlling Shareholder shall not be liable for a Claim if the Claim arises from facts, events or circumstances that have been Disclosed.
- 7.6 The Sellers shall have no liability in respect of a Claim if and to the extent that:
- (a) the Claim relates to a matter specifically and fully provided for in the Accounts;
  - (b) it arises or is increased wholly or partly as a result of any change in legislation, regulation, directive, enactment (including any legislation, regulation, directive, enactment not in force at the date of this agreement) or any



## EXECUTION VERSION

- withdrawal of any practice or statutory concession of any government, governmental department or agency or any regulatory body occurring after the date of this agreement, whether or not such change takes effect retrospectively or not after the date of this agreement;
- (c) arises or is increased as a consequence of a change in the interpretation of the law in any jurisdiction after the date of this agreement, or wholly or partly from an act or omission compelled by law;
  - (d) arises or is increased as a result of any change in the rates of tax in force at the date of this agreement;
  - (e) arises after a change in the accounting or tax policies of any member of the Buyer's Group or the Company which has effect after Completion.
- 7.7 The Sellers shall not be liable for a Claim to the extent that the liability giving rise to the Claim is contingent or unquantifiable unless and until that liability becomes an actual or quantifiable liability.
- 7.8 If the Sellers pay to the Buyer an amount relating to a Claim and the Buyer or the Company subsequently recovers from another person an amount which is directly referable to the matter or circumstance giving rise to that Claim (including without limitation from any insurers), the Buyer shall pay to the Sellers an amount equal to whichever is the lower of the Sum Recovered (as defined below) and the amount previously paid by the Sellers to the Buyer. The Sum Recovered means an amount equal to the total of the amount recovered from the other person plus any repayment supplement relating to that amount under section 825 Income and Corporation Taxes Act 1988 and any interest relating to that amount less all reasonable costs and expenses incurred by the Buyer or the Company in recovering that amount and any additional Tax for which the Buyer or the Company may be liable as a result.
- 7.9 The Buyer may not recover damages or otherwise obtain payment, reimbursement or restitution (whether under the Warranties, Tax Covenant or otherwise) more than once in respect of the same liability or loss.
- 7.10 Nothing in this agreement restricts or limits the Buyer's general obligation at law to mitigate any loss or damage which it may incur as a result of a matter or circumstance giving rise to a Claim.
- 7.11 In the event that the Buyer shall be aware or become aware of any fact, matters or events which the Buyer believes may constitute or give rise to a Claim (a **Third Party Claim**), the Buyer shall, subject to receiving any reasonable confidentiality undertakings requested by and in a form acceptable to the Buyer, acting reasonably:



## EXECUTION VERSION

- (a) not make any admission of liability, agreement or compromise with any person, body or authority in relation to the Third Party Claim without prior consent of the Sellers (such consent not to be unreasonably withheld or delayed); and
  - (b) at its discretion:
    - (i) upon request in writing from the Sellers, disclose to them all correspondence and other written communications received by it in relation to the relevant Third Party Claim; and
    - (ii) keep the Sellers informed of the progress of the relevant Third Party Claim.
- 7.12 In the event that the Sellers do not respond by the reasonable deadline set by the Buyer (having consideration to the deadlines required and nature of the claim), the Buyer may take such actions as it reasonably believes are appropriate given the matter in hand. Nothing in this Clause 7.11 or 7.12 shall impose an obligation on the Buyer to act in the interests of the Sellers in respect of such Third Party Claim.
- 7.13 In calculating the liability of the Sellers in respect of any Claim, the liability of the Sellers will be reduced by the amount of any specific provision in the Completion Accounts relating to the specific matter giving rise to the Claim (provided that any such provision or part thereof shall only be accounted for once when determining any such reduction).
- 7.14 Nothing in this Clause 7 (or Schedule 5) applies to exclude or limit the Sellers' liability where and to the extent that a Claim arises or is delayed as a result of dishonesty, fraud, wilful misconduct or wilful concealment by any of the Sellers their agents or advisers.
- 7.15 The Sellers shall not plead the Limitation Act 1980 in respect of claims made under the Tax Warranties or Tax Covenant.

## 8. TAX COVENANT

The provisions of Schedule 5 apply in this Agreement.

## 9. INDEMNITIES

- 9.1 Without limiting any rights or remedies the Buyer may have, the Sellers shall indemnify the Buyer, and shall pay the Buyer on demand a sum equal to all liabilities, damages, direct losses, fines, expenses and costs (including all interest, penalties, reasonable legal costs (calculated on a full indemnity basis)



## EXECUTION VERSION

and reasonable professional costs and expenses suffered by the Buyer or the Company as a direct result of any liabilities in respect of:

- (a) any claims by third parties for infringement of Intellectual Property Rights in respect of the Products;
- (b) a breach of Data Protection Laws including in respect of any liabilities which the Company may incur in connection with the MSHS;
- (c) any claim brought by Daniel Randall in respect of the termination of his employment; and
- (d) any claim arising out of or in connection with non-compliance with UK and EU CE Marking regulations up to Completion.

9.2 Any payment made in respect of a claim under this Clause 9 shall include

- (a) an amount in respect of all costs and expenses incurred by the Buyer or the Company in relation to the bringing of the claim (including a reasonable amount in respect of management time);
- (b) any amount necessary to ensure that, after any Taxation of the payment, the Buyer is left with the same amount it would have had if the payment was not subject to Taxation.

9.3 If the Sellers fail to deliver to the Buyer any share certificates in respect of the Sale Shares on Completion then the Sellers hereby confirm that they have caused a search for such share certificates to be made but cannot find such certificates and hereby undertake that they shall deliver such share certificates to the Buyer or the Company for cancellation should they ever be found or recovered and agree that they shall indemnify and keep the Buyer, the Company and the directors of the Company fully and effectively indemnified on demand from and against any and all claims, losses or liabilities of any nature which they may suffer or incur as a consequence of the loss or non-provision by the Sellers of any such certificates.

## 10. RESTRICTIONS ON SELLERS

10.1 Each of the Sellers and the Controlling Shareholder severally covenants with the Buyer that he shall not:

- (a) at any time during the period of 4 years beginning with the Completion Date, in any geographic areas in which any business of the Company was carried on at the Completion Date, carry on or be employed, engaged or interested in any business which directly competes with any part of the Business as the Business was carried on at the Completion Date including the Business Opportunities. Nothing in this clause shall prevent the Majority Shareholder from continuing its existing business (being the manufacturer and sale of electro-mechanical electron systems and robots); or



## EXECUTION VERSION

- (b) at any time during the period of 4 years beginning with the Completion Date, deal with any person who is at the Completion Date, or who has been at any time during the period of 12 months immediately preceding that date, a client or customer of the Company except that nothing in this Clause shall prevent the Majority Shareholder from dealing with such person or client in relation to the existing business of the Majority Shareholder (being the manufacturer and sale of electro-mechanical electron systems and robots); or
  - (c) at any time during the period of 4 years beginning with the Completion Date, canvass, solicit or otherwise seek the custom of any person who is at the Completion Date, or who has been at any time during the period of 12 months immediately preceding that date, a client or customer of the Company, for the purposes of providing that client or customer with goods or services of a type supplied by the Company as at Completion; or
  - (d) at any time during the period of 4 years beginning with the Completion Date:
    - (i) offer employment to, enter into a contract for the services of, or attempt to entice away from the Company, any individual who is at the time of the offer or attempt, and was at the Completion Date, employed or directly or indirectly engaged in an executive or managerial position with the Company; or
    - (ii) procure or facilitate the making of any such offer or attempt by any other person; or
  - (e) at any time after Completion, use in the course of any business:
    - (i) the words or similar words as those used in conjunction with the sale of the Products; or
    - (ii) any trade or service mark, business or domain name, design or logo which, at Completion, was or had been used by the Company; or
    - (iii) anything which is, in the reasonable opinion of the Buyer, capable of confusion with such words, mark, name, design or logo; or
  - (f) at any time during a period of 4 years beginning with the Completion Date, solicit or entice away from the Company any supplier (such as NPL or APL) to the Company who had supplied goods and/or services to the Company at any time during the 12 months immediately preceding the Completion Date, if that solicitation or enticement causes or would cause such supplier to cease supplying, or materially reduce its supply of, those goods and/or services to the Company.
- 10.2 The covenants in this Clause 10 are intended for the benefit of the Buyer and the Company and apply to actions carried out by the Sellers and/or the Controlling Shareholder in any capacity and whether directly or indirectly, on the Sellers' own behalf including a Seller's Affiliate, on behalf of any other person or jointly with any other person.

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## EXECUTION VERSION

- 10.3 Each of the covenants in this Clause 10 is a separate undertaking by each Seller and Controlling Shareholder in relation to himself and his interests and shall be enforceable by the Buyer separately and independently of its right to enforce any one or more of the other covenants contained in this Clause 10. Each of the covenants Clause 10 is considered fair and reasonable by the parties, but if any restriction is found to be unenforceable, but would be valid if any part of it were deleted or the period or area of application reduced, the restriction shall apply with such modifications as may be necessary to make it valid and enforceable.
- 10.4 The consideration for the undertakings contained in this Clause 10 is included in the Purchase Price.
- 10.5 Clause 22 (Joint Obligations) shall not apply to this Clause 10.
- 10.6 Nothing in this Clause 10 shall prevent the Sellers or the Controlling Shareholder from performing any services to the Company.

## 11. SERVICE AGREEMENTS

- 11.1 On Completion each of the Key Employees shall enter into the Employment Agreement with the Company.
- 11.2 On Completion the Majority Shareholder shall terminate all existing arrangements and agreements with the Company, without compensation and providing such release from liability as the Buyer may require, including all authority over the Company's business and affairs and:
  - (a) enter into the agreement for the continuation of the manufacturing services in relation to the products manufactured by the Majority Shareholder as set out in Schedule 9.
  - (b) cause the Majority Shareholder to enter into the Service Agreement with the Company in the agreed form.

## 12. NEW INSURANCE POLICIES

- 12.1 The Sellers shall cause the insurances for the Company to be covered on a separate policy in the Company's name.
- 12.2 The New Insurance Policies which shall be effective and in full force on Completion Date.
- 12.3 In effecting the New Insurance Policies there shall be continuity of coverage (without any lapses or gaps in the insurance cover of the Company).



## EXECUTION VERSION

### 13. DEED OF GUARANTEE

- 13.1 As a condition of the Buyer entering this Agreement, the Majority Shareholder shall cause the Controlling Shareholder to enter into and deliver to the Buyer at Completion the Deed of Guarantee in the agreed form.

### 14. DEED OF RELEASE AND WAIVER

- 14.1 As a condition of the Buyer entering this Agreement, contemporaneously with the entering into this agreement the Sellers shall enter into the Deed of Release and Waiver.

### 15. CONFIDENTIALITY AND ANNOUNCEMENTS

- 15.1 Each of the Sellers and the Controlling Shareholder undertakes to the Buyer and the Company that they will:
- (a) keep secret and confidential:
    - (i) the terms of this agreement and the other Transaction Documents, and any information relating to their negotiations;
    - (ii) all confidential information, know how or trade secrets in their knowledge or possession concerning the business, assets, affairs, customers, clients or suppliers of the Company or any member of the Buyer's Group,;
  - (b) not to disclose any information referred to in Clause 15.1(a) (whether or not in whole or in part) to any person except as expressly provided in this Clause 11; and
  - (c) not to make any use of the information referred to in Clause 16.1(a), other than to the extent necessary for the purpose of exercising or performing the rights and obligations under this agreement.
- 15.2 The Buyer is a public company and subject to Securities Exchange Commission reporting requirements and NASDAQ reporting requirements including providing disclosures to its shareholders. Accordingly, nothing in this Clause 15.2 is intended to restrict the Buyer from disclosing information relating to the Transaction or the Company and the Buyer does not have to keep confidential or restrict its use of information about the Company after Completion.
- 15.3 A party does not have to keep confidential or to restrict its use of:
- (a) information that is or becomes public knowledge other than as a direct or indirect result of a breach of this agreement; or

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## EXECUTION VERSION

- (b) information that it receives from a source not connected with the party to whom the duty of confidence is owed that it acquires free from any obligation of confidence to any other person.
- 15.4 Any party may disclose any information that it is otherwise required to keep confidential under this Clause 15:
- (a) to such professional advisers, consultants and employees or officers of its Group as are reasonably necessary to advise on this agreement, or to facilitate the Transaction, if the disclosing party procures that the people to whom the information is disclosed keep it confidential as if they were that party; or
  - (b) with the written consent of all the other parties; or
  - (c) with the written consent of one party, if such information relates only to that party; or
  - (d) to confirm that the sale has taken place, and the date of the sale (but without otherwise revealing any other items of sale or making any other announcement).
  - (e) to the extent that the disclosure is required:
    - (i) by law; or
    - (ii) by a regulatory body, Taxation Authority or securities exchange; or
    - (iii) to make any filing with, or obtain any authorisation from, a regulatory body, Taxation Authority or securities exchange; or
    - (iv) under any arrangements in place under which negotiations relating to terms and conditions of employment are conducted; or
    - (v) to protect the disclosing party's interest in any legal proceedings,but shall use reasonable endeavours to consult the other parties and to take into account any reasonable requests they may have in relation to the disclosure before making it.
- 15.5 Each party shall supply any other party with any information about itself, its Group or this agreement as such other party may reasonably require for the purposes of satisfying the requirements of a law, regulatory body or securities exchange to which such other party is subject.

## 16. FURTHER ASSURANCE

- 16.1 The Sellers shall (at their expense) promptly execute and deliver all such documents, and do all such things, as the Buyer may from time to time reasonably require for the purpose of giving full effect to the provisions of this agreement.



## EXECUTION VERSION

- 16.2 The Majority Shareholder shall provide reasonable handover assistance and respond promptly to all reasonable requests for information about the Company for a period of twelve months following Completion.
- 16.3 The Controlling Shareholder shall, for a period of 12 months, as soon as practicable, and in any event within five Business Days, forward any communications received in relation to the Company to a representative of the Company.
- 16.4 The Majority Shareholder shall provide training to the Buyer's employees on the accounting system used by the Company as is reasonably required by the Buyer to allow the Buyer to use the system.

## 17. ASSIGNMENT

- 17.1 Except as provided otherwise in this agreement, no party may assign, or grant any Encumbrance or security interest over, any of its rights under this agreement or any document referred to in it.
- 17.2 Each party that has rights under this agreement is acting on its own behalf.
- 17.3 The Buyer may assign its rights under this agreement (or any document referred to in this agreement) but not its obligations to a member of its Group or to any person to whom it transfers the Sale Shares.
- 17.4 If there is an assignment:
  - (a) the Sellers may discharge their obligations under this agreement to the assignor until they receive notice of the assignment; and
  - (b) the assignee may enforce this agreement as if it were a party to it, but the Buyer shall remain liable for any obligations under this agreement.

## 18. WHOLE AGREEMENT

- 18.1 This Agreement, and any documents referred to in it, constitute the whole agreement between the parties and supersede any arrangements, understanding or previous agreement between them relating to the subject matter they cover.
- 18.2 Nothing in Clause 18 operates to limit or exclude any liability for fraud.



## EXECUTION VERSION

### 19. VARIATION AND WAIVER

- 19.1 Any variation of this agreement shall be in writing and signed by or on behalf of the parties.
- 19.2 Any waiver of any right under this agreement is only effective if it is in writing and it applies only to the party to whom the waiver is addressed and to the circumstances for which it is given and shall not prevent the party who has given the waiver from subsequently relying on the provision it has waived.
- 19.3 A party that waives a right in relation to one party, or takes or fails to take any action against that party, does not affect its rights in relation to any other party.
- 19.4 No failure to exercise or delay in exercising any right or remedy provided under this agreement or by law constitutes a waiver of such right or remedy or shall prevent any future exercise in whole or in part thereof.
- 19.5 No single or partial exercise of any right or remedy under this agreement shall preclude or restrict the further exercise of any such right or remedy.
- 19.6 Unless specifically provided otherwise, rights arising under this agreement are cumulative and do not exclude rights provided by law.

### 20. COSTS

Unless otherwise provided, all costs in connection with the negotiation, preparation, execution and performance of this agreement, and any documents referred to in it, shall be borne by the party that incurred the costs.

### 21. NOTICE

- 21.1 A notice given under this Agreement:
- (a) shall be in writing in the English language (or be accompanied by a properly prepared translation into English);
  - (b) shall be sent for the attention of the contact, and to the address or email address, specified in Clause 21 (or such other address, email address, or person as each party may notify to the others in accordance with the provisions of Clause 21); and
  - (c) unless proved otherwise is deemed received as set out in Clause 21.5, if prepared and sent in accordance with this Clause 21.



## EXECUTION VERSION

- 21.2 Any notice to be given by all of the Sellers under this agreement is deemed to have been properly given if it is given by the Sellers' representative named in Clause 21.4.
- 21.3 Any notice required to be given to the Sellers shall be given to the Sellers concerned (and in the case of a notice to the Sellers) at their address or email address as set out in Schedule 1.
- 21.4 The addresses for service of notice are:
- (a) SELLERS' REPRESENTATIVE
    - (i) name: L G Motion Limited
    - (ii) address: Unit 1 Houndmills Industrial Estate, Telford Road, Basingstoke, Hampshire, RG21 6YU
    - (iii) for the attention of: Gary Livingstone
    - (iv) Email Address: [g.livingstone@lg-motion.co.uk](mailto:g.livingstone@lg-motion.co.uk)
  - (b) BUYER
    - (i) address: 38 South Gyle Crescent, South Gyle Business Park, Edinburgh, EH12 9EB, United Kingdom
    - (ii) for the attention of: Chief Executive Officer
    - (iii) Email address: [annmarie.gayle@codaoctopus.com](mailto:annmarie.gayle@codaoctopus.com) with cc to: [cogi@codaoctopusgroup.com](mailto:cogi@codaoctopusgroup.com)
- 21.5 A notice is deemed to have been received:
- (a) if delivered personally, at the time of delivery; or
  - (b) in the case of email, at the time of transmission; or
  - (c) in the case of pre-paid first-class post or recorded delivery providing proof of postage at 9.00 am on the second Business Day from the date of posting; or
  - (d) in the case of prepaid airmail, providing proof of postage at 9.00 am on the fifth Business Days from the date of posting; or
  - (e) if deemed receipt under the previous paragraphs of Clause 22 is not within business hours (meaning 9.00 am to 5.30 pm Monday to Friday on a day that is not a public holiday in the place of receipt), when business next starts in the place of receipt.
- 21.6 To prove service, it is sufficient to prove that the envelope containing the notice was properly addressed and posted.

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## EXECUTION VERSION

- 21.7 This Clause 22 does not apply to service of any proceedings or other documents in any legal action or, where applicable, any arbitration or other method of dispute resolution.

## 22. JOINT OBLIGATIONS

- 22.1 Unless expressly provided otherwise, the Sellers are jointly and severally liable for their obligations, undertakings and liabilities under this agreement.
- 22.2 The Buyer may take action against, grant time or other indulgence to, or release or compromise in whole or in part the liability of, any one or more of the Sellers who are liable (whether) jointly and severally or otherwise) in respect of that warranty, indemnity or other obligations.

## 23. INTEREST ON LATE PAYMENT

- 23.1 Subject to Clause 24.3, if a party fails to make a payment due to any other party under this Agreement (other than a payment due under the Tax Covenant to which Paragraph 3.4 of Schedule 5 (Tax Covenant) applies) by the due date then the defaulting party shall pay interest on the overdue sum from the due date until payment of the overdue sum, whether before or after judgment.
- 23.2 Interest under this Clause will accrue each day at 3% a year above the Bank of England's base rate from time to time, but at 1.5% a year for any period when that base rate is below 0%.
- 23.3 In relation to payments disputed in good faith, interest under this Clause is payable only after the dispute is resolved on sums found or agreed to be due from the 7th day after the dispute is resolved until payment.

## 24. SEVERANCE

- 24.1 If any provision of this agreement (or part of a provision) is found by any court or administrative body of competent jurisdiction to be invalid, unenforceable or illegal, the other provisions shall remain in force.
- 24.2 If any invalid, unenforceable or illegal provision would be valid, enforceable or legal if some part of it were deleted, the provision shall apply with whatever modification is necessary to give effect to the commercial intention of the parties.

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## EXECUTION VERSION

### 25. AGREEMENT SURVIVES COMPLETION

This agreement (other than obligations that have already been fully performed) remains in full force after Completion.

### 26. THIRD PARTY RIGHTS

26.1 Subject to Clause 26.2, this agreement and the documents referred to in it are made for the benefit of the parties and their successors and permitted assigns and are not intended to benefit, or be enforceable by, anyone else.

26.2 The following provisions are intended to benefit future buyers of the Sale Shares from the Buyer and, where they are identified in the relevant clauses, the Company and shall be enforceable by them to the fullest extent permitted by law:

- (a) Clause 5 and Schedule 4 (Warranties);
- (b) Clause 8 and Schedule 5 (Tax Covenant)
- (c) Clause 9 (Indemnities)
- (d) Clause 10 (Restrictions on the Sellers)
- (e) Clause 11 (Confidentiality and announcements);
- (f) Clause 20 (Interest).

26.3 Each of the parties represents to the others that their respective rights to terminate, rescind or agree any amendment, variation, waiver or settlement under this agreement are not subject to the consent of any person that is not a party to this agreement.

### 27. SUCCESSORS

The rights and obligations of the Sellers and the Buyer under this agreement shall continue for the benefit of, and shall be binding on, their respective successors and assigns.

### 28. POWER OF ATTORNEY

28.1 Pending registration of the Buyer as the owner of the Sale Shares in the Company's register of members, the Sellers hereby appoint the Buyer with effect from Completion to be the Sellers' attorney in the Sellers' name and on their behalf to exercise such of the rights and privileges attaching to the Sale Shares as the Buyer shall, in its absolute discretion, see fit, as if the Buyer was so registered and in particular (but without prejudice to the generality of the foregoing):



## EXECUTION VERSION

- (a) to attend and vote at any general meeting of the Company and at any adjournment thereof;
- (b) to consent to any such meeting being held at shorter notice than required under the articles of association of the Company or the Companies Acts;
- (c) to approve, sign, complete and deliver on behalf of the Sellers any stock transfer form in respect of the Sale Shares in statutory or customary form; and
- (d) to sign any written resolution of the Company.

28.2 The Buyer shall have the power to delegate the performance of its powers and rights under this clause 12.2 to any director for the time being of the Buyer and the Sellers undertake to ratify anything which the Buyer shall lawfully do or purport to do by virtue of this clause.

28.3 The Parties agree that the power of attorney granted under this clause 12.3 shall (save in the event of any termination of this Agreement in accordance with its terms) be irrevocable in accordance with Section 4 of the Powers of Attorney Act 1971 until the date on which the Buyer is registered as the holder of the Sale Shares in the register of members of the Company and shall at all times, both during and after the said period, be conclusively binding on the Sellers.

28.4 The Sellers shall (and shall use reasonable endeavours to procure that any relevant third party shall) promptly execute and deliver such documents and perform such acts as the Buyer may reasonably require from time to time for the purpose of giving full effect to this agreement.

## 29. COUNTERPARTS

This agreement may be executed in any number of counterparts, each of which is an original and which together have the same effect as if each party had signed the same document.

## 30. GOVERNING LAW AND JURISDICTION

30.1 This agreement and any disputes or claims arising out of or in connection with its subject matter or formation (including non-contractual disputes or claims) are governed by and construed in accordance with the law of England.

30.2 The parties irrevocably agree that the courts of England have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this agreement or its subject matter or formation (including non-contractual disputes and claims).

This agreement has been entered into on the date stated at the beginning of it.



EXECUTION VERSION

**Schedule 1 Particulars of Sellers and Sellers**

**Part 1. Particulars of sellers and apportionment of Completion Payment**

Cash Payment

<b>Seller's name, address and email address</b>	<b>Number of sale shares</b>	<b>Cash consideration</b>	<b>Proportion of purchase price</b>
L G Motion Limited	63,832	£2,460,992.77	61.52482%
Andrew Michael Hurrell	17,365	£669,493.98	16.73735%
Paul Stephen Morris	17,365	£669,493.98	16.73735%
Thomas Robert Kelley	5,188	£200,019.28	5.0004.82%

Excess Cash Floor Amount Payment

<b>Seller's name,</b>	<b>Number of sale shares</b>	<b>Proportion of purchase price</b>
L G Motion Limited	63,832	61.52482%
Andrew Michael Hurrell	17,365	16.73735%
Paul Stephen Morris	17,365	16.73735%
Thomas Robert Kelley	5,188	5.0004.82%

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EXECUTION VERSION

**Part 2. Particulars of Sellers**

Sellers' name, address and email address	Percentage of Claim
L G Motion Limited	61.52482%
Andrew Michael Hurrell Flat 5, Aspirations, 3 Glenair Road, Poole, BH14 8FE. <a href="mailto:amhurrell@gmail.com">amhurrell@gmail.com</a>	16.73735%
Paul Stephen Morris 39 James Road, Dorchester, DT1 2HB. <a href="mailto:drpmorris@gmail.com">drpmorris@gmail.com</a> .	16.73735%
Thomas Robert Kelley 5 Highfield Close, Charminster, Dorchester, DT2 9RW <a href="mailto:tomkelley.111@gmail.com">tomkelley.111@gmail.com</a>	5.0004.82%

**Part 3. Particulars of the Company**

<b>Name:</b>	Precision Acoustics Limited
<b>Registration number:</b>	02466435
<b>Registered office:</b>	Hampton Farm Business Park Higher Bockhampton Dorchester Dorset DT2 8QH
<b>Authorised share capital</b> <b>Amount: £</b> <b>Divided into:</b>	£200,000 Divided into 200,000 Ordinary Shares of £1 each
<b>Issued share capital</b> <b>Amount: £</b> <b>Divided into:</b>	103,750 Ordinary Shares having a nominal value of £1 each
<b>Registered email address</b>	<a href="mailto:office@acoustics.co.uk">office@acoustics.co.uk</a>
<b>Domain and Website Address</b>	<a href="http://www.acoustics.co.uk">www.acoustics.co.uk</a>
<b>Registered shareholders (and number of Sale Shares held):</b>	See Schedule 1 Part 1
<b>Directors and shadow directors:</b>	Gary Livingstone
<b>Secretary:</b>	None

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EXECUTION VERSION

<b>Auditor</b>	None
<b>Registered Charges</b>	None

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## EXECUTION VERSION

### Schedule 2 Deferred Consideration Payment

#### 1. INTERPRETATION

The definitions and rules of interpretation in this paragraph apply in this Schedule.

**Contingent Payment Roll-Over (CPRO):** the rollover of the Contingent Payment from one FY to another where the Qualifying Conditions are not met in the Roll Over Financial Year.

**Earn-Out Period:** the period starting from the New Accounts Date up to and including 31 October 2027.

**Entitlement Notice:** a notice given pursuant to Clause 21 by the Buyer to the Sellers in any FY of the Earn-Out Period informing the Sellers that the Qualifying Conditions for the Contingent Payment (or any roll over under Clause 4), has been met.

**Financial Year 1 (FY1):** the accounting period for assessing whether the Qualifying Conditions are satisfied for the purpose of payments pertaining to Year 1 and which shall be 1 November 2024 through to and including 31 October 2025.

**Financial Year 2 (FY2):** the accounting period for assessing whether the Qualifying Conditions are satisfied for the purpose of payments pertaining to Year 2 and which shall be 1 November 2025 through to and including 31 October 2026.

**Financial Year 3 (FY3):** the accounting period for assessing whether the Qualifying Conditions are satisfied for the purpose of payments pertaining to Year 3 and which shall be 1 November 2026 through to and including 31 October 2027.

**FY:** Financial Year

**Intercompany Cost of Sale:** the direct costs associated with any Intercompany Sale excluding internal labour charges.

**Management Charges:** charges that the Buyer's Group shall charge to the Company for rendering Group services and other overhead charges consistent with the Buyer's parent company intercompany management charges policy except that those charges shall not during any FY in the Earn Out Period exceed £145,000.

**Non-Entitlement Notice:** a notice given pursuant to Clause 21 by the Buyer to the Sellers during any FY of the Earn-Out Period informing them that the Qualifying Conditions for the Contingent Payment (or any roll over under Clause 4), has not been met.

**Qualifying Conditions:** are the conditions which are to be satisfied as a condition precedent to the rights to the Deferred Consideration accruing and becoming payable by the Buyer to each of the Seller in accordance with Clause 3 and this Schedule.

**Roll Over Financial Year:** relating to FY 2 and 3 where the Qualifying Condition for the Contingent Payments have not been met.

#### 2. DEFERRED CONSIDERATION PAYMENT

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## EXECUTION VERSION

- 2.1 Subject to the Qualifying Conditions being met as a precondition, the Buyer shall pay the Sellers the Deferred Consideration of up to £1,000,000 (“**Contingent Payment**”) in the manner prescribed in Clause 2.2 of this Schedule.
- 2.2 The Contingent Payment shall be divided into three (3) separate and independent amounts for each FY year within the Earn Out Period as follows:
- (a) FY1 a Contingent Payment of £163,000 (Year 1 Contingent Payment).
  - (b) FY2 a Contingent Payment of £327,000 (Year 2 Contingent Payment).
  - (c) FY3 a Contingent Payment of £510,000 (Year 3 Contingent Payment).

## 3. QUALIFYING CONDITIONS

- 3.1 There is no material restatement required by law of the Company’s Accounts for the Accounts Date period and the conditions set out in Clause 3.2 and Clause 3.3 together are met.
- 3.2 The Company’s revenue (which for the purpose of this Schedule 2, shall exclude Intercompany Sale revenue), shall be equal to or exceed:
- (a) £4,171,000 for FY1;
  - (b) £4,588,000 for FY2;
  - (c) £5,047,000 for the FY3
- 3.3 The Company’s net profit before tax shall be equal to or exceed:
- (a) £819,000 for FY1
  - (b) £1,013,000 for FY2
  - (c) £1,230,000 for FY3
- 3.4 In calculating the Company’s net profit before tax it shall exclude:
- (a) profits or adding back losses of a capital nature arising on the disposal of, or revaluation of, assets or investments of the Company;
  - (b) the effect of any transactions that are not in the ordinary course of business of the Company and which are either at an undervalue or not made on arm’s length terms;
  - (c) Management Charges exceeding the amounts currently charged to the Company by the Controlling Shareholder for Management, HR, Accounting, Marketing and Payroll Services being £80,400 in 2024 as detailed in the Shareholder minutes dated 26<sup>th</sup> March 2024;
  - (d) costs incurred for reorganisation or similar initiated by the Buyer in excess of £100,000. For the avoidance of doubts, the first £100,000 is included and

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- (e) Intercompany Cost of Sale.

### 4. ROLL FORWARD OF EARN-OUT RIGHTS

- 4.1 In the event that a Non-Entitlement Notice is served in any FY, the Contingent Payment amount for the FY in question shall be subject to the CPRO to the next FY up to the final FY in the Earn Out Period, after which all rights of payment under the Earn Out Schedule shall cease and extinguish, except for any claims brought by the Sellers for any disputed amounts under this Schedule.
- 4.2 In the event that there is a CPRO relating to FY 1, in assessing the Earn Out amounts for FY 2:
  - (a) an assessment of the Qualifying Conditions is made on the Qualifying Conditions for FY2 without regard to CPRO and a determination is made whether on that basis the Sellers are entitled to the Year 2 Contingent Payments; and
  - (b) an assessment of the cumulative Qualifying Conditions is made with regard to both the Qualifying Conditions for FY 1 and FY 2 and if when they are aggregated together, they meet the cumulative Qualifying Conditions for both FY1 and FY2 together, then the Sellers shall be paid the Contingent Payment for both FY 1 and FY2.

In the event that the Sellers qualify under 4.2(a) alone, they are paid the Year 2 Contingent Payment or if they qualify under 4.2 (b), they are paid the aggregated amounts of FY Contingent Payment 1 and FY Contingent Payment 2. If there is a Non-Entitlement Notice for both the FY 1 and 2, then these amounts are rolled over to FY 3 pursuant to Clause 4.1.

- 4.3 In assessing the Earn Out amounts for FY 3, if there is a CPRO relating to FY 2 relating to either the Year 1 Contingent Payment or the Year 2 Contingent Payment, or both, in assessing the Earn Out amounts for FY2:
  - (a) an assessment of the Qualifying Conditions is made on the Qualifying Conditions for FY3 without regard to the CPRO (whether this relates to Year 1 Contingent Payment or Year 2 Contingent Payment; or both) and a determination is made on whether on that basis the Sellers are entitled to Year 3 Contingent Payment;
  - (b) an assessment of the cumulative Qualifying Conditions is made with regard to both the Qualifying Conditions for FY 1, FY 2 and FY 3 and if when aggregated together, they meet the cumulative Qualifying Conditions for all of the FY periods, FY1, FY2 and FY3 together, then the Sellers shall be paid the Contingent Payment for all three FY up to £1,000,000.

In the event that the Sellers qualify under 4.3(a) alone, they are paid the Year 3 Contingent Payment or if they qualify under 4.3(b), they are paid the aggregated

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amounts of Year 1 Contingent Payment, Year 2 Contingent Payment and Year 3 Contingent Payment.

**5. TIMING OF PAYMENTS**

5.1 All Deferred Consideration payments becoming due pursuant to the terms of this Schedule 2, shall be made within 30 days of the filing of the Buyer's Group's annual accounts on (Form 10-K) is filed with the Security and Exchange Commission (which is required to be filed within 90 days of the end of the financial year of the Buyer's ultimate parent company – 31 October).

**6. NOTIFICATION OF PAYMENTS DEFERRED PAYMENTS**

6.1 Within ten (10) days of the finalization of the Buyer's Group Audit and the filing of its Form 10-K, the Buyer shall provide the Sellers with the Company's Statutory Accounts which it intends to file in accordance with UK laws, with an Entitlement Notice (if Qualifying Conditions for the FY including any Contingent Payment Roll Over for any Roll Over FY, in question are met) or a Statement of Non-Entitlement (if Qualifying Conditions for the FY including any roll over payments pursuant to Clause 4.1.), with details of Intercompany Sales, Intercompany Costs of Sales and Management Costs. If a Statement of Non-Entitlement is issued, this shall be signed by the Group's Auditors, in place from time to time.

6.2 Within 14 days of delivery the Company's Statutory Accounts pursuant to Clause 6.1 the Sellers shall jointly notify the Buyer in writing (with copy to the Buyer's Group Auditors), any items they wish to dispute or seek further information.

6.3 All disputes relating to a Statement of Non-Entitlement shall be determined by the Buyer's Auditors and the Sellers shall have direct access to the Group's Auditors for this purpose. The Buyer's Auditors shall act as experts and not as arbitrators. Their terms of reference shall be to determine the disputed items as notified to them by the Sellers jointly. The Sellers and the Buyer shall provide them with all information and/or access to documents and all other necessary assistance which they reasonably require, and the Buyers Auditors shall be entitled in their sole discretion to base their opinion on such information including the Statutory Account, which the Buyer's Auditors shall provide an opinion on the accuracy.

**7. PAYMENTS**

7.1 Subject to the Qualifying Conditions being met, any payments under this Schedule shall be made to the Sellers in the following proportion:

<b>Seller's name, address and email address</b>	<b>Number of sale shares</b>	<b>Deferred Cash consideration %</b>
L G Motion Limited	63,832	61.52%



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Andrew Michael Hurrell	17365	16.74%
Paul Stephen Morris	17365	16.74%
Thomas Robert Kelley	5188	5.00%

**8. CONDUCT OF BUSINESS**

8.1 Subject to Clause 8.2, the Buyer shall have sole discretion with regard to all matters relating to the management and operation of the Company following Completion.

8.2 The Buyer undertakes to the Sellers that, at all times between the date of this Agreement and 31 October 2027, it shall and it shall procure that the Company shall:

- (a) not directly or indirectly, take any action, or cause or permit anything to be done with the purpose of reducing the net profit before tax of the Company and the sums payable in accordance with this Agreement;
- (b) use reasonable endeavours to conduct the Company’s business in good faith and to maintain the Company as a going concern and with a view to making sustainable profits;
- (c) not artificially reduce the profitability of the Company by any act or omission;
- (d) not divert any existing customers of the Company at Completion away from the Company, or impair or interfere adversely with the Company’s relationship with such existing customers;
- (e) not enter into any transaction other than on arm’s length terms or outside the ordinary course of business or any transaction which may materially or artificially increase the costs incurred or income received by the Company; or
- (f) not cease, suspend, change or reduce significantly the Company’s business, whether in whole or in part or dispose of any of its assets or business other than in the ordinary course of business.

8.3 In evaluating the Company and its performance, the Adjusted Completion Account is acknowledged by each of the Sellers on the one hand and the Buyer on the other, that the benchmark for the state of the financial affairs of the Company is the Adjusted Completion Accounts.



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**Schedule 3 Completion**

**Part 1. Sellers' Obligations at Completion**

1. At Completion, the Sellers shall deliver or cause to be delivered to the Buyer the following documents and evidence:
  - (a) this agreement, duly executed by the Sellers' and the Controlling Shareholder;
  - (b) the Disclosure Letter, duly executed by the Sellers and the Data Room Index, initialled by or on behalf of the Sellers;
  - (c) transfers of the Sale Shares, in the agreed form, executed by the registered holders in favour of the Buyer or its nominees;
  - (d) the waivers, consents and other documents required to enable the Buyer or its nominees to be registered as the holder of the Sale Shares including but not limited to those relating to limitations on transfer of shares, pre-emption rights, drag along and tag along rights, put and call options contained in the Articles of Association and the Shareholders Agreement.
  - (e) in relation to the Company, the statutory registers and minute books (written up to the time of Completion), the common seal, certificate of incorporation and any certificates of incorporation on change of name;
  - (f) the written resignation, executed as a deed and in the agreed form, of the director of the Company from his office;
  - (g) the Employment Agreements signed by each of the Key Employees;
  - (h) the Supply Agreement signed by the Majority Shareholder and the Company for the manufacturing services;
  - (i) the side letter signed by the Sellers;
  - (j) the Service Agreement signed by the Majority Shareholder and the Company for the support services;
  - (k) the Deed of Guarantee duly executed by the Controlling Shareholder;
  - (l) the Deeds of Release and Waiver duly executed by each Shareholder;
  - (m) the Internet Assets from the Controlling Shareholder which are able to be transferred on Completion and the remaining assets shall be transferred as soon as practicable after Completion;
  - (n) the Letter of Intent from National Physics Laboratory (NPL) to extended the current licence agreement between NPL and the Company for a period of 10 years from October 2024;
  - (o) Copies of the Company's bank account statements from 1 August 2024 to an including the Completion Date;



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- (p) signed copies of board resolutions of the Company, to change the Company's accounting reference date to the New Accounts Date;
- (q) a copy of the minutes of the board meetings held pursuant to Part 2 of Schedule 3;
- (r) The New Insurance Policies;
- (s) The De-consolidation of the shared services between the Company and the Majority Shareholder to allow the Company to continue as an independent company including the necessary licences for the accounting system and the payroll system;
- (t) provide all relevant data in relation to payroll in a data drop format;
- (u) note the Company's interest on the life insurance policy for employees of the Company which is held by the Majority Shareholder until such time as the new policy is in place;
- (v) provide a separate licence in the name of the Company for the Microsoft BC ("Financial System"). The Financial System shall have all historic financial data pertaining to the Company accessible and all pre-2021 Financial System upgrade historical data.
- (w) provide all login details and password for systems which were previously held in the name of the Majority Shareholder including but marketing systems;
- (x) provide all documentation in order to allow the Buyer's authorized officer to become the authorised name for the Pension Scheme; and
- (y) in relation to the Company:
  - (i) statements from each bank at which any of those companies has an account, giving the balance of each account at the close of business on the last Business Day before Completion;
  - (ii) all cheque books in current use and written confirmation that no cheques have been written since those statements were prepared;
  - (iii) details of their cash book balances;
  - (iv) reconciliation statements reconciling the cash book balances and the cheque books with the bank statements delivered; and
  - (v) the internet payment system, Stripe including the Access details, amending any user authentication to the Buyer's instructions, user Log in details, password and confirmation of authorised users and any other details require to operate the system.



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**Part 2. Matters for the board meetings at Completion**

1. The Sellers shall cause a board meeting of the Company to be held at Completion at which the following matters are approved:
  - (a) a resolution to register the transfer of the Sale Shares shall be passed at such board meeting of the Company, subject to the transfers being stamped at the cost of the Buyer;
  - (b) a resolution changing the accounting reference date of the Company to the New Accounts Date.
  - (c) the resignation of the Controlling Shareholder as a director of the Company and the following persons appointed as directors Mrs. Gayle Jardine, Mr. Geoff Turner, Mr. Blair Cunningham and Mr. Paul Baxter and Mrs. Gayle Jardine as company secretary with effect from Completion;
  - (d) the entry by the Company and the Key Employees into the Employment Agreement;
  - (e) the entry by the Company and the Controlling Shareholder into the Service Agreement in the agreed form;
  - (f) the entry by the Company and the Majority Shareholder into the Service Agreement for the continuation of the manufacturing services;
  - (g) revoking all existing instructions and authorities to the bankers of the Company and replacing them with new instructions and authorities as the Buyer requires;
  - (h) the address of the registered office of the Company shall be changed to the address required by the Buyer.

**Part 3. Documents to be delivered by the Buyer**

At Completion, the Buyer shall deliver or cause to be delivered to the Sellers the following documents:

- a. this agreement, duly executed by the Buyer;
- b. the Disclosure Letter, duly executed by the Buyer enclosing the Data Room Index; and
- c. the side letter duly executed by the Buyer.



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**Schedule 4 Warranties**

**Part 1. General warranties**

**1. POWER TO SELL THE COMPANY**

- 1.1 The Sellers have taken all necessary actions and have all requisite power and authority to enter into and perform this agreement and any other documents that may be required in accordance with its terms and the other documents referred to in it.
- 1.2 This agreement and the other documents referred to in it constitute (or shall constitute when executed) valid, legal and binding obligations on the Sellers in the terms of the agreement and such other documents.
- 1.3 Compliance with the terms of this agreement and the documents referred to in it shall not breach or constitute a default under any of the following:
  - (a) any agreement or instrument to which any of the Sellers and any of their Connected Person or Affiliate is a party or by which any of them is bound; or
  - (b) any order, judgment, decree or other restriction applicable to any of the Sellers and any of their Connected Person or Affiliate.

**2. SHARES IN THE COMPANY**

- 2.1 The Sale Shares constitute the whole of the allotted and issued share capital of the Company and are fully paid.
- 2.2 The Sellers are the legal and beneficial owners of the Sale Shares.
- 2.3 The Sale Shares are free from all Encumbrances.
- 2.4 No person has any right to require, at any time, the transfer, creation, issue or allotment of any share, loan capital or other securities of the Company (or any rights or interest in them) and none of the Sellers or the Company has agreed to confer any such rights, and no person has claimed any such rights.
- 2.5 No commitment has been given to create an Encumbrance affecting the Sale Shares or for any of them to issue any share capital and no person has claimed any rights in connection with any of those things.
- 2.6 The Company:



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- (a) does not hold or beneficially own, or has agreed to acquire, any securities of any corporation;
- (b) does not control or take part in the management of any company or business organisation nor has it agreed to do so including in the Majority Shareholder.
- (c) is not, in relation to any company or a limited liability partnership registered in the UK, a registrable relevant legal entity within the meaning of section 790C of the CA 2006;
- (d) has any branch or permanent establishment outside its country of incorporation; or
- (e) has allotted or issued any securities that are convertible into shares.

2.7 The Company has not at any time:

- (a) purchased, redeemed or repaid any of its own share capital; or
- (b) given any financial assistance in contravention of the Companies Acts.
- (c) hold or beneficially owned, or has agreed to acquire, any shares, loan capital or other securities in any company;
- (d) has at any time had any subsidiary or subsidiary undertaking.

2.8 No warning notice or restrictions notice has been issued under Schedule 1B (Enforcement of disclosure requirements) of the CA 2006 in respect of any shares or voting rights in, or any right to appoint or remove any member of the board of directors of the Company.

2.9 All dividends or distributions declared, made or paid by the Company have been declared, made or paid in accordance with its memorandum, articles of association, the applicable provisions of the Companies Acts, the Shareholders Agreement and any agreements or arrangements made with any third party regulating the payment of dividends and distributions.

## 3. CONSTITUTIONAL AND CORPORATE DOCUMENTS

3.1 Copies of the memorandum and articles of association, Shareholders' Agreement, or other constitutional and corporate documents of the Company Disclosed to the Buyer or its advisers are accurate and complete in all respects and copies of all the resolutions and agreements required to be annexed to or incorporated in those documents by the law applicable are annexed or incorporated.

3.2 The register of members, register of people with significant control (PSC Register) and all statutory books and registers of the Company are accurate and complete in all respects.



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- 3.3 All returns, particulars, resolutions and other documents which the Company is required by law to file with or deliver to any authority in any jurisdiction (including, in particular, the Registrar of Companies in England and Wales) have been correctly made up and filed or, as the case may be, delivered.
- 3.4 All dividends or distributions declared, made or paid by the Company have been declared, made and paid in accordance with the memorandum and articles of association, all applicable laws and regulations and the Shareholders Agreement and any other agreements or arrangements made with any third party regulating the payment of dividends and distributions.
- 3.5 All deeds and documents belonging to the Company or which it is a party are in the possession of the Company.

## 4. ACCURACY OF INFORMATION

- 4.1 All information contained in the Disclosure Letter and information provided by the Sellers and their advisers to the Buyer and its advisers in the course of negotiations was accurate at the time it was provided.
- 4.2 The particulars relating to the Company in this agreement are accurate and not misleading.
- 4.3 The Excess Cash Floor Amount which forms part of the Purchase Price has been received by the Company since the Accounts Date in the normal and usual course of its business, including no acceleration of Accounts Receivables or slowing down of Accounts Payable or Customer Prepayments or acceleration of any amounts not due including related party transactions.

## 5. COMPLIANCE WITH LAWS

- 5.1. The Company has at all times conducted its business in accordance with all material applicable laws and regulations and complied with all material Requirements of the Law.
- 5.2. Neither the Company nor, so far as the Sellers are aware, any of its respective directors or employees (current or past) has been convicted of an offence in relation to the business or affairs of the Company.

## 6. LICENCES AND CONSENTS

- 6.1 The Company holds all licences, consents and permits and authorities necessary to carry on its business in the places and in the manner in which it is carried on at the date



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of this agreement (Consents). Details of the Consents and copies of all related documentation have been Disclosed.

6.2 Each of the Consents is valid and subsisting and the Company is not in breach of the terms or conditions of the Consents or any of them.

6.3 So far as the Sellers are aware, there is no reason why Consents should be suspended, cancelled, revoked or not renewed on the same terms.

## 7. INSURANCE

7.1 The Company maintains and has at all material times maintained adequate insurance cover against all losses and liabilities, including business interruption, product liability insurance covered the products sold, professional indemnity insurance covering the services provided and all other risks that are normally insured against by a person carrying out the same type of business as the Company.

7.2 The Data Room includes complete and accurate details of all insurance policies maintained by or on behalf of the Company (Policies).

7.3 The Policies are in full force and effect, all premiums due on them have been paid and all other conditions of the Policies have been performed and observed.

7.4 So far as the Sellers are aware, the Company has not done or omitted to do, anything that may result in an increase in the premium payable for the Policies or that may adversely affect the renewal of the Policies.

7.5 None of the Policies:

- (a) are subject to any special or unusual terms or restrictions, or to payment of any premium in excess of the normal rate;
- (b) are void or voidable and nothing has been done, or omitted to be done, which could make any of them void or voidable;
- (c) are capable of being terminated or will otherwise cease to be available to the Company as a result of Completion.

7.6 The Disclosure Letter contains complete and accurate details of all insurance claims made by the Company during the period of 24 months ending on the date of this agreement.

7.7 There are no outstanding claims under, or in respect of the validity of, any of the Policies and, so far as the Sellers are aware, there are no circumstances likely to give rise to claim under the Policy.



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### 8. POWER OF ATTORNEY

- 8.1 There are no powers of attorney in force given by the Company including to the Majority Shareholder or the Controlling Shareholder or any of their Affiliates.
- 8.2 No person, as agent or otherwise, including the Majority Shareholder and/or Controlling Shareholder, are entitled or authorised to bind or commit the Company to any obligation not in the ordinary course of the Company's business.
- 8.3 The Disclosure Letter sets out details of all persons who have authority to bind the Company in the ordinary course of business.

### 9. DISPUTES AND INVESTIGATIONS

- 9.1 So far as the Sellers are aware, neither the Company nor any of their Directors or shadow directors nor any other person for whose acts the Company may be vicariously liable, is engaged or involved in or otherwise subject to any of the following matters (such matters being referred to in this Paragraph 9 as Proceedings):
- (a) any litigation or administrative, mediation, arbitration or other proceedings, or any claims, actions or hearings before any court, tribunal or governmental, regulatory or similar body, or any department, board or agency (except for debt collection in the normal course of business); or
  - (b) any dispute with, or any investigation, inquiry or enforcement proceedings by, any governmental, regulatory or similar body or agency in any jurisdiction.
- 9.2 So far as the Sellers are aware, no Proceedings have been threatened or are pending by or against the Company, any Director or shadow director, or any person for whose acts or omissions the Company may be vicariously liable, and, so far as the Sellers are aware, there are no circumstances likely to give rise to any such Proceedings.
- 9.3 The Company is not:
- (a) affected by any subsisting or pending judgement, order or other decision or ruling of a court, tribunal or arbitrator, or of any governmental, regulatory or similar body or agency in any jurisdiction; or
  - (b) has given to any court, tribunal or arbitrator, or any governmental, regulatory or similar body or agency in any jurisdiction, or to any other third party a subsisting undertaking arising out of or in connection with any Proceedings.

### 10. DEFECTIVE PRODUCTS AND SERVICES



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- 10.1 So far as the Sellers are aware, the Company has not manufactured or sold any products which were, at the time they were manufactured or sold, faulty or defective or did not comply with:
- (a) warranties or representations expressly made or implied by or on behalf of the Company; or
  - (b) all laws, regulations, standards and requirements applicable to the products.
  - (c) license terms.
- 10.2 No proceedings have been started, are pending or, so far as the Sellers are aware, have been threatened against the Company in which it is claimed that any products manufactured or sold by the Company concerned are defective, not appropriate for their intended use or have caused bodily injury or material damage to any person or property when applied or used as intended.
- 10.3 No proceedings have been started and there are no outstanding liabilities or claims pending or threatened against the Company in respect of any services supplied by the Company for which the Company is or may become liable and, so far as the Sellers are aware, no dispute exists between the Company, and any of their respective customers or clients or the Licensor.

## 11. CUSTOMERS AND SUPPLIERS

- 11.1 In the 12 months ending with the date of this agreement, the business of the Company has not been materially affected in an adverse manner as a result of any one or more of the following things happening to the Company:
- (a) the loss of any of its customers or suppliers; or
  - (b) a reduction in trade with its customers or in the extent to which it is supplied by any of its suppliers; or
  - (c) a change in the terms on which it trades with or is supplied by any of its customers or suppliers.
- 11.2 No one or more of the things in Paragraph 11.1. (a) through to (c) is likely to happen to the extent that the business of the Company will be materially affected in an adverse manner.

## 12. CONTRACTS

- 12.1 The definition in this paragraph applies in this agreement.

**Material Contract:** an agreement, arrangement, understanding or commitment that the Company is a party or is bound by and which is of material importance to the business, profits or assets of the Company.



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- 12.2 Except as Disclosed, the Company is not a party to or otherwise subject to any agreement, arrangement, understanding or commitment which:
- (a) is a Material Contract; or
  - (b) is of an unusual or exceptional nature; or
  - (c) is not in the ordinary and usual course of business of the Company; or
  - (d) may be terminated as a result of any change of Control of the Company; or
  - (e) restricts the freedom of the Company to carry on the whole or any part of its business in any part of the world in such manner as it thinks fit; or
  - (f) involves agency or distributorship; or
  - (g) involves partnership, joint venture, consortium, joint development, shareholders or similar arrangements; or
  - (h) involves the grant of any sole or exclusive rights by or to the Company;
  - (i) is incapable of complete performance in accordance with its terms within six months after the date on which it was entered into; or
  - (j) cannot be readily fulfilled or performed by the Company on time and without undue or unusual expenditure of money and effort; or
  - (k) involves or is likely to involve an aggregate consideration payable by or to the Company or in excess of £40,000 or
  - (l) requires the Company to pay any commission, finders' fee, royalty or the like; or
  - (m) is for the supply of goods and/or services by or to the Company on terms under which retrospective or future discounts, price reductions or other financial incentives are given; or
  - (n) is not on arm's length terms.
- 12.3 There are no outstanding or ongoing negotiations or material importance to the business, profits or assets of the Company or any outstanding quotations or tenders for a contract that, if accepted, would give rise to a Material Contract.
- 12.4 Each Material Contract is in full force and effect and binding on the parties to it. The Company has not defaulted under or breached a Material Contract and:
- (a) so far as the Sellers are aware, no other party to a Material Contract has defaulted under or breached such a contract; and
  - (b) no such default or breach by the Company, or any other party including the Controlling Shareholder is likely or has been threatened.
- 12.5 No notice of termination of a Material Contract has been received or served by the Company and, so far as the Sellers are aware, there are no grounds for determination,

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rescission, avoidance, repudiation or a material change in the terms of any such contract.

### 13. TRANSACTIONS WITH SELLERS INCLUDING CONTROLLING SHAREHOLDER

13.1 There is no outstanding indebtedness or other liability (actual or contingent) and no outstanding contract, commitment, undertaking or arrangement between the Company and any of the following:

- (a) any of the Sellers, Controlling Shareholder or any Connected Person of the Sellers; or
- (b) a Director or a shadow director, or any person Connected with a Director or shadow director.
- (c) the Majority Shareholder and/or any Connected Person of the Majority Shareholder.<sup>1</sup>

13.2 None of the Sellers, nor any person Connected with any of the Sellers, is entitled to a claim of any nature against the Company or has assigned to any person the benefit of a claim against the Company to which the Sellers or a person Connected with the Sellers would otherwise be entitled.

13.3 None of the Sellers or the Controlling Shareholder is at the date of this agreement or has at any time during the period of 36 months immediately preceding the date of this agreement, concerned, interested or engaged, directly or indirectly, and in whatever capacity, in any other business similar or competitive with the Business.

### 14. FINANCE AND GUARANTEES

14.1 The Disclosure Letter contains full particulars of all:

- (a) money borrowed by the Company; and
- (b) loans, overdrafts or other financial facilities currently outstanding or available to the Company (Financial Facilities) including copies of all material documents, relating to such Financial Facilities.

14.2 The total amount borrowed by the Company does not exceed any limitations on the borrowing powers contained:

- (a) in the articles of association of the Company; or
- (b) in any debenture or other deed or document binding on the Company.
- (c) in the Shareholders Agreement.

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<sup>1</sup> Note to CO: disclosure will need to be made in relation to Key Employees employment arrangements.



## EXECUTION VERSION

- 14.3 No indebtedness of the Company is due and payable and no Encumbrance over the assets of the Company, whether by virtue of the stated maturity date of the indebtedness having been reached or otherwise.
- 14.4 The Company has not received any notice (whose terms have not been fully complied with or carried out) from any creditor requiring any payment to be made in respect of any indebtedness (whether arising pursuant to the Financial Facilities or otherwise) or intimating the enforcement of any Encumbrance which it holds over the assets of the Company.
- 14.5 At the date of this agreement no indebtedness exists between the Company and the Majority Shareholder or the Controlling Shareholder or any of their Connected Persons.
- 14.6 All transactions with the Controlling Shareholder and the Company are Disclosed and there are no other undisclosed transactions including financial transactions.
- 14.7 Except as Disclosed, no Encumbrance, guarantee, indemnity or other similar security arrangement has been given or entered into (or agreed to be given or entered into) by the Company or any third party in respect of the borrowings or other obligations of the Company (whether arising pursuant to the Financial Facilities or otherwise).
- 14.8 The Company has not:
- (a) factored any of its debts or discounted any of its debts or engaged in financing of a type which would not need to be shown or reflected in the Accounts; or
  - (b) waived any right of set-off it may have against any third party.
  - (c) engaged in financing of a type which would not need to be shown or fully reflected in the Accounts.
- 14.9 The Company has no outstanding loan capital or has lent any money that has not been repaid and there are no debts owing to the Company other than debts in the normal course of the Business.
- 14.10 The debts owing to the Company as reflected in the Accounts and all debts subsequently recorded in the books of the Company since the Account Date:
- (a) have been realised or will be within 90 days after the date of this agreement realise in cash their full amount as included in those Accounts;
  - (b) have not been outstanding (in whole or part) for more than two months from its due date for payment; and
  - (c) are not subject to any right of set off or counterclaim.



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- 14.11 Except as is Disclosed in the Disclosure Letter, the Company is not subject to any arrangement for receipt or repayment of any grant, subsidy or financial assistance from any government department or other body.
- 14.12 Particulars of the balances of all the bank accounts of the Company, showing the position as at the day immediately preceding the date of this agreement, have been Disclosed and the Company have no other bank accounts. Since those particulars were given, there have been no payments out of those accounts other than routine payments in the ordinary course of business.
- 14.13 All payments due to the Company in the ordinary course of business is paid into the Company's bank account and no payment intended for the Company in the ordinary course of business has in the 4 years immediately preceding the date of this agreement has been paid into the account of the Majority Shareholder in error or otherwise and there has been no co-mingling of funds or the Accounts Receivables or Accounts Payable by cross-depositing in the accounts of the Majority Shareholder and the Company's account.
- 14.14 Having regard to the existing banking and other facilities available to it, the Company has sufficient working capital for the purposes of:
- (a) continuing to carry on its business in its present form and at its present level of turnover for the next 12 months; and
  - (b) executing, carrying out and fulfilling in accordance with their respective terms all orders, projects and contractual obligations which have been placed with or undertaken by the Company.
- 14.15 A change of Control of the Company will not result in:
- (a) the termination of or material effect on any financial agreement or arrangement to which the Company, is a party or subject; or
  - (b) any indebtedness of the Company becoming due, or capable of being declared due and payable, prior to its stated maturity.
- 14.16 All payments received in to the Company's bank accounts have been received in the usual course of business and do not include any other payments other than those due to the Company in the usual course of business.

## 15. LIABILITIES

- 15.1 The Company does not have any liabilities (including contingent liabilities) other than as disclosed in the Accounts or incurred in the ordinary and proper course of the Business since the Accounts Date.



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### 16. EFFECT OF THE TRANSACTION

16.1 Neither the acquisition of the Sale Shares by the Buyer, nor compliance with the terms of this agreement will, so far as the Sellers are aware,:

- (a) cause the Company to lose the benefit of any asset, right or privilege it presently enjoys;
- (b) relieve any person of any obligation to the Company or enable any person to determine any such obligation or any right or benefit enjoyed by the Company or to exercise any other right in respect of the Company;
- (c) result in any customer, client or supplier being entitled to cease dealing with the Company or materially reducing its level of business, or changing the terms on which it deals with the Company;
- (d) result in the loss or impairment of, or default under, any licence, authorisation or consent or commercial understanding required by the Company for the purposes of the Business.
- (e) result in any senior employee leaving the Company;
- (f) result in the creation, imposition, crystallisation or enforcement of any Encumbrance on any of the assets of the Company;
- (g) result in any present or future indebtedness of the Company becoming due or payable, or capable of being declared due and payable prior to its stated maturity date, or cause any Financial Facility to be terminated or withdrawn;
- (h) entitle any person to receive from the Company any finder's fee, brokerage or other commission in connection with the transaction contemplated under this agreement.
- (i) give rise to or cause to become exercisable any rights of pre-emption, drag along, tag along, put or call option over the Sale Shares; or
- (j) entitle any person to acquire, or affect the entitlement of any person to acquire, shares in the Company.

### 17. INSOLVENCY

17.1 The Company:

- (a) is not insolvent or unable to pay its debts within the meaning of the Insolvency Act 1986 or any other insolvency legislation applicable to the company concerned; and
- (b) has not stopped paying its debts as they fall due.

17.2 No step has been taken to initiate any process by or under which:



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- (a) the ability of the creditors of the Company, to take any action to enforce their debts is suspended, restricted or prevented including without limitation pursuant to the moratorium under Part A1 of the Insolvency Act 1986; or
- (b) some or all of the creditors of the Company accept, by agreement or in pursuance of a court order, an amount less than the sums owing to them in satisfaction of those sums or make any other compromise or arrangement with the Company including without limitation a company voluntary arrangement under Part 1 of the Insolvency Act 1986, a scheme of arrangement under Part 26 of the CA 2006 or a restructuring plan under Part 26A of the CA 2006;
- (c) a person is appointed to manage the affairs, business and assets of the Company, on behalf of the Company's, or
- (d) the holder of a charge over the Company's assets is appointed to control the business and assets of the Company.

17.3 In relation to the Company and the Controlling Shareholder:

- (a) no administrator has been appointed;
- (b) no documents have been filed with the court for the appointment of an administrator; and
- (c) no notice of an intention to appoint an administrator has been given by the relevant company, its directors or by a qualifying floating charge holder (as defined in paragraph 14 of Schedule B1 to the Insolvency Act 1986).

17.4 No process has been initiated which could lead to the Company being dissolved and its assets being distributed among the relevant company's creditors, shareholders or other contributors.

17.5 No distress, execution or other process has been levied on an asset of the Company

17.6 None of the Sellers or Controlling Shareholder has:

- (a) had any bankruptcy petition presented against them or been declared bankrupt;
- (b) been served with a statutory demand, or unable to pay their debts within the meaning of the Insolvency Act 1986;
- (c) entered into, or has proposed to enter into, any composition or arrangement with, or for, their creditors (including an individual voluntary arrangement);
- (d) been subject to any other event analogous to the foregoing in any jurisdiction;

20.7. In the period of two years ending on the date of this agreement, neither the Company nor the Controlling Shareholder has:

- (a) been a party to any transaction at an undervalue as defined in section 238 of the Insolvency Act 1986;



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- (b) given or received any preference as defined in section 239 of the Insolvency Act 1986.

### 18. ASSETS

- 18.1 The Company is the full legal and beneficial owner of, and has good and marketable title to, all the assets included in the Accounts, and any assets acquired since the Accounts Date and all other assets used by the Company, except for those disposed of since the Accounts Date in the normal course of business.
- 18.2 None of the assets shown in the Accounts or acquired by the Company since the Accounts Date or used by the Company is the subject of any lease, lease hire agreement, hire purchase agreement or agreement for payment on deferred terms or is the subject of any licence or factoring arrangement.
- 18.3 The Company is in possession and control of all the assets included in the Accounts or acquired since the Accounts Date and all other assets used by the Company, except for those Disclosed as being in the possession of a third party in the normal course of business.
- 18.4 None of the assets, undertaking or goodwill of the Company is subject to an Encumbrance, or to any agreement or commitment to create an Encumbrance, and no person has claimed to be entitled to create such an Encumbrance.
- 18.5 The assets of the Company comprise all the assets necessary for the continuation of the relevant Company's business in the manner in which such business has been carried on as at the Accounts Date and as at Completion.
- 18.6 All tangible assets are under its physical control at its business premises and are not at the premises of the Controlling Shareholder.
- 18.7 All shared assets and facilities between the Company and the Majority Shareholder have been separated at the date of Completion and transferred to the Company as Disclosed in the Disclosure Letter including all licences required for the accounting system, Domain Name, marketing systems, payroll services assets and systems.

### 19. PRODUCTS

- 19.1 The information in relation to the Products set out in Schedule 9 is correct and accurate.
- 19.2 Neither the Majority Shareholder nor the Controlling Shareholder has any ownership rights in respect of the Products which at the date of Completion the Majority Shareholder is manufacturing for the Company and which are listed below.



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- 19.3 The Company has the ability to sell the Products in accordance with the information set out in Schedule 9.

### **20. BUSINESS OPPORTUNITIES**

- 20.1 No Business Opportunities belonging to the Company are retained by the Majority Shareholder and/or Controlling Shareholder for its benefit.
- 20.2 All quotations and business leads in the past two years are recorded in the Company's client relationship system, Business Central.
- 20.3 The Majority Shareholder and Controlling Shareholder have provided a summary of the Business Opportunities including development opportunities which are current for the Company, a copy of which is set out in the Disclosure Letter.

### **21. CONDITION OF PLANT AND EQUIPMENT AND STOCK IN TRADE**

- 21.1 The plant, machinery, equipment and vehicles used in connection with the Business:
- (a) are in reasonable working order given their age and purpose;
  - (b) are capable and will continue to be capable of doing the work for which they were designed; and
  - (c) are not surplus to the current or proposed requirements of the Company.
- 21.2 The stock-in-trade (including work-in-progress) of the Company is in good condition and is capable of being sold by the Company in the ordinary course of its business in accordance with its current price list without discount, rebate or allowance to a buyer.
- 21.3 The stock-in-trade (including work-in-progress) of the Company is not excessive and is adequate in relation to the current trading requirements of the Company and none of the stock is obsolete, slow moving, unusable or unmarketable or includes returned goods.
- 21.4 The stock-in-trade of the Company complies fully and will, on sale by the Company in the ordinary and usual course of its business.

### **22. ENVIRONMENT AND HEALTH AND SAFETY**

- 22.1 The definitions in this paragraph apply in this agreement.

**Climate Change Scheme:** any governmental or regulatory requirement or incentive seeking to minimise emissions, encourage generation of renewable energy, reduce energy demand or consumption, improve energy efficiency, including but not limited



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to renewable incentives and emissions trading schemes, which applies as at Completion to the Company and its operations.

**Environment:** the natural and human-made environment, including all or any of the following media, air, (excluding air within buildings or other natural or human-made structures, whether above or below the ground); water (including groundwater); land (including land under water); and any ecological systems and living organisms (including human) supported by those media.

**EHS Laws:** all applicable laws, statutes, regulations, subordinate legislation, bye-laws, common law, directives, treaties and other measures, judgments and decisions of any court or tribunal, codes of practice and guidance notes that are in each case legally binding on the Sellers (in relation to the Company) or the Company and in force at Completion, to the extent that they relate or apply to EHS Matters.

**EHS Matters:** all matters relating to:

- (a) pollution or contamination of the Environment;
- (b) the generation, presence, disposal, release, spillage, storage, possession, transport, deposit, escape, discharge, leak, migration or emission of or exposure to Hazardous Substances or Waste;
- (c) the health and safety of any person, including any accidents, injuries, illnesses and diseases;
- (d) the creation or existence of any noise, vibration, odour, radiation, common law or statutory nuisance or other adverse impact on the Environment; or
- (e) the condition, protection, maintenance, remediation, reinstatement, restoration or replacement of the Environment or any part of it.
- (f) Producer Responsibility; or
- (g) generation, use supply or consumption of energy.

**EHS Permits:** any permits, licences, consents, certificates, registrations, notifications, filings, approvals, statutory agreements, allowances, reporting, notices, exemptions or other authorisations required or obtained under EHS Laws by any Seller (in relation to the Company) or the Company for the operation of or relating to the Business or in relation to the Property.

**Harm:** harm to the Environment, and in the case of man includes offence caused to any of his senses or harm to his property.

**Hazardous Substances:** any material, substances or organisms which, alone or in combination with others, causes or is capable of causing harm to the Environment, including but not limited to waste.

**Producer Responsibility:** the legal and economic responsibility borne under EHS Laws by manufacturers, importers, distributors, sellers, users or consumer products, including in relation to the use or restriction of Hazardous Substances within the manufacture, use and reuse, disposal or recycling of products.



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**Waste:** any waste, including any by-product of an industrial process and anything which is discarded, disposed of, spoiled, abandoned, unwanted or surplus, irrespective of whether it is capable of being recovered or recycled or has any value.

- 22.2 The Company have obtained and have at all times complied with all EHS Permits. All EHS Permits are in full force and effect, and, so far as the Sellers are aware, there are no facts or circumstances that may lead to the revocation, suspension, termination, variation, non-renewal of or inability to transfer any EHS Permits.
- 22.3 The Company have at all times complied with all EHS Laws and, so far as the Sellers are aware there are no facts or circumstances which may lead to any breach of or liability under any EHS Laws.
- 22.4 All information provided by or on behalf of the Company to any relevant enforcement authority, and all records and data required to be maintained by the Company or any of under the provisions of any EHS Laws are complete and accurate.
- 22.5 There are no Hazardous Substances at, on or under, nor, so far as the Sellers are aware, have any Hazardous Substances been emitted, escaped or migrated from the Property.
- 22.6 There are and have been no landfills, underground storage tanks or uncontained or unlined storage treatment or disposal areas for Hazardous Substances or Waste (whether permitted by EHS Laws or otherwise) present or carried out at, on or under any of the Properties or within 200 metres of any of the Properties and so far as the Sellers are aware no such operations are proposed.
- 22.7 The Company does not have any actual or potential outstanding liability under any EHS Laws.
- 22.8 The Company is in compliance and has at all times complied with the rules and requirements of any Climate Change Scheme. The Company has purchased sufficient allowances that may be required under any Climate Change Scheme and do not face or expect to face any material liability or expenditure for which the Company has not made sufficient financial provision in order to comply with any Climate Change Scheme.
- 22.9 There have been in the past five years no claims, investigations, prosecutions, enforcement, prohibition, remediation or improvement or any other notice, regulatory action or other proceedings against or threatened in writing against any Seller (in relation to the Company) or in relation to its business, operations or the Property under EHS Laws and, so far as the Sellers are aware, there are no facts or circumstances that are reasonably likely to lead to any such claims, investigations, prosecutions,



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enforcements, remediation or improvement or any other notice, regulatory action or other proceedings.

### 22.10 Full copies of all:

- (a) current EHS Permits and communications with regulatory authorities or other third parties with regard to or in connection with current EHS Permits;
- (b) environmental and health and safety policy statements;
- (c) reports, audits, surveys, assessments, management plans and investigations relating to EHS Matters;
- (d) All Employee's records under the Control of Lead at Work Regulations 2002, including records of blood monitoring exposure including in connection with the processing of any piezo-ceramic materials.
- (e) records of accidents, illnesses and reportable diseases;
- (f) assessments of substances hazardous to health;
- (g) correspondence on EHS Matters between the Company and any relevant enforcement authority;
- (h) insurance policies covering EHS Matters;
- (i) copies or details of all waste disposal contracts

relating to the Company or any of the Properties and dated within the last four years have been disclosed in the Disclosure Letter.

## 23. INTELLECTUAL PROPERTY

### 23.1 The definition in this paragraph applies in this agreement.

**Intellectual Property Rights:** patents, rights to inventions, copyright and related rights, moral rights, trademarks and service marks, trade names and domain names, rights in get-up, rights to goodwill or to sue for passing off, rights in designs, rights in computer software, database rights, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world.

**Company IP:** All Intellectual Property Rights owned, used or held for use by the Company.

### 23.2 Complete and accurate particulars are set out in Part 1 and Part 2 of Schedule 8 respectively of all registered Intellectual Property Rights (including applications for such rights) and material unregistered Intellectual Property Rights owned, used or held for use by the Company and the Subsidiaries.



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- 23.3 Complete and accurate particulars are set out in Part 3 and Part 4 of Schedule 8 respectively of all material licences, agreements, authorisations and permissions (in whatever form and whether express or implied) under which:
- (a) the Company uses or exploits Intellectual Property Rights owned by any third party including owned by the Controlling Shareholder or Majority Shareholder; or
  - (b) the Company has licensed or agreed to license Intellectual Property Rights to, or otherwise permitted the use of any Intellectual Property Rights by, any third party including the Controlling Shareholder or Majority Shareholder.
- 23.4 Except as set out in Part 3 and Part 4 of Schedule 8, the Company is the sole legal and beneficial owner of (or applicant for) the Intellectual Property Rights set out in Part 1 and Part 2 of Schedule 8, free from all Encumbrances.
- 23.5 The Company does not require any Intellectual Property Rights other than those set out in Part 1 and Part 2 of Schedule 8 in order to carry on its activities including manufacturing, selling and distributing acoustic materials which are part of the Company's business activities.
- 23.6 The Company does not require any Intellectual Property Rights other than those set out in Schedule 9 to bring inhouse the manufacture of Products where the Intellectual Property Rights are owned by the Company.
- 23.7 The Intellectual Property Rights set out in Part 1 and Part 2 of Schedule 8 are subsisting and nothing has been done or not been done as a result of which any of them has ceased or might cease to be subsisting. In particular:
- (a) all application and renewal fees and other administrative steps required for the maintenance or protection of such rights have been paid on time or taken;
  - (b) all confidential information (including know-how and trade secrets) owned or used by the Company and which is material to the Business has been kept confidential and has not been disclosed to third parties (other than parties who have signed written confidentiality undertakings in respect of such information).;
  - (c) so far as the Sellers are aware, no mark, trade name or domain name identical or similar to any such rights has been registered, or is being used by any person in the same or a similar business to that of the Company, in any country in which the Company has registered or is using that mark, trade name or domain name; and
  - (d) the Sellers have not been notified of any claims, challenges disputes or proceedings, pending or threatened, in relation to the ownership, validity or use of such rights.



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- 23.8 The Sellers are not aware that anything is due to be done within 30 days of Completion the omission of which would jeopardise the maintenance or prosecution of any of the Intellectual Property Rights owned or used by the Company or any of the Subsidiaries which are registered or the subject of an application for registration.
- 23.9 So far as the Sellers are aware, there has been no infringement by any third party of any of the Intellectual Property Rights set out in Part 1 and Part 2 of Schedule 8, nor any third party breach of confidence, passing off or actionable act of unfair competition in relation to the business and assets of the Company, and no such infringement, breach of confidence, passing off or actionable act of unfair competition is current or anticipated.
- 23.10 So far as the Sellers are aware, a change of Control of the Company will not result in the termination of or materially affect any of the Intellectual Property Rights.
- 23.11 So far as the Sellers are aware, the agreements and licences set out in Part 3 and Part 4 of Schedule 8:
- (a) are valid and binding;
  - (b) have not been the subject of any breach or default by any party or of any event which, with the giving of notice or lapse of time, would constitute a default;
  - (c) are not the subject of any claim, dispute or proceeding, pending or threatened; and there are no circumstances which are likely to give rise to a breach, claim, dispute or proceeding, and no reason to believe that such agreements or licences will not be renewed when they expire on same or substantially similar terms;
  - (d) have, where required, been duly recorded or registered.
- 23.12 So far as the Sellers are aware, the activities of the Company and of any licensee of Intellectual Property Rights granted by the Company:
- (a) have not infringed and do not infringe the Intellectual Property Rights of any third party; or
  - (b) have not constituted and do not constitute any breach of confidence, passing off or actionable act of unfair competition; or
  - (c) other than pursuant to agreements currently in force, have not given and do not give rise to any obligation to pay any royalty, fee, compensation or any other sum whatsoever.

## 24. INFORMATION TECHNOLOGY

- 24.1 The definitions in this paragraph apply in this agreement.



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**Domain Names:** the internet domain names associated with the Business (including those set out in Part 3 of Schedule 9).

**IT System:** the network and information systems that are owned, used or held for use by the Company including (i) all computer hardware (including network and telecommunications equipment and related peripherals), mobile devices; (ii) all software (including associated user manuals, object code and source code) and other materials sufficient to enable a reasonably skilled programmer to maintain and modify the software (Source Code) and firmware (Software) and (iii) all databases.

**IT Contracts:** all arrangements and agreements under which any third party (including without limitation any source code deposit agents) provides any element of, or services relating to, the IT System, including leasing, hire purchase, licensing, maintenance, web hosting, outsourcing, security, back-up, disaster recovery, insurance, cloud computing and other types of services agreements.

**Latent Vulnerability:** any instances of typical classes of vulnerability, for example, buffer overflows, cross-site scripting (XSS) and Structure Query Language (SQL) injection.

**Social Media Account:** any user account, profile, page or other similar presence on an online communication channel incorporating user generated content.

- 24.2 Complete and accurate particulars of the IT System and all IT Contracts are set out in Part 1 and Part 2 of Schedule 7. The Sellers have no reason to believe that any of the IT Contracts are not adequate for the purposes of the Business as it is operated at and before the date of the agreement.
- 24.3 Save to the extent provided in the IT Contracts, the Company are the owners of the IT System free from Encumbrances. The Company has obtained all necessary rights from third parties to enable them to make use of the IT System both before and after the date of this agreement for the purposes of carrying out the Business in the manner in which it was operated at and in the 12 months before the date of this agreement, and to fulfil any currently existing plans or proposals.
- 24.4 The IT Contracts are in force and to the Sellers' knowledge no act or omission has occurred which would, if necessary with the giving of notice or lapse of time, constitute a breach of any such contract.
- 24.5 There are and have been no claims, disputes or proceedings notified to the Company or threatened under any IT Contracts.
- 24.6 The Sellers have no reason to believe that any IT Contracts that the Company needs to renew will not be renewed on the same or substantially the same terms when they expire.



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- 24.7 In relation to the Source Code, the Company has possession and exclusive control of such Source Code and, so far as the Sellers are aware, there has been no disclosure of such Source Code.
- 24.8 All elements of the IT Systems:
- (a) are functioning properly and in accordance with all applicable specifications and with service levels set out in the IT Contracts and are fit for the purposes of the Business as at the date of this agreement;
  - (b) are not defective in any respect and have not been materially defective or materially failed to function during the 12 months prior to the date of this agreement;
  - (c) do not contain any Virus, Known Vulnerability or Latent Vulnerability and have not within the last 12 months been infected by any Virus, Known Vulnerability or Latent Vulnerability or accessed by any unauthorised person;
  - (d) have sufficient capacity, scalability and performance (without modification) to meet the current requirements of the Business;
  - (e) include sufficient user information reduced to writing and in a commonly readable format, which is within the possession and control of the Company to enable reasonably skilled personnel in the field to use and operate the IT Systems without the need for further assistance (User Information);
  - (f) have been operated and used substantially in accordance with the User Information (including any recommendations as to the environmental conditions and power supply);
  - (g) have been regularly maintained in accordance with standard industry practice, including all versions of the Software used by the Business are currently supported by the respective owners of the Software.
  - (h) meet all applicable regulatory requirements.
- 24.9 No open-source software or similar licence has been included or used in, or in the development of, any element of the IT Systems (Restrictive Open Source Code) and no element of the IT Systems operates in such a way that it is compiled with or linked to any Restrictive Open Source Code.
- 24.10 The IT System is capable of:
- (a) Performing in multiple currencies;
  - (b) Displaying and printing generally accepted symbols for the euro and any other currency that is necessary for the Business.
- 24.11 The performance and functionality of the IT System (and any other equipment and systems owned or used by the Company which depend on date-programmed control devices) has not been affected by any changes in dates. In particular:



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- (a) no value for a current date has caused any interruption in operation;
  - (b) date-based functionality has behaved consistently for all dates;
  - (c) in all interfaces and data storage, the century in any date is specified either explicitly or by unambiguous algorithms or inferencing rules; and
  - (d) all leap years are recognised as such.
- 24.12 Complete and accurate particulars of all Social Media Accounts, Domain Names are set out in Part 4 of Schedule 9. All Social Media Accounts and Domain Names are controlled and administered by or on behalf of the Company and used exclusively in connection with the Business and not used in conjunction with any Social Media Accounts and Domain Names of or associated with the Majority Shareholder or any of its Affiliates.
- 24.13 The Company:
- (a) is the current registrant and user of each Domain Name and Social Media Account and has not sold, transferred, licensed, charged or otherwise encumbered any Domain Name or Social Media Account or allowed a Domain Name or Social Media Account to be used by any third party including the Majority Shareholder or Controlling Shareholder, other than in performing their duties in connection with the Business.
  - (b) has, in its control and possession, sufficient information, passwords and access codes to allow it to access, edit, control and or administer each Domain Name and Social Media Account including after the date of this agreement;
  - (c) has not committed any breaches, and is currently not in breach of any agreement with the registrar of any Domain Name or provider of any Social Media Account;
  - (d) has completed all necessary formalities (including the payment of all relevant fees) in order to effect any renewals of the Domain Names or Social Media Accounts which were due prior to the date of this agreement;
- 24.14 So far as the Sellers are aware, no person has, or in the past 24 months has had, unauthorized access to any Social Media Account and each director, manager, employee and independent contractor of the Company who has access to or control over a Social Media Account has entered into a written agreement with the Company obliging them, on termination of their engagement, to cease accessing that Social Media Account.
- 24.15 So far as the Sellers are aware, no person has used the Social Media Account to infringe or misuse or misappropriate the rights of any other person or to defame, libel, slander such person, or make unauthorised statement about or on behalf of, or in connection with the Business or the Company.



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- 24.16 The Company has in place, in accordance with standard industry practice, policies, procedures and training for its employees on the appropriate use of social media in both professional and personal capacity.
- 24.17 The Company's use of the Social Media Accounts and Domain Names (including any competitions or prize promotions conducted via the Social Media Accounts or Domain Names) complies with and has at all times within the last 12 months complied with all applicable laws, regulations, guidelines and standard industry practice including any relevant advertising codes. The Company has not received any notice or allegation of non-compliance in respect of the same.
- 24.18 Each of the databases:
- (a) has not been used for any purpose that would constitute a breach of Data Protection Law; and
  - (b) has not suffered any material loss or corruption in the period of 24 months preceding the date of this agreement.
- 24.19 The Company has implemented procedures in accordance with standard industry practice (including in relation to off-site working where applicable) for ensuring the security of the IT Systems and the confidentiality and integrity of the Systems Data.
- 24.20 The Company has in place:
- (a) a fully documented disaster recovery plan which, in conjunction with the necessary agreements with third party service providers (particulars of which are set out in Part 2 of Schedule 9, is intended to enable the Business to continue if there were significant damage to or destruction of some or all of the IT Systems;
  - (b) a monitoring programme which enables the Company to detect, prioritise, and report IT security incidents on a continuous 24/7 basis;
  - (c) a data security breach and response plan which enables the Company to mitigate any IT security incident and the effects of any IT security incident on the Business.
- Each such plan (copies of which have been Disclosed) complies with standard industry practice.
- 24.21 During the 24 month period up to and including the date of this agreement, the Company has not suffered any IT security incident having a substantial or significant impact on the Business.

## 25. DATA PROTECTION AND PRIVACY

- 25.1 The definitions in this paragraph apply in this agreement.



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**Data Protection Laws:** all laws (whether UK or any other jurisdiction) relating to the use, protection and privacy of Personal Data (including without limitation) the privacy of electronic communications which are from time to time applicable to the Company.

**Personal Data:** has the meaning given to that term in Article 4 of the UK GDPR.

**Processor:** has the meaning given in Paragraph 24.4(a) of this Schedule.

**Supervisory Authority:** any local, national, supernational, state, governmental agency, body, department, board, official or entity exercising regulatory or supervisory authority pursuant to any Data Protection Laws, including the Information Commissioner's Office in the UK.

25.2 The Company has at all times complied with Data Protection Laws in all respects.

25.3 The Company has:

- (a) introduced and applied appropriate data protection policies and procedures concerning the collection, use, storage, retention and Security of Personal Data and implemented regular staff training, use testing, audits or other documented mechanisms to ensure and monitor compliance with such policies and procedures.
- (b) appointed a data protection officer if required to do so under the Data Protection Laws (and provide such details of appointment in the Disclosure Letter).
- (c) maintained complete, accurate and up to date records of all their Personal Data processing activities as required by the Data Protection Laws, copies of which are included in the Disclosure Letter.
- (d) carried out and maintained complete, accurate and up to date records of, all data protection impact assessments required by Data Protection Laws.
- (e) issued appropriate privacy notices to data subjects which comply with all applicable requirements of the Data Protection Laws.
- (f) implemented appropriate technical and organisational measures to protect against the unauthorised or unlawful processing of, or accidental loss or damage to, any Personal Data processed by the Company or Processors, and ensure a level of security appropriate to the risk represented by the processing and the nature of the Personal Data to be protected; and
- (g) put in place adequate data breach response plan (including maintaining a record of personal data breaches) that enables the Company to comply with the related requirements of the Data Protection Laws, details of which are set out in the Disclosure Letter.

25.4 The Company has:



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- (a) undertaken appropriate due diligence on any third parties they have appointed to process Personal Data (Processors, each a Processor); and
  - (b) an agreement in place with each Processor (copies of which are included in the Disclosure Letter) which complies with all applicable requirements of the Data Protection Laws.
  
- 25.5 The Company and the Controlling Shareholder have complied with all applicable requirements under the Data Protection Laws relating to the disclosure or transfer of Personal Data outside of the UK.
  
- 25.6 There are no data subject requests, including any requests for access to Personal Data, the cessation of specified processing activities or the rectification of or erasure of any Personal Data outstanding at the date of this agreement.
  
- 25.7 Neither the Company nor any Processor including the Majority Shareholder has in the period of 12 months preceding the date of this agreement suffered any breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to Personal Data and each of the Company, the Majority Shareholder and Processor have passed all regulatory audits to which they have been subject.
  
- 25.8 Neither the Company nor the Majority Shareholder has in the period of three years preceding the date of this agreement received any:
  - (a) notice, request, correspondence or other communication from any Supervisory Authority, or been subject to any enforcement action (including any fines or other sanctions) in each case relating to a breach or alleged breach of their obligations under the Data Protection Laws;
  - (b) claim, complaint, correspondence or other communications from a data subject or any other person claiming a right to compensation under the Data Protection Laws and, so far as the Sellers and the Majority Shareholder are aware there is no circumstance that may lead to any such notice, request, correspondence, communication, claim, complaint or enforcement action.
  
- 25.9 The Company has complied with all applicable notification or registration obligations and paid the appropriate level of fees and charges in respect of their processing activities, in each case as required by the Data Protection Laws.
  
- 25.10 The Company has obtained valid consents in respect of its mailing lists which are no older than one year and have complied with any data subject opt out requests.

## 26. EMPLOYMENT



## EXECUTION VERSION

26.1 The definitions in this paragraph apply in this agreement.

**Employment Law:** all laws applying in England and Wales from time to time which affect contractual and other relations between employers and their employees or workers including, but not limited to, any legislation and any amendment, extension or re-enactment of such legislation and any claim arising under European treaty provisions or directives (as any such treaties or directives apply in England and Wales from time to time, including as retained, amended, extended re-enacted or otherwise give effect) which, in either case, are enforceable against the Company by any Employee or Worker.

**Employee:** any person employed by the Company under a contract of employment.

**Representative Body:** any trade union, staff association, staff council, work council, information and consultation body and other worker representatives relating to any person employed or engaged by or in the Company.

**Worker:** any person who personally performs work for the Company or any of the Subsidiaries but who is not in business on their own account or in a client/customer relationship.

**Working Time Directive:** Directive 2003/88/EC of the European Parliament and the Council of 4 November 2003 concerning certain aspects of the organisation of working time (as applies in England and Wales from time to time, including as retained, amended, extended, re-enacted or otherwise given effect).

**WTR 1998:** The Working Time Regulations 1998 (SI 1998/1833).

26.2 The name of each person who is a director and shadow director of the Company is set out in Schedule 1 of this agreement.

26.3 The Data Room includes anonymised particulars of each Employee and Worker and the principal terms of their contract including:

- (a) the Company which employs or engages them;
- (b) their remuneration (including any benefits and privileges provided or which the Company is bound to provide to them or their dependants, whether now or in the future);
- (c) the commencement date of each contract and, if an Employee, the date on which their continuous service began;
- (d) the length of notice necessary to terminate each contract or, if a fixed term, the expiry date of the fixed term and details of any previous renewals;
- (e) the type of contract (whether full or part-time or other);
- (f) any country in which the Employee or Worker works or performs services and/or is paid, if the Employee or Worker works or is paid outside England and Wales; and



## EXECUTION VERSION

- (g) the law governing the contract, if the Employee or Worker works or is paid outside England and Wales.
  
- 26.4 The Data Room includes anonymised details of each person who is not a Worker and who is providing services to the Company under an agreement that is not a contract of employment with the Company (including, in particular, where the individual acts as a consultant or is on secondment from an employer that is not a member of the Company's Group) and the particulars of the terms on which the individual provides services, including:
  - (a) the company which engages them;
  - (b) the remuneration of each individual (including any benefits and privileges provided or which the Company is bound to provide) to them or their dependants, whether now or in the future; and
  - (c) the length of notice necessary to terminate each agreement or, if at fixed term, the expiry date of the fixed term and details of any previous renewals;
  - (d) any country in which the individual provides services, if the individual provides services wholly or mainly outside England and Wales; and
  - (e) the law governing the agreement, if the individual provides services wholly or mainly outside England and Wales.
  
- 26.5 The Disclosure Letter includes anonymised details of all Employees and Workers of the Company who are on secondment, maternity, paternity, adoption or other leave or who are absent due to ill-health or for any other reason.
  
- 26.6 No notice to terminate the contract of employment of any Employee or Worker of the Company (whether given by the relevant employer or by the Employee or Worker) is pending, outstanding or threatened and no dispute under any Employment Law or otherwise is outstanding between:
  - (a) the Company and any of its or their current or former Employees relating to their employment, its termination and any reference given by the Company regarding them; or
  - (b) the Company and any of its current or former Workers relating to their contract, its termination and any reference given by the Company regarding them.
  
- 26.7 No questions have been submitted to the Company by an Employee or Worker in relation to potential claims under equal pay or discrimination legislation that remain unanswered in full or part.
  
- 26.8 Every Employee or Worker of the Company who requires permission to work in the United Kingdom has current and appropriate permission to work in the United Kingdom or has a visa application in progress.



## EXECUTION VERSION

- 26.9 No offer of employment or engagement has been made by the Company that has not yet been accepted, or which has been accepted but where the employment or engagement has not yet started.
- 26.10 The acquisition of the Sale Shares by the Buyer and compliance with the terms of this agreement will not entitle any Directors, officers or senior Employees of the Company to terminate their employment or receive any payment or other benefit.
- 26.11 All contracts between the Company and its or their Employees and Workers are terminable at any time on not more than three months' notice without compensation (other than for unfair dismissal or a statutory redundancy payment) or any liability on the part of the Company or any Subsidiary other than wages, commission or pension.
- 26.12 The Company is not a party to, bound by or proposing to introduce in respect of any of its Directors or Employees any redundancy payment scheme in addition to statutory redundancy pay, and there is no agreed procedure for redundancy selection.
- 26.13 In the period of ten years preceding the date of this agreement, the Company has not been a party to a relevant transfer for the purposes of the Transfer of Undertakings (Protection of Employment) Regulations 2006 affecting any Employee (or former Employee) or any other person engaged (or formerly engaged) in the Business and no event has occurred that may involve such persons in the future being a party to such transfer. No such persons have had their terms of employment varied (or purported to be varied) for any reason as a result of or connected with such transfer. There are no circumstances likely to give rise to a relevant transfer affecting any of the Employees or any other person engaged in the Business.
- 26.14 There are no cash incentive schemes or other incentive arrangements (including, without limitation, any share option arrangement, commission, profit sharing or bonus scheme) established by any member of the Company's Group or any shareholder of the Company in which the Company or any of their respective Directors, Employees or Workers participates or has participated.
- 26.15 The Company has not incurred any actual or contingent liability in connection with any termination of employment of any Employee (including redundancy payments) or for failure to comply with any order for the reinstatement or re-engagement of any Employee.
- 26.16 In the past 12 months, the Company has not made or agreed to make a payment or provided or agreed to provide a benefit to a present or former Director or officer, Employee or Worker or to their dependants in connection with the actual or proposed termination or suspension of employment or variation of an employment contract.

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## EXECUTION VERSION

- 26.17 The Company is not involved in any material industrial or trade dispute or negotiation regarding a claim with any Representative Body and there is nothing likely to give rise to such dispute or claim.
- 26.18 The Company:
- (a) has not in the last 12 months altered any of the terms of employment or engagement of any Employee or Worker (except for an increase in remuneration);
  - (b) offered, promised or agreed to any future variation in the terms of employment or engagement of any Employee or Worker (except for an increase in remuneration).
- 26.19 In the 2 years preceding the date of this agreement, the Company has not transferred or agreed to transfer any Employee or Worker from working for the Company or induced any Employee or Worker to resign their employment with the Company.
- 26.20 There are no sums owing to any current or former Employees or Worker other than reimbursement of expenses, wages for the current salary period and holiday pay for the current holiday year of the Company.
- 26.21 The Company has afforded all Employees and Workers the right to paid holiday under regulations 13 to 17 of the WTR 1998, including giving the Employee or the Worker a reasonable opportunity to take the leave and informing the Employee or Worker that leave not taken by the end of the leave year (or any permitted carry-over period) will be lost.
- 26.22 In the 2 years preceding the date of this agreement, in respect of each of the Employees and Workers, all holiday pay periods of holiday taken under regulation 13, regulation 13A and regulation 15B of the WTR 1998 have been calculated and paid in accordance with the WTR 1998 and, in respect of leave taken under regulation 13 before 1 January 2024, in accordance with the Working Time Directive.
- 26.23 The Disclosure Letter includes true, complete and accurate:
- (a) anonymised copies of all template contracts, handbooks, policies and other documents which apply to any of the Employees and Workers;
  - (b) copies of all agreements or arrangements with Representative Body (whether binding or not) and details of any unwritten agreements or arrangements that may affect any Employee or Worker;
- 26.24 In respect of each Employee and Worker, the Company has:
- (a) performed all obligations and duties they are required to perform (and settled all outstanding claims), whether or not legally binding and whether arising



## EXECUTION VERSION

under contract, statute, at common law or in equity or under any treaties (including the Treaty on the Functioning of the European Union), the laws of the European Union (as any treaties or laws of the European Union apply in England and Wales from time to time, including as retained, amended extended, re-enacted or otherwise given effect on or after 11pm on 31 January 2020) or otherwise;

- (b) complied with the terms of any relevant agreement or arrangement with any trade union, employee representative or body of employees or their representatives (whether binding or not);
- (c) maintained adequate, suitable and up to date records.

26.25 No Employee is subject to a current disciplinary warning or procedure and no such warning or procedure is pending or threatened.

26.26 No Employee or Worker has indicated that they require the Company to comply with a duty to make reasonable adjustments (as defined under the Equality Act 2010) in order for the Employee or Worker to carry out their duties, and no such reasonable adjustments are currently in place.

26.27 No loans have been made to any current, former, or proposed employees or directors of the Company (or to any nominee or associate of such employees or directors) which were made or arranged by the Company or any employee benefit trust or similar arrangement established by the Company.

26.28 No shares, securities or options (or interests in any of them) have been issued, granted or transferred by the Company, to any current, former or proposed employee or director of the Company (or to any nominee or associate of such employees or directors) and there are no agreements, schemes or promises to make any such issues, grants or transfers.

26.29 No Non-Cash incentives have been awarded, paid or delivered by the Company to any employee or director of the Company and there are no agreements, schemes or promises to make such awards or payments. In this paragraph, Non-Cash Incentives means any non-cash payment or awards in respect of service (other than salary or pension) such as bonuses, shares of profit, amounts receivable under phantom share options or similar rights.

26.30 There are no employee benefits trusts, family benefit trusts or similar arrangements established by the Company under which any current or former employee or director of the Company may benefit in any form.

## 27. PROPERTY

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## EXECUTION VERSION

27.1 The definitions in this paragraph apply in this agreement.

**Current Use:** the use for the Property as set out in Schedule 8.

**Planning Acts:** The Town and Country Planning Act 1990, the Planning (Listed Buildings and Conservation Areas) Act 1990, the Planning (Hazardous Substances) Act 1990, the Planning (Consequential Provisions) Act 1990, the Planning and Compensation Act 1991, the Planning and Compulsory Purchase Act 2004, the Planning Act 2008, the Localism Act 2011, the Growth and Infrastructure Act 2013, the Housing and Planning Act 2016, the Neighbourhood Planning Act 2017 and any other legislation from time to time regulating the use or development of land.

**Statutory Agreement:** an agreement or undertaking entered into under any legislation.

27.2 The particulars of the Property set out in Schedule 8 are true, complete and accurate.

27.3 The Property is the only land and buildings owned, used or occupied by the Company.

27.4 The Company does not have any right of ownership, right of use, option, right of first refusal or contractual obligation to purchase, or any other legal or equitable right, estate or interest in, or affecting, any land or buildings other than the Property.

27.5 The Company does not have any actual or contingent liability in respect of any other land or buildings other than the Property.

27.6 The Company does not have any actual or contingent liability in respect of the Property other than in accordance with the Lease.

27.7 The Company has not given any guarantee or indemnity for any liability relating to the Property.

27.8 All written replies given by or on behalf of the Sellers or the Company in response to any written enquiries raised by or on behalf of the Buyer in relation to the Property and the Planning Permission were complete and accurate at the date they were given and would still be complete and accurate if the replies were instead being given on the Completion Date.

27.9 The Company identified as the proprietor in Schedule 8, is in possession and actual occupation of it on an exclusive basis, and no right of occupation or enjoyment has been acquired or is in the course of being acquired by any third party, and the Company has not granted, or agreed to grant, any right of occupation or enjoyment in respect of the Property to any third party.

27.10 The Sellers have, held by the Sellers' Solicitors to the order of the Sellers and have Disclosed:



## EXECUTION VERSION

- (i) evidence of the reversioner's title to the Lease;
  - (ii) all consents required under the Lease;
  - (iii) copies of all assignments of the Lease; and
  - (iv) evidence of the current annual rent payable under the Lease.
  
- 27.11 Where title to any of the Property is not registered at HM Land Registry, there is no caution against first registration of title and no event has occurred in consequence of which a caution against first registration of title could be effected.
  
- 27.12 There is no circumstance that could render any transaction affecting the title of the Company, to the Property liable to be set aside under the Insolvency Act 1986.
  
- 27.13 There are, appurtenant to the Property, all rights and easements necessary for its Current Use and enjoyment.
  
- 27.14 The unexpired residue of the term granted under the Lease is vested in the Company, and is valid and subsisting against all persons, including any person in whom any superior estate or interest is vested.
  
- 27.15 In relation to the Lease, the landlord and the Company have observed and performed in all material respects all covenants, restrictions, stipulations and other encumbrances and there Company has not received any notice of any waiver of or acquiescence to any breach of them.
  
- 27.16 In relation to the Lease, all principal rent and additional rent and all other sums payable by each lessee, tenant, licensee or occupier under each Lease (**Lease Sums**) have been paid as and when they became due and no Lease Sums have been:
  - (a) set off or withheld; or
  - (b) commuted, waived or paid in advance of the due date for payment.
  
- 27.17 No collateral assurances, undertakings or concessions have been made by any party to any Lease.
  
- 27.18 No premium or principal rent has been taken or accepted from or agreed under any Lease beyond what is legally permitted.
  
- 27.19 The Property is free from:
  - (a) any mortgage, debenture, charge (whether legal or equitable and whether fixed or floating), rent charge, lien or other right in the nature of security; and

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EXECUTION VERSION

- (b) any agreement for sale, estate contract, option, right of pre-emption or right of first refusal,

and there is no agreement or commitment to give or create any of them.

- 27.20 The Property is not subject to the payment of any outgoings other than non-domestic local business rates and water and sewerage charges, principal rent, insurance premiums and service charges) and all outgoings have been paid when due and the Sellers are not aware of any being in dispute.
- 27.21 The Sellers are not aware of any covenants, restrictions, stipulations, easements, profits à prendre, wayleaves, licences, grants or other encumbrances (whether of a private or public nature, and whether legal or equitable) affecting the Property which are of an onerous or unusual nature, or affect their value, or which conflict with the Current Use of the Property.
- 27.22 The Sellers are not aware of any circumstances which (with or without taking other action) would entitle any third party to exercise a right of entry to or take possession of all or any part of the Property, or which would in any other way affect or restrict the continued possession, enjoyment or use of any of the Property.
- 27.23 The Current Use of the Property is the permitted use for the purposes of the Planning Acts. The Current Use of the Property is in accordance with the provisions of the Lease.
- 27.24 All necessary building regulation consents have been obtained both in relation to the Current Use of the Property and any alterations and improvements to the Property.
- 27.25 No claim or liability (contingent or otherwise) under the Planning Acts in respect of the Property, or any Statutory Agreement affecting the Property, are outstanding, nor is the Property the subject of a notice to treat or a notice of entry, and no notice, order resolution or proposal has been published for the compulsory acquisition, closing, demolition or clearance of the Property, and the Sellers are not aware of any matter or circumstances which would lead to any such notice, order, resolution or proposal.
- 27.26 All planning permissions, orders and regulations issued under the Planning Acts, and all building regulations, consents and byelaws for the time being in force have been fully complied with in relation to the Property.
- 27.27 The Company have complied with all applicable statutory and bye-law requirements, and all regulations, rules and delegated legislation, relating to the Property and its Current Use.
- 27.28 The Property is in a good state of repair and condition and fit for the Current Use.



## EXECUTION VERSION

- 27.29 There are no development works, redevelopment works or fitting-out works outstanding in respect of any of the Property.
- 27.30 The Company has not received any adverse report from any engineer, surveyor or other professional relating to the Property.
- 27.31 The Company has not received any notices, complaints or requirements from any competent authority or undertaking exercising statutory or delegated powers in relation to any of the Property, the Current Use of the Property or any machinery, plant or equipment in them, and the Sellers are not aware of any matter which could lead to any such notice, complaint or requirement being issued or made.
- 27.32 There exists no dispute between the Company, and the owner or occupier of any other premises adjacent to or neighbouring the Property and the Sellers do not expect, and are not aware of, any circumstances that may give rise to any such dispute after the date of this agreement.
- 27.33 The Sellers have not been notified that, during the Company's occupation of the Property, the Property has suffered from any of the following:
- (a) flooding;
  - (b) subsidence;
  - (c) heave;
  - (d) landslip;
  - (e) mining activities;
  - (f) structural defects;
  - (g) defects in the drains and services from time to time serving the Property; or
  - (h) dry rot, wet rot, rising damp and any infestation.

## 28. ACCOUNTS

### 28.1 The Accounts

- (a) show a true and fair view of the state of affairs of the Company as at the Accounts Date, and of their profit and/or loss for the accounting period ended on the Accounts Date;
- (b) have been properly prepared in accordance with FRS 102, using appropriate accounting policies and estimation techniques as required by section 10 of FRS 102;
- (c) comply with the requirements of CA 2006 and all other applicable law and regulations in the UK;
- (d) are not affected by extraordinary, exceptional or non-recurring items; and



## EXECUTION VERSION

- (e) have been prepared using the same accounting policies and estimation techniques as those adopted and applied in preparing the Previous Accounts.
- (f) if prepared using the reduced disclosure framework as laid out in FRS 102, the conditions in paragraph 1.11 of FRS 102 have been met;

28.2 The Accounts have been (with the directors' reports) have been:

- (a) circulated to every person entitled to receive a copy in accordance with section 423 of the CA 2006.
- (b) laid before the Company in general meeting, where required by the CA 2006 or the articles of association or any other agreement such as the Shareholders' Agreement;
- (c) filed with the Registrar of Companies in accordance with the relevant requirements of the CA 2006 and all other applicable laws and regulations in the UK.

28.3 The Accounts:

- (a) charge depreciation and amortisation on non-current assets at a suitable rate such that all non-current assets will be written down to nil or a realisable residual value at the end of their useful lives as required by section 17 and 18 of FRS 102;
- (b) reflect all impairments to the recoverable amounts of non-current assets as required by section 27 of FRS 102, whether or not there were any indicators of impairment of the Accounts Date;
- (c) make proper and adequate provision for credit risk such that all receivables are stated at no more than their recoverable amount at the Accounts Date;
- (d) classify and measure all financial instruments according to the requirements of sections 11 and 12 of FRS 102;
- (e) have correctly allocated overheads to the cost of inventory based on normal levels of activity, make proper provision against or have written off all obsolete or slow moving inventory at the lower of cost and estimated selling price less costs to complete or sell at the Accounts Date as required by section 13 FRS 102;
- (f) include all known liabilities and all provisions as required by section 21 FRS 102;
- (g) provide for all Tax in respect of which the Company are accountable, including deferred tax, as required by section 29 FRS 102;
- (h) include in the notes all related party disclosures required by section 33 of FRS 102;

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## EXECUTION VERSION

- (i) have dealt with all events after the Accounts Date up to the date of approval of the relevant accounts by the board of directors as required by section 32 of FRS 102;
- (j) have dealt with all events after the Accounts Date up to the date of approval of the relevant accounts by the board of directors as required by section 32 of FRS 102;

28.4 The Completion Accounts have been prepared on a basis consistent with that employed in preparing the Previous Accounts and fairly represent the assets and liabilities and the profits and/or losses of the Company as at the date and in respect of the period to which they relate.

## 29. FINANCIAL AND OTHER RECORDS

29.1 All financial and other records of the Company:

- (a) have been properly prepared and maintained;
- (b) constitute an accurate record of all matters required by law to appear in them;
- (c) do not contain any material inaccuracies or discrepancies; and
- (d) are in the possession of the Company to which they relate.

29.2 No notice has been received or allegation made that any of those records are incorrect or should be rectified.

29.3 All statutory records, including accounting records, required to be kept or filed by the Company have been properly kept or filed and comply with the requirements of the Companies Acts.

29.4 All deeds and documents belonging to the Company are in the possession of the Company.

## 30. CHANGES SINCE ACCOUNTS DATE

Since the Accounts Date:

- (a) the Company has conducted its business in the normal course and as a going concern;
- (b) there has been no material adverse change in the turnover, financial position or prospects of the Company;
- (c) the Company has not issued or agreed to issue any share or loan capital;
- (d) no dividend or other distribution of profits or assets has been, or agreed to be, declared, made or paid by the Company;

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## EXECUTION VERSION

- (e) the Company has not borrowed or raised any money or taken any form of financial security;
- (f) no capital expenditure has been incurred on any individual item by the Company in excess of £20,000 and the Company has not acquired, invested or disposed of (or agreed to acquire, invest or dispose of) any individual item by the Company in excess of £10,000;
- (g) no shareholder resolutions of the Company have been passed other than as routine business at the annual general meeting;
- (h) there has been no abnormal increase or reduction of stock in trade;
- (i) none of the stock in trade reflected in the Accounts has realised an amount less than the value placed in it in the Accounts; and
- (j) The Company has not offered price reductions or discounts or allowances on sales of stock in trade or sold stock in trade at less than cost price.
- (k) the Company has paid its creditors within the applicable periods agreed with the relevant creditor and there are no amounts owing by the Company which have been outstanding for more than 45 days.

### 31. RETIREMENT BENEFITS

- 31.1 The Pension Scheme is the only arrangement under which the Company has or may have any obligation (whether or not legally binding) to provide or contribute towards pension, lump-sum, death, ill-health, disability or accident benefits in respect of its past or present officers and employees (**Pensionable Employees**). No proposal or announcement has been made to any Employee or officer of the Company as to the introduction, continuance, increase or improvement of, or the payment of a contribution towards, any other pension, lump-sum, death, ill-health, disability or accident benefit.
- 31.2 Full details of the Pension Scheme are set out in the Disclosure Letter, including (but not limited to):
  - (a) copies of all documents governing the Pension Scheme and of any announcements and explanatory booklets relating to it;
  - (b) details of the transfer employees of the Pension Scheme;
  - (c) a list of all Pensionable Employees who are members of the Pension Scheme with all details relevant to their membership and necessary to establish their entitlements under the Pension Scheme.

The documents listed above contain full details of all benefits payable in respect of the Pensionable Employees under the Pension Scheme (including any benefits payable to any Pensionable Employee on early retirement or redundancy under the Pension Schemes, or any previous scheme of which the Pensionable Employee was a member). No power to increase those benefits or to provide different benefits has been exercised,



## EXECUTION VERSION

and there are no circumstances in which there is a practice of exercising such a power under the Pension Scheme.

- 31.3 The Company has complied with its automatic enrolment obligations as required by the Pensions Act 2008 (PA 2008) and associated legislation. No notices, fines or other sanctions have been issued by the Pensions Regulator and no instances of non-compliance with the automatic enrolment obligations have been notified to the Pension Regulator in respect of the Company. Full details of this compliance are set out in the Disclosure Letter including, but not limited to:
- (a) any documents relating to the applicable staging date;
  - (b) copies of correspondence between the Company and the Pensions Regulator regarding auto-enrolment, including details of their respective registration in accordance with regulation 3 of the Employers' Duties (Registration and Compliance) Regulations 2010 (2010 Regulations);
  - (c) copies of records kept in accordance with regulations 5 to 8 of the 2010 Regulations in respect of the Employees;
  - (d) if a personal pension scheme was used as a qualifying scheme, copies of any agreements between the provider and the jobholder under section 26 of the PA 2008;
  - (e) details of any Employees who have opted out and copies of any opt out letters in respect of those Employees;
  - (f) for the money purchase scheme which the Company uses, a copy of any certification under section 28 of the PA 2008; and
- 31.4 All contributions, insurance premiums, tax and expenses due to and in respect of the Pension Scheme have been duly paid. There are no liabilities outstanding in respect of the Pension Scheme at the date of this agreement. The contributions in respect of the Pension Scheme have been paid at the rates set out in the most recent schedule of contributions or the most recent payment schedule.
- 31.5 All death and disability benefits provided to the employees of the Company are fully insured by an insurance policy with an insurer of good repute. The Sellers are not aware of any reason why these policies might be invalidated, or why the insurer might try to set them aside.
- 31.6 The Disclosure Letter has details of the rates at which the Company's and employees' contributions to the Pension Scheme are being paid and how they are calculated, and whether they are paid in advance or in arrears. All amounts due to the Pension Schemes have been paid.



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- 31.7 No contribution notice or financial support direction under the Pensions Act 2004 has been issued to the Company or to any other person in respect of any Pension Scheme and there is no fact or circumstance likely to give rise to any such notice or direction.
- 31.8 Each Pension Scheme is a registered pension scheme for the purposes of Chapter 2 of Part 4 of the Finance Act 2004 and there is no reason why HM Revenue & Customs might de-register the scheme.
- 31.9 The Pension Scheme has been designed to comply with, and has been administered in accordance with, all applicable legal and administrative requirements and in compliance with its governing documents. The Company has complied in all material respects with its obligations under and in respect of the Pension Scheme.
- 31.10 The Company has not discriminated against, or in relation to, any Pensionable Employee on grounds of age, sex, disability, marital status, hours of work, fixed-term or temporary agency worker status, sexual orientation, religion or belief in providing pension, lump-sum, death, ill-health, disability or accident benefits.
- 31.11 No claims or complaints have been made or are pending or threatened in relation to the Pension Scheme or otherwise in respect of the provision of (or failure to provide) pension, lump-sum, death, ill-health, disability or accident benefits by the Company in relation to any of the Pensionable Employees. There are no facts or circumstances likely to give rise to such claims or complaints.
- 31.12 No acts, omissions or other events have been reported to the Pensions Regulator under sections 69 or 70 of the Pensions Act 2004 and there is no fact or circumstance likely to give rise to such reports.
- 31.13 The Pension Scheme does not and has not accepted any contributions from a European employer as defined for the purposes of Part 7 of the Pensions Act 2004.
- 31.14 The Pension Scheme provides money purchase benefits only as defined in section 181 of the Pension Schemes Act 1993.
- 31.15 The Company has not at any time operated or participated in an occupational pension scheme (as is defined in section 1 of the Pension Schemes Act 1993) located in the United Kingdom which accepts contributions from any employer based outside of the United Kingdom or has it contributed to a non-UK occupational pension scheme.

## Part 2. Tax warranties

### 1. GENERAL



## EXECUTION VERSION

- 1.1 All notices, returns (including any land transaction returns), reports, accounts, computations, statements, assessments and registrations and any other necessary information submitted by the Company to any Taxation Authority for the purposes of Taxation have been made on a proper basis, were submitted within applicable time limits, were accurate and complete when submitted and remain accurate and complete in all material respects. None of the above is, or is likely to be, the subject of any material dispute with any Tax Authority.
- 1.2 All Tax (whether of the UK or elsewhere), for which the Company has been liable to account for, has been duly paid (insofar as such Tax ought to have been paid) and no penalties, fines, surcharges or interest have been incurred.
- 1.3 The Company has, within applicable time limits, maintained in their possession and control complete and accurate records, invoices, elections, statements and other information in relation to Tax, that meet all legal requirements and enable the Tax (including deferred tax) liabilities of the Company to be calculated accurately in all material respects.
- 1.4 All Tax deductible under the PAYE system, the Construction Industry Scheme and/or Tax Statute have, so far as is required to be deducted from all payments made (or treated as made) by the Company. All amounts due to be paid to the relevant Tax Authority on or before the date of this agreement have been so paid.
- 1.5 Proper records have been maintained in respect of all such deductions and payments, and all applicable regulations have been complied with.
- 1.6 The Disclosure Letter contains full details of any payments or loans made to, any assets made available (or being used jointly with the Company and the Majority Shareholder) or transferred to, or assets earmarked, however informally, for the benefit of any Affiliate, officer, employee or former employee or officer of the Company falling within the provisions of Part 7A to the ITEPA 2003 and details of any trust or arrangement capable of conferring such benefit.
- 1.7 The Disclosure Letter contains details of all concessions, agreements and arrangements that the Company has entered into with a Tax Authority.
- 1.8 The Company will not become liable to make to any person (including any Tax Authority) any payment in respect of any liability to Tax which is primarily chargeable against or attributable to any person (other than the Company).
- 1.9 The Company is not involved in any dispute with any Tax Authority and has not, within the past 24 months, been subject to any visit, audit, investigation, discovery or access order by any Tax Authority. The Sellers are not aware of any circumstances existing



## EXECUTION VERSION

which make it likely that a visit, audit, investigation, discovery or access order will be made in the next 12 months.

- 1.10 The amount of Taxation chargeable on the Company during any accounting period ending on or within the six years before Completion has not, to any material extent, depended on any concession, agreement or other formal or informal arrangement with any Tax Authority.
- 1.11 All transactions in respect of which any clearance or consent was required from any Tax Authority have been entered into by the Company after such consent or clearance has been properly obtained. Any application for such clearance or consent has been made on the basis of full and accurate disclosure of all the relevant material facts and considerations, and all such transactions have been carried into effect only in accordance with the terms of the relevant clearance or consent.
- 1.12 The Company has duly submitted all claims, disclaimers and elections the making of which has been assumed for the purposes of the Accounts. No such claims, disclaimers or elections are likely to be disputed or withdrawn.
- 1.13 The Disclosure Letter contains full particulars of all matters relating to Taxation in respect of which the Company is, or at Completion, will be entitled to:
  - (a) make any claim (including a supplementary claim), disclaimer or election for relief under any Taxation Statute or other provision; and/or
  - (b) appeal against any assessment or determination relating to Taxation; and/or
  - (c) apply for a postponement of Taxation.
- 1.14 The Company is not, or will not become liable, to make to any person (including any Tax Authority) any payment in respect of any liability to Taxation which is primarily or directly chargeable against, or attributable to, any other person (other than the Company) including but not limited to the Majority Shareholder and/or the Controlling Shareholder.
- 1.15 The Accounts make full provision or reserve within generally accepted accounting principles for any period ending on or before the date to which they were drawn up for all Taxation assessed or liable to be assessed on the Company, or for which the Company is accountable at that date, whether or not the Company has (or may have) the right of reimbursement against any other person. Proper provision has been made and shown in the Accounts for deferred taxation in accordance with generally accepted accounting principles.
- 1.16 The Company has sufficient records to determine the tax consequence which would arise on any disposal or realisation of any asset owned at the Accounts Date or acquired since that date, but prior to Completion.



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1.17 The Company has not entered into any arrangement with HM Revenue & Customs for the deferred payment of any liability to Taxation.

## 2. CHARGEABLE GAINS

2.1 The book value shown in, or adopted for the purposes, of the Accounts as the value of each of the assets of the Company, on the disposal of which a chargeable gain or allowable loss could arise, does not exceed the amount which on a disposal of such asset at the date of this agreement would be deductible, in each case, disregarding any statutory right to claim any allowance or relief other than amounts deductible under section 38 of TCGA 1992.

2.2 There has been no transaction to which any of the following provisions applies, or could apply, in respect of any asset held by the Company:

- (a) section 23 of TCGA 1992 (compensation and insurance monies);
- (b) section 135 and 136 of TCGA 1992 (reconstructions and amalgamations);
- (c) section 139 of TCGA 1992 (transfers of assets on reconstructions and amalgamations);
- (d) section 152-154 (inclusive) of TCGA 1992 (replacement of business assets);
- (e) sections 140A and 140C of TCGA 1992 (transfer of a trade);
- (f) section 165 of TCGA 1992 (gifts of business assets);
- (g) 171-171(c) and 173 of TCGA 1992 (intra-group transfers);

2.3 The Company has not been a party to any scheme or arrangement whereby the value of an asset has been materially reduced as set out in sections 29-31 of TCGA 1992.

2.4 The Company has not made any election under 35(5) of TCGA 1992 and the Accounts have not been prepared on the basis that such an election will be made.

2.5 The Company does not own, or has owned, any asset on the disposal of which paragraph 2 of Schedule 3 to TCGA 1992 would apply.

2.6 The Company does not hold any asset on the disposal of which Schedule 4 to TCGA 1992 may apply.

2.7 The Disclosure Letter gives details of any loss accruing to the Company in respect of which notice needs to be, but has not been given to, an officer of HM Revenue & Customs in order to be an allowable loss for the purposes of TCGA 1992.



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- 2.8 The Company does not own any assets which are wasting assets within the meaning of 44 of TCGA 1992 and which do not qualify in full for an allowance under the provisions of CAA 2001.
- 2.9 The Company has not disposed of or acquired any asset in circumstances falling within 17 or 19 of TCGA 1992.
- 2.10 The Company is not owed a debt on a security, the disposal or satisfaction of which will give rise to a liability to corporation tax on chargeable gains by reason of 251 of TCGA 1992.
- 2.11 The Company has not received any assets by way of gift as mentioned in 282 of TCGA 1992 and the Company has not held, or holds, shares in a company to which 125 of TCGA 1992 could apply.
- 2.12 No allowable loss has accrued to the Company to which 18(3) of TCGA 1992 would apply.
- 2.13 No claim or election affecting the Company has been made (or assumed to be made) under 187 of TCGA 1992.
- 2.14 The Company has not since the Accounts Date appropriated any of its assets to or from trading stock for the purposes of section 161 of TCGA 1992.
- 2.15 The Company is not, or may become, liable to tax under 190 of TCGA 1992 in respect of a disposal occurring on or before Completion.
- 2.16 No assessment in respect of a chargeable gain on the disposal of any asset situated outside the UK has been postponed under section 279 of TCGA 1992 in relation to the Company.
- 2.17 The Company has not acquired shares on a reorganisation (within the meaning of section 126 of TCGA 1992) in circumstances such that part of the consideration given by the Company would be disallowed under section 128(2) of that Act.

### 3. CAPITAL LOSSES

No capital loss has accrued to the Company that is a loss within the meaning of either 8 or 16A of TCGA 1992.

### 4. CAPITAL ALLOWANCES



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- 4.1 If any asset of the Company were disposed of at Completion for its book value as shown in, or adopted for the purpose of, the Accounts, or for the value of consideration actually given for it on its acquisition (if such asset were acquired since the Accounts Date), no balancing charge under CAA 2001 (or any other legislation relating to capital allowances) or similar clawback of relief in jurisdictions outside the UK would be made on the Company.
- 4.2 No event has occurred since the Accounts Date (otherwise than in the ordinary course of business) whereby any balancing charge may fall to be made against, or any disposal value may fall to be brought into account, by the Company under CAA 2001 (or any other legislation relating to any capital allowances) or similar legislation relating to relief for similar capital expenditure in jurisdictions outside of the UK.
- 4.3 All expenditure which the Company have incurred (or may incur) under any subsisting commitment for the provision of plant or machinery has qualified or will qualify (if not deductible as a trading expense of the Company), for allowances at the highest applicable rate under CAA 2001. The Company has made appropriate claims for all such expenditure.
- 4.4 The Company has not made any claim for capital allowances in respect of any asset which is leased to or from, or hired to or from, the Company. No election affecting the Company has been made, or agreed to be made, under sections 177 or 183 of CAA 2001 in respect of such assets.
- 4.5 The Company is not a lessee under a lease to which Chapter 17 of Part 2 of CAA 2001 apply or could apply.
- 4.6 The Company has not made any election under section 83 of CAA 2001, or is it taken to have made such an election under section 89(4) of CAA 2001.
- 4.7 The Company has not incurred any long-life asset expenditure within the meaning of section 90 of CAA 2001.
- 4.8 The Disclosure Letter gives full details of any disclaimers of allowances on plant and machinery.
- 4.9 The Company has not claimed any first-year tax credits (within the meaning of section 262A of, and Schedule A1 to, CAS 2001).
- 4.10 The Company has not claimed an initial or writing down allowances for qualifying expenditure under Part 3A of CAA 2001 (business premises renovation allowance) where a balance charge could arise.



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- 4.11 The Disclosure Letter gives full details of all expenditure incurred on the provision of or replacement of integral features (within the meaning of section 33A of CAA 2001).
- 4.12 All qualifying expenditure (as defined in section 270BA of CA 2001) incurred or to be incurred under any commitment subsisting at Completion has qualified or, as the case may be, will qualify for Structures and building Allowances under Part 2A of CA 2001.
- 4.13 The Company holds an allowance statement or statements (as defined in section 2701A of CAA 2001) in respect of all qualifying expenditure for Structures and Building Allowances has been made.

## 5. DISTRIBUTIONS AND OTHER PAYMENTS

- 5.1 No distribution or deemed distribution, within the meaning of section 1000 or sections 1002 to 1027 of the CTA 2010, has been made (or will be deemed to have been made) by the Company, except dividends shown in its accounts, and the Company is not bound to make any such distribution.
- 5.2 No securities within the meaning of section 1114 of CTA 2010 issued by the Company and remaining in issue at the date of this agreement were issued in such circumstances that the interest payable under them falls to be treated as a distribution under section 1000 of CTA 2010, nor has the Company agreed to issue any such securities.
- 5.3 No rents, interest, annual payments or other sums of an income nature, paid or payable by the Company or which the Company is under an existing obligation to pay in the future, are or may be wholly or partially disallowable as deductions, management expenses or charges in computing taxable profits for Tax purposes.
- 5.4 The Company has not, within the period of seven years preceding Completion, been engaged in, nor been a party to, any of the transactions set out in Chapter 5 of Part 23 of CTA 2010, nor has it made or received a chargeable payment as defined in section 1086 of CTA 2010.
- 5.5 The Company has not received or likely to receive a dividend which is not exempt within the provisions set out in Chapters 2 and 3 of Part 9A CTA 2009.
- 5.6 The Company has not received any capital distribution to which section 189 of the TCGA 1992 could apply.

## 6. LOAN RELATIONSHIPS

- 6.1 All interests, discounts and premiums payable by the Company in respect of its loan relationships (within the meaning of section 302 of Corporation Tax Act 2009) are



## EXECUTION VERSION

eligible to be brought into account by the Company as a debit for the purposes of Part 5 of CTA 2009 at the time, and to the extent that such debits are recognised in the statutory accounts of the Company.

- 6.2 The Company is, or in the six years prior to the date of this agreement has been a party to a debtor relationship (within the meaning of section 302(6) of the CTA 2009) to which Chapter 8 of Part 5 of the CTA 2009 applies or may apply.
- 6.3 The Company is not party to a loan relationship made other than on arm's length terms. There are no circumstances in which section 445 or 447 of the CTA 2009 could apply to require an adjustment of debits and/or credits brought into account by the Company.
- 6.4 The Disclosure Letter contains full particulars of interest restriction returns (within the meaning of Schedule 7A to TIOPA 2010) that have been filed by or on behalf of the Company for all accounting periods ending in the five years prior to the date of this agreement.

## 7. CLOSE COMPANIES

The Company is not a close-investment holding company (within the meaning of section 18N of CTA 2010).

- 7.1 No distribution within section 1064 of CTA 2010 has been made by the Company during the last six years ending at the Accounts Date, nor have such distributions been made between the Accounts Date and Completion.
- 7.2 Any loans or advances made, or agreed to be made, by the Company within sections 455, 459 and 460 of CTA 2010 have been Disclosed. The Company has not released or written off, or agreed to release or write off, the whole or any part of loans or advances.

## 8. GROUP RELIEF

- 8.1 The Company is not a member of any group which is eligible to surrender trading losses or other amounts eligible for surrender to another group (within the meaning of section 99 and 188BB CTA 2010).

## 9. GROUPS OF COMPANIES

- 9.1 The Company and the Controlling Shareholder and/or the Majority Shareholder have not been a group for the purposes of Part 5 or 5A of CTA 2010.

## 10. INTANGIBLE ASSETS

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For the purposes of this paragraph 10, references to **intangible fixed assets** mean intangible fixed assets and goodwill within the meaning of Part 8 of CTA 2009 and to which that legislation applies. References to an intangible fixed asset shall be construed accordingly.

- 10.1 The Disclosure Letter sets out the amount of expenditure on each of the intangible fixed assets of the Company and provides the basis on which any debit relating to that expenditure has been taken into account in the Accounts or, in relation to expenditure incurred since the Accounts Date, will be available to the Company. No circumstances have arisen since the Accounts Date by reason of which that basis might change.
- 10.2 No claims or elections has been made by the Company under Chapter 7 of Part 8 of CTA 2009, or section 827 CTA 2009 in respect of any intangible fixed asset of the Company.
- 10.3 Since the Accounts Date:
- (a) the Company does not own an asset which has ceased to be a chargeable intangible asset in the circumstances described section 859 CTA 2009;
  - (b) the Company has not realised or acquired an intangible fixed asset for the purposes of Part 8 of CTA 2009; and
  - (c) no circumstances have arisen which have required, or will require, a credit to be brought into account by the Company on a revaluation of an intangible fixed asset.
- 10.4 All licences that the Company holds in respect of any right to which Part 8A of CTA 2010 applies, are exclusive licences for the purposes of that Part.
- 10.5 The Company has kept and maintained complete and accurate records and other information relating to all:
- (a) rights to which Part 8A CTA 2010 applies;
  - (b) exclusive licences in respect of such rights to which Part 8A of CTA 2010 applies; and
  - (c) marketing assets with Part 8A of CTA 2010;

that it holds and such records and other information enable the tax liabilities of the Company to be calculated accurately in all material respects for the purposes of Part 8A of CTA 2010.

- 10.6 All elections, revocations, notices, claims, computations and any other necessary information that have or should have been submitted by the Company to HMRC under or for the purposes of Part 8A of CTA 2010 have been made on a proper basis, were submitted within applicable time limits, were accurate and complete when submitted



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and remain accurate and complete in all material respects. None of them is, or is likely to be, the subject of any material dispute with HMRC.

10.7 The Disclosure Letter includes copies of all R&D claims made in the preceding 5 years prior to the date of this agreement.

10.8 In relation to the Company's R&D tax relief claim the tax claim for the 2 preceding accounts period up and including the Accounts Date have been submitted and processed.

10.9 In relation to the Company's R&D tax relief claim for the Accounts Date period:

- (a) the Company has provided in the Disclosure Letter evidence that it has notified HMRC of its intention to make an R&D Claim for the accounts period 31 December 2022 through 31 December 2023;
- (b) the Company has obtained HMRC's advance assurance in respect of its qualifying R&D.
- (c) the application for advance assurance was made on the basis of full and accurate disclosure of all material facts and considerations;
- (d) no application for advance assurance has been denied and there have been no material changes to the facts and considerations since HMRC advance assurance was given.

10.10 The Company has not received any notice, assessment, demand, discovery assessment, determination, information notice, access request or other communication from HMRC that indicates that HMRC disputes any R&D claim and the Sellers are not aware of any circumstances that may give HMRC grounds to dispute such claim or remove it from a tax return.

10.11 Full auditable records have been maintained by the Company in respect of all R&D claims made in the last 5 years by the Company and is available as part of the Company's tax and business records.

## 11. COMPANY RESIDENCE, TREASURY CONSENTS AND OVERSEAS INTERESTS

11.1 The Company has, throughout the past seven years, been resident in the UK for corporation tax purposes and have not, at any time in the past seven years, been treated as resident in any other jurisdiction for the purposes of any double taxation arrangements having effect under section 18 of the CTA 2009 and section 2 of TIOPA 2010 or for any other tax purpose. The Company is not liable or within the past seven years, has been liable to register or account for Tax in any jurisdiction outside the UK.



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- 11.2 The Company has not caused, permitted or entered into any of the transactions specified in section 37 to the Finance Act 2009 without having duly provided the required information to HMRC or, in relation to transactions occurring before 1 July 2009, as set out in section 765 of ICTA 1988 (migration companies) without the prior written consent of HM Treasury.
- 11.3 The Company is not a person to whom section 109B-F of the TMA 1970 applies in relation to a migrating company.
- 11.4 The Company does not hold shares in a company which is not resident in the UK and which would be a close company if it were resident in the UK in circumstances such that a chargeable gain accruing to the company not resident in the UK could be apportioned to the Company and/or any Subsidiary pursuant to section 3 of TCGA 1992.
- 11.5 The Company is not, or may not become liable to Tax under:
- (a) Section 6080 of ITTOIA 2005;
  - (b) Chapter 7 of Part 22 of CTA 2010; or
  - (c) Schedule 16 to the Finance Act 2015
- in respect of any amount of unpaid income tax, corporation tax or diverted profits tax of a non-UK resident company or related UK company.
- 11.6 The Company is not holding or has held in the past seven years, an interest in any company the profits of which are, or have been, liable to the CFC charge within Chapter 2 of Part 9A of TIOPA 2010. The Company does not have any material interest in an offshore fund as defined in Part 8 of TIOPA 2010.
- 11.7 The Company has not received any foreign loan interest in respect of which double tax relief will, or may, be restricted under 37 of TIOPA 2010.
- 11.8 No claim has been made by the Company under section 1275 of CTA 2009.
- 11.9 The Company has not been a party to any transaction or arrangement whereby it is, or may become, liable for Tax by virtue of sections 835U, 971 and 972 of IHA 2007 (or regulations made under them).
- 11.10 The Company has not or within the last seven years has had a permanent establishment outside of the UK.



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11.11 The Company has not been an agent or permanent establishment of another company, person, business or enterprise for the purpose of assessing such company, person, business or enterprise to Taxation in the country of residence of the Company.

11.12 The Company has not been within the past seven years, a dual residence company for the purposes of section 109 CTA 2010.

## 12. TRANSFER PRICING

12.1 All transactions between the Company and the Majority Shareholder and any Affiliate have been made on fully arm's length terms. There are no circumstances in Part 4 of TIOPA 2010 or any other rule or provision could apply which would allow a Tax Authority to adjust the Company's profit or losses for Tax purposes.

12.2 In relation to each transaction for the supply of goods or services or the lending or borrowing of money into which the Company has entered into with a party to which it is and was connected including any Affiliate, the Company has kept and maintained full contemporaneous documentary evidence (including in any form and manner prescribed) of the process used to establish that arm's length prices and terms applied.

12.3 The Disclosure Letter includes all agreement between the Majority Shareholder and the Company for the provision of services, the Financial Services and the HR and Marketing Services.

## 13. ANTI-AVOIDANCE

13.1 The Company has not been a party to or has otherwise been involved in, any transaction, scheme or arrangement containing steps or stages that have no commercial purpose or which the main purpose was the avoidance (or deferral) of Tax or reducing a liability to Tax or amounts to be accounted for under PAYE or circumventing the intended limits of tax relief.

13.2 The company has not, at any time, been a party to or otherwise involved in a transaction or series of transactions in relation to which advisers considered that there was a risk that the Company could be liable to Tax as a result of the principles in *W. T. Ramsay Limited v IRC* (54 IC 101) or *Furniss -v- Dawson* (55 TC 324), as developed in subsequent cases, or as a result of the principles in *Halifax (C-255/02)* as developed in subsequent cases, or that the General Anti-Abuse Rule (set out in Part 5 of the Finance Act 2013) might apply.

13.3 The Company has not entered into any arrangements notifiable under any of the following regimes:



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- (a) Part 7 of the Finance Act 2004 (as applied by regulations prescribing the description of arrangements requiring disclosure);
  - (b) Council Directive (EU) 2018/822 as implemented by the International Tax Enforcement Regulations (Disclosable Arrangements) Regulations 2020 (SI 2020/25) (as amended);
  - (c) National Insurance Contribution (Application of Part 7 of the Finance Act 2004) Regulations 2007 (SI 2007/785);
  - (d) Schedule 11A to the VATA 1994 or Schedule 17 to the Finance (No 2) Act 2017;
  - (e) The International Tax Enforcement (Disclosable Arrangements) Regulations 2023 (SI 2023/38).
- 13.4 The Company has not been given a notice under section 204 or section 219 of the Finance Act 2014 or under Schedule 18 to the Finance Act 2016. No circumstances exist which would allow HMRC to give such notices to the Company.
- 13.5 The Company has not entered into any transaction constituting or forming part of an Occasion of Tax Non-Compliance, as defined in Procurement Policy Note: Measures to Promote Tax Compliance (Action Note 03/14), published by the Cabinet Office on 6 February 2014.
- 13.6 No person acting in the capacity of an Associated Person (as defined in section 44(4) of the Criminal Finance Act 2017 (CFA 2017)) of the Company has committed:
- (a) a UK tax evasion facilitation offence under section 45(5) of the CFA 2017; or
  - (b) a foreign tax evasion facilitation offence under section 46(6) of the CFA 2017.
- 13.7 The Company has in place (and has had in place at all times since 30 September 2017) such prevention procedures (as defined in sections 45(3) and 46(4) of CFA 2017) as are proportionate to its business risks and are in line with any guidance published from time to time pursuant to section 47 of CFA 2017.
- 13.8 None of the Company or any of its Associated Persons is, or has been the subject of any investigation, inquiry or enforcement proceedings regarding any offence or alleged offence under Part 3 of the CFA 2017, and no such investigation, inquiry or enforcement proceedings have been threatened or are pending and there are no circumstances likely to give rise to any such investigation, inquiry or proceedings.

## 14. INHERITANCE TAX

- 14.1 The Company has neither:



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- (a) made any transfer of value within sections 94 and 202 of IHTA 1984; or
- (b) received any value such that liability might arise under section 199 of IHTA 1984; or
- (c) been a party to associated operations in relation to a transfer of value as defined by section 268 of IHTA 1984.

14.2 There is no unsatisfied liability to inheritance tax attached to, or attributable to, the Sale Shares or any asset of the Company. None of them are subject to any HM Revenue & Customs charge as mentioned in section 237 and 238 of IHTA 1984.

14.3 No asset owned by the Company or the Sale Shares, are liable to be subject to any sale, mortgage or charge by virtue of section 212(1) of IHTA 1984.

## 15. VALUE ADDED TAX

15.1 The Company is taxable persons and are duly registered in the UK for the purposes of VAT.

15.2 The Company has not registered or is required to register, for VAT (or equivalent) in any jurisdiction other than the UK.

15.3 The Company has complied with all statutory provisions, rules, regulations, orders and directions in respect of VAT, promptly submitted accurate returns, and maintained full and accurate VAT records, invoices and other requisite documents. The Company has not been:

- (a) subject to any interest, forfeiture, surcharge or penalty; or
- (b) given any notice under sections 59, 59A or 64 of the VATA 1994; or
- (c) given a warning within section 76(2) of the VATA 1994; or
- (d) required to give security under paragraph 4 of Schedule 11 to the VATA 1994.

15.4 VAT has been duly paid by the Company, or provision has been made in the Accounts for all amounts of VAT for which the Company is liable.

15.5 All supplies made by the Company are taxable supplies. The Company has not been, or will be, denied full credit for all input tax under sections 25 and 26 of the VATA 1994 (and regulations made under it) or for any other reasons. All VAT paid or payable by the Company is input tax as defined in section 24 of the VATA 1994 and regulations made under it.



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- 15.6 The Company is not, or has been, for VAT purposes, a member of any group of companies. No act or transaction has been effected in consequence of which the Company, is or may be held, liable for any VAT arising from supplies made by another company. No direction has been given, nor will be given, by HMRC under Schedule 9A VATA as a result of which the Company would be treated as a member of another group for the purposes of VAT.
- 15.7 The Company is not or has not agreed to become liable for VAT under section 47, 48, or 55 of VATA 1994. No direction has been given, or may be given, by HMRC under paragraph 2 of Schedule 6 to VATA 1994.
- 15.8 For the purposes of Schedule 10 of VATA 1994, the Company and any associates of the Company (within the meaning of paragraph 3 of Schedule 10 to VATA 1994) have exercised an option to tax (pursuant to paragraph 2 of Schedule 10 to VATA 1994) only in respect of those Properties listed as having been subject of such an option in the Disclosure Letter:
- (a) neither the Company nor any relevant associate of the Company intends to exercise, or is obliged to exercise, such an option in respect of any other of the Property;
  - (b) all things necessary for the option to have effect have been done and, in particular, any notification and information required by paragraph 20 of Schedule 10 to VATA 1994 has been given and any permission required by paragraph 28 of Schedule 10 to VATA 1994 has been properly obtained;
  - (c) a copy of the notification, and of any permission obtained from HM Revenue & Customs in connection with the option, is included in the Disclosure Letter;
  - (d) no option has been or will be revoked or rendered ineffective under paragraph 12 of Schedule 10 to VATA 1994;
  - (e) neither the Company nor any relevant associate of the Company (within the meaning of paragraph 3 of Schedule 10 to VATA 1994) has charged VAT, whether on rents or otherwise, which is not properly chargeable;
  - (f) neither the Company nor any relevant associate of the Company has agreed to refrain from exercising an option in relation to any of the Property; and
  - (g) neither the Company nor any relevant associate of the Company has made a real estate election within the meaning of paragraph 21 of Schedule 10 VATA 1994 in relation to any property.
- 15.9 The Company does not own, or has at any time within the period of ten years preceding the date of this agreement owned, any assets which are capital items that are subject to the capital goods scheme under Part XV of the VAT Regulations 1995.



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- 15.10 The Company has not made any claim for bad debt relief under section 36 of the VATA 1994. There are no existing circumstances by virtue of which any refund of VAT obtained or claimed may be required to be repaid.
- 15.11 The Company has not entered into any self-billing arrangement (in circumstances provided in section 29 VATA 1994) in respect of supplies made by any other person, nor has it at any time agreed to allow any such person to make out VAT invoices in respect of supplies made by the Company.
- 15.12 The Disclosure Letter contains full particulars of all claims which have been, or could be, made by the Company under sections 78 and 79 of VATA 1994 or under section 102 of Finance Act 2009. There are no circumstances under which an assessment under section 78A of VATA 1994 or recovery under Schedule 54A to the Finance Act 2009 has been, made on the Company.
- 16. PREMIUMS AND SALE AND LEASE BACK OF LAND**
- The Company has not entered into any transaction to which Chapter 4 of Part 4 of CTA 2009 or Part 19 of CTA 2010 have been, or could be, applied.
- 17. EMPLOYEES AND PENSIONS**
- 17.1 The Company has not made, or agreed to make, any payment to, or provided or agreed to provide any benefit for, any director or former director, officer or employee of the Company or any Controlling Shareholder or Connected Person, whether as compensation for loss of office, termination of employment or otherwise, which is not allowable as a deduction in calculating the profits of the Company for Tax purposes, whether up to or after the Accounts Date.
- 17.2 The Company does not participate in a scheme under section 713 of the ITEPA 2003.
- 17.3 The Disclosure Letter contains details of all schemes approved by HM Revenue & Customs under Schedules 2, 3 and 4 to ITEPA 2003 (**Approved Schemes**) and of all options granted under Schedule 5 to ITEPA 2003 (**EMI Options**). The Company is not aware of any circumstances under which HM Revenue & Customs may withdraw approval of any Approved Scheme, or which might cause a disqualifying event under section 534 of the to ITEPA 2003 in respect of any EMI Options.
- 18. STAMP DUTY, STAMP DUTY LAND TAX AND STAMP DUTY RESERVE TAX**
- 18.1 Any document that may be necessary or desirable in proving the title of the Company to any asset which is owned by the Company at Completion, and each document which the Company may wish to enforce or produce in evidence, is duly stamped for stamp



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duty purposes. No such documents which are outside the UK would attract stamp duty if they were brought into the UK.

- 18.2 Neither entering into this agreement nor Completion will result in the withdrawal of a stamp duty or stamp duty land tax relief granted on or before Completion which will affect the Company.
- 18.3 No circumstances exist under which paragraph 5 or paragraph 12 of Schedule 7 to the Finance Act 2003 (recovery of relief from another group company or controlling director) could apply to the Company.
- 18.4 The Disclosure Letter sets out full and accurate details of any chargeable interest (as defined under section 48 of the Finance Act 2003) acquired or held by the Company before Completion in respect of which the Sellers are aware, or ought reasonably to be aware, that an additional land transaction return will be required to be filed with a Tax Authority and/or a payment of stamp duty land tax made on or after Completion.
- 18.5 Since the Accounts Date, the Company has not incurred any liability to, or been accountable for, any stamp duty reserve tax. There has been no agreement within section 87(1) of the Finance Act 1986 which could lead to the Company incurring such a liability or becoming so accountable.
- 18.6 The Company is not, or has been, a person falling within subsections (6), (7) or (8) of section 67 or section 70 of the Finance Act 1986. It has not given, or is obliged to give, any notification under section 68 or section 71 of the Finance Act 1986 or incurred any liability to stamp duty reserve tax under sections 93-97, of the Finance Act 1986.

## 19. TAX SHARING

The Company is not bound by or party to any Tax indemnity, Tax sharing or any Tax allocation agreement in respect of which claims against the Company would not be time barred.



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**Schedule 5 Tax covenant**

**1. INTERPRETATION**

1.1 The definitions and rules of interpretation in this Paragraph apply in this Tax Covenant.

**Accounts Relief:**

- (a) any Relief (including the right to repayment of Tax) as shown as an asset in the Accounts; and
- (b) any Relief taken into account in computing (and so reducing or eliminating) any provision for deferred Tax in the Accounts.

**Buyer's Relief:** means:

- (a) any Accounts Relief;
- (b) any Relief arising in connection with any Event occurring after the
- (c) any Relief, whenever arising, of the Buyer or any member of the Buyer's Tax Group other than the Company.

**Buyer's Tax Group:** the Buyer and any other company or companies that are from time to time treated as members of the same Group as, or otherwise connected or associated in any way with, the Buyer for any Tax purpose.

**Event:** includes (without limitation) the expiry of a period of time, the Company becoming or ceasing to be associated with any other person for any Tax purpose or ceasing to be or becoming resident in any country for any Tax purpose, the death or the winding up or dissolution of any person, and any transaction (including the execution and completion of all provisions of this agreement), event, act or omission whatsoever, and any reference to an Event occurring on or before a particular date shall include Events which, for Tax purposes, are deemed to have, or are treated or regarded as having, occurred on or before that date.

**Liability for Taxation:**

- (a) any liability of the Company to make an actual payment of or in respect of, or on account of, Tax, whether or not the same is primarily payable by the Company or another person and whether or not the Company has or may have any right of reimbursement against any other person, in which case the amount of the Liability for Tax will be the amount of the actual payment;
- (b) the Loss, otherwise than by use or setting off, of any Accounts Relief in which case the amount of the Liability for Tax will be the amount of Tax that would (on the basis of Tax rates current at the date of the Loss) have been saved but for such Loss, assuming for this purpose that the Company had sufficient profits or was otherwise in a position to use the Relief or where the Relief is



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the right to repayment of Tax or to a payment in respect of Tax, the amount of the repayment or payment; and

- (c) the use or setting off of any Buyer's Relief where, but for the set off or use, the Company would have had a liability to make a payment of or in respect of Tax for which the Buyer would have been able to make a claim against the Sellers under this Tax Covenant, in which case, the amount of the Liability for Tax will be the amount of Tax for which the Sellers would have been liable but for the set off or use.

**Loss:** includes absence, failure to obtain, non-existence, non-availability, reduction, modification, loss, counteraction, nullification, utilisation, disallowance, withdrawal or clawback for whatever reason.

**Overprovision:** the amount by which any provision for tax (other than deferred tax) in the Completion Accounts is overstated except where that overstatement arises due to:

- (i) a change in law;
- (j) a change in accounting bases on which the Company values its assets; or
- (k) a voluntary act or omission of the Buyer,

that, in each case, occurs after Completion.

**Relief:** includes any loss, relief, allowance, credit, exemption or set off in respect of Tax or any deduction in computing income, profits or gains for the purposes of Tax and any right to a repayment of Tax.

**Saving:** the reduction or elimination of any liability of the Company to make an actual payment of corporation tax in respect of which the Sellers would not have been liable under paragraph 2, by the use of any Relief arising wholly as a result of a Liability for Tax in respect of which the Sellers have made a payment under paragraph 2 of this Tax Covenant.

**Tax:** all forms of taxation and statutory, governmental, state, federal, provincial, local, government or municipal charges, duties, imposts, contributions, levies, withholdings or liabilities wherever chargeable and whether of the UK or any other jurisdiction (including for the avoidance of doubt, National Insurance contributions in the UK and corresponding obligations elsewhere), and any penalty, fine, surcharge, interest, charges or costs relating thereto (including interest and penalties arising from the failure of the Company to make adequate instalment payments under the Corporation Tax (Instalments Payments) Regulations 1998 (SI 1998/3175) in any period ending on or before Completion.

**Tax Authority:** any government, state or municipality or local, state, federal or other fiscal, revenue, customs or excise authority, body or official competent to impose, administer, levy, assess or collect Tax in the UK or elsewhere.

**Tax Claim:** any assessment, notice, demand, letter, or other document issued or action taken by or on behalf of any Tax Authority, self-assessment or other occurrence from which it appears that the Buyer, the Company or the Controlling Shareholder is or may



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be subject to a Liability for Tax or other liability in respect of which the Sellers and/or the Controlling Shareholder are or may be liable under this Tax Covenant.

**Tax Statute:** any directive, statute, enactment, law or regulation wheresoever enacted or issued, coming into force or entered into providing for or imposing any Tax and including orders, regulations, instruments, bye-laws or other subordinate legislation made under the relevant statute or statutory provision and any directive, statute, enactment, law, order, regulation or provision which amends, extends, consolidates or replaces the same or which has been amended, extended, consolidated or replaced by the same.

**VAT:** value added tax or equivalent tax in any other jurisdiction.

**WRA:** the Welsh Revenue Authority.

- 1.2 References to a **repayment of Tax** shall include any repayment supplement or interest in respect of it.
- 1.3 A reference to an **Event occurring on or before Completion** includes a series or combination of Events, all of which were or the first of which was an Event occurring on or before Completion or which commenced on or before Completion.
- 1.4 Any reference to something occurring **in the ordinary course of business** shall, without prejudice to the generality thereof, be deemed not to include:
  - (a) anything which involves, or leads directly or indirectly to, any liability of the Company to Tax that is (or but for an election would have been) the primary liability of, or properly attributable to, or due from another person (other than a member of the Buyer's Tax Group); or
  - (b) anything which relates to or involves the acquisition or disposal of an asset or the supply of services (including the lending of money, or the hiring or licensing of tangible or intangible property) in a transaction which is not entered into on arm's length terms; or
  - (c) anything which relates to or involves the making of a distribution for Tax purposes, the creation, cancellation or re-organisation of share or loan capital, the creation, cancellation or repayment of any intra-Group debt or the Company becoming or ceasing to be or being treated as ceasing to be a member of a Group or as becoming or ceasing to be associated or connected with any other company for any Tax purposes; or
  - (d) anything which relates to any scheme, transaction or arrangement that gives rise, or may give rise, to a Liability for Tax under any anti-avoidance legislation that is designed partly or wholly (or contains steps or stages designed partly or wholly) to avoid, reduce, defer a Liability for Tax or that gives rise to a duty to notify a Tax Authority under any legislation introduced to counter tax avoidance; or



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- (e) anything which gives rise to a Liability for Tax on deemed (as opposed to actual) profits or if and to the extent that it gives rise to a Liability for Tax on an amount of profits greater than the difference between the sale proceeds of an asset and the amount attributable to that asset in the Accounts or, in the case of an asset acquired since the Accounts Date, the cost of that asset; or
- (f) anything which involves, or leads directly or indirectly to, a change of residence of the Company for Tax purposes;
- (g) any liability arising as a result of the failure to properly deduct or account for Tax, or to comply with the provisions of any Tax Statute and any act, omission or transaction that gives rise to any fine, penalty, surcharge, interest or other imposition relating to any Tax.

1.5 Unless the contrary intention appears, words and expressions defined in this agreement have the same meaning in this Tax Covenant and any provisions in this agreement concerning matters of construction or interpretation also apply in this Tax Covenant.

1.6 Any stamp duty charged on any document (or in the case of a document that is outside the UK, any stamp duty that would be charged on the document if it were brought into the UK) that is necessary to establish the title of the Company to any asset, and any interest, fine, or penalty relating to the stamp duty shall be deemed to be a liability of the Company to make an actual payment of Tax because of an Event arising on the last day on which it would have been necessary to pay the stamp duty to avoid any liability to interest or penalties arising on it.

1.7 References to the due date for payment of any Tax shall mean the last day on which that Tax may, by law, be paid without incurring any penalty, fine, surcharge, interest, charges, costs or similar imposition (after taking into account any postponement of the date that was obtained for the payment of that Tax).

## 2. COVENANT

2.1 Subject to the provisions of this Tax Covenant, the Sellers covenant with the Buyer that they will be jointly and severally liable to pay to the Buyer an amount equal to any:

- (a) Liability for Tax resulting from or by reference to any Event occurring on or before Completion or in respect of any gross receipts, income, profits or gains earned, accrued or received by the Company on or before Completion whether or not that liability was discharged on or before Completion;
- (b) Liability for Tax, including liability for payments in respect of Tax, that arises due to or in connection with the relationship for Tax purposes before Completion of the Company with any person other than a member of the Buyer's Tax Group, whether arising before or after Completion;
- (c) Liability for Tax that arises due to any Event that occurs after Completion under a legally binding obligation (whether or not conditional) entered into



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by the Company on or before Completion otherwise than in the ordinary course of business;

- (d) Liability for Tax that is a liability of the Company to account for income tax or National Insurance contributions (NICs), whether arising before or after Completion, in respect of the grant, exercise, surrender, exchange or other disposal of an option or other right to acquire securities, or in respect of any acquisition, holding, variation, or disposal of employment related securities (as defined for the purposes of Part 7 of ITEPA 2003) where the acquisition of the security or the grant of the option or other right to acquire the security occurred on or before Completion;
- (e) Liability for Tax under Part 7A of ITEPA 2003, whether arising before or after Completion, including any liability arising as a consequence of any payments or loans made to, any assets made available or transferred to, or any assets earmarked (however informally) for the benefit of any officer or employee or former officer or employee of the Company, or for the benefit of any relevant person, by an employee benefit trust (EBT) or another third party where the arrangement giving rise to the charge was entered into at a time when the third party was acting on the instructions of, or for the benefit of, the Sellers or an associate of any of the Sellers, or the Majority Shareholder or the Controlling Shareholder.
- (f) Liability for Tax being a liability for inheritance tax that:
  - (i) is a liability of the Company and arises because of a transfer of value occurring (or being deemed to occur) on or before Completion (whether or not in conjunction with the death of any person whensoever occurring); or
  - (ii) gives rise at Completion to a charge on, or a power to sell, mortgage or charge, any of the Sale Shares or assets of the Company; or
  - (iii) gives rise after Completion to a charge on, or power to sell, mortgage or charge, any of the Sale Shares in or assets of the Company as a result of the death of any person within seven years of a transfer of value which occurred before Completion;

and in determining for the purposes of this paragraph 2.1.(f) whether a charge on, or power to sell, mortgage or charge any of the shares or assets of the Company exists at any time, the fact that the inheritance tax is not yet payable, or may be paid by instalments, shall be disregarded, and the inheritance tax shall be treated as becoming due; and a charge or power to sell, mortgage or charge as arising, on the date of the transfer of value or other date or event on or in respect of which it becomes payable or arises, and the provisions of section 213 of the IHTA 1984 shall not apply;

- (g) costs and expenses (including legal costs on a full indemnity basis) properly incurred by the Buyer or the Company or any member of the Buyer's Tax Group in connection with any Liability for Tax or other liability in respect of



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which the Sellers are liable under this Schedule, any Tax Claim or taking or defending any action under this Schedule.

### 3. PAYMENT DATE AND INTEREST

3.1 Payment by the Sellers in respect of any liability under this Schedule must be made in cleared and immediately available funds on:

- (a) in the case of a Liability for Tax that involves an actual payment of or in respect of Tax, the later of ten Business Days before the due date for payment and ten Business Days after the date on which the Buyer serves notice on the Sellers requesting payment;
- (b) in the case of loss of right to repayment of Tax or liability under Paragraph 2.1.(g), ten Business Days following the date on which the Buyer serves notice on the Sellers requesting payment;
- (c) in a case that involves the loss of a Relief (other than a right to repayment of Tax), the later of ten Business Days after the date on which the Buyer serves notice on the Sellers requesting payment and the last date on which the Tax is or would have been required to be paid to the relevant Authority in respect of the earlier of:
  - (i) the period in which the Loss of Relief gives rise to an actual liability to pay Tax; or
  - (ii) the period in which the Loss of the Relief occurs (assuming for this purpose that the Company had sufficient profits or was otherwise in a position to use the Relief);
- (d) that falls within paragraph (c) of the definition of Liability for Tax, the date on which the Tax saved by the Company is or would have been required to be paid to the relevant Taxation Authority; or

3.2 If the Liability for Tax is a liability to corporation tax payable by instalments under the Corporation Tax (Instalment Payments) Regulations 1998 (*SI 1998/3175*):

- (a) The notice served by the Buyer on the Sellers under Paragraph 3.1 shall state the amount of the liability due for payment on each instalment date for the accounting period in which the Liability for Tax arises; and
- (b) The due dates for payment of the Tax in Paragraph 3.1 (a) to Paragraph 3.1(d) shall be the due dates for payment of each of the instalments.

3.3 Any dispute as to the amount specified in any notice served on the Sellers under Paragraph 3.1(b) to Paragraph 3.1(d) paragraph shall be determined by the auditors of the Company for the time being, acting as experts and not as arbitrators (the costs of that determination being shared equally by the Sellers and the Buyer).



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- 3.4 If any sums required to be paid by the Sellers under this Tax Covenant are not paid on the date specified in Paragraph 3.1, then, except to the extent that the Sellers' liability under paragraph 2 includes interest and penalties to compensate the Buyer for the late payment, the amount due shall bear interest (which shall accrue from day to day after as well as before any judgment for the same) at the rate of 4.5% per annum over the base rate from time to time of HSBC Bank or (in the absence thereof) at such similar rate as the Buyer selects from the day following the due date up to and including the day of actual payment of such sums, such interest to be compounded quarterly.

## 4. EXCLUSIONS

- 4.1 The covenant contained in Paragraph 2 shall not cover any Liability for Tax to the extent that:
- (a) a specific provision or reserve (other than a provision for deferred tax) for the liability is made in the Completion Accounts; or
  - (b) the Liability for Tax was paid on or before Completion and the Completion Accounts reflected that payment;
  - (c) it arises as a result of a transaction in the ordinary course of business of the Company between the Accounts Date and Completion and is not an interest or penalty, surcharge or fine in connection with Tax; or
  - (d) it arises or is increased as a result only of any change in the law of or rates of Tax (other than a change targeted specifically at countering a tax avoidance scheme) announced and coming into force after Completion or the withdrawal of any extra-statutory concessions previously made by a Tax Authority (whether or not the change is retrospective in whole or in part), provided that this Paragraph 4.1.(d) will not apply to any payment made under Paragraph 11;
  - (e) it would not have arisen but for a change after Completion in the accounting bases on which the Company values its assets (other than a change made in order to comply with UK GAAP); or
  - (f) the Buyer is compensated for the Liability for Tax under any other provision of this agreement (except the Indemnity Provision); or
  - (g) a Relief other than a Buyer's Relief is available to the Company;
  - (h) it would not have arisen but for a voluntary act or transaction carried out by the Buyer or the Company, being an act which:
    - (i) is not in the ordinary course of business; or
    - (ii) could reasonably have been avoided; or
    - (iii) the Company was not legally committed to do under a commitment that existed on or before Completion; or
    - (iv) the Buyer was aware would give rise to the Liability for Tax in question.



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- 4.2 For the purposes of Paragraph 4.1.(h), an act will not be regarded as voluntary if undertaken under a legally binding obligation entered into by the Company on or before Completion or imposed on the Company by any legislation whether coming into force before, on or after Completion or to avoid or mitigate a penalty imposable by any legislation, or if carried out at the written request of the Sellers.

## 5. LIMITATIONS

- 5.1 The liability of the Sellers under Paragraph 2 will terminate on:
- (a) the twenty-first anniversary of Completion, for any claim under Paragraph 2 for liability arising from a loss of Tax caused fraudulently or deliberately by the Company or any related person including a liability arising from an arrangement caught by Part 7A of the ITEPA 2003 or from the failure of the Company to comply with an obligation to disclose information about a tax avoidance scheme to which it was a party; or
  - (b) the seventh anniversary of Completion (in any other case) except for any claim under Paragraph 2 of which written notice is given to the Sellers before that relevant date containing if reasonably practicable, a description of that claim and the estimated total amount of the claim.
- 5.2 Subject to Paragraph 5.3 and Paragraph 5.4, the aggregate liability of the Sellers under Paragraph 2 and for all Claims, when taken together, shall not exceed the amount set out in Clause 7 of this agreement.
- 5.3 The amount of the aggregate liability of the Sellers under Paragraph 5.2 will be increased by the amount received by the Sellers by payment or set off under Paragraph 6 (Overprovisions), Paragraph 7 (Savings) or Paragraph 8 (Recovery from third parties).
- 5.4 The amount of the Sellers' aggregate liability under Paragraph 5.2. will be increased by the amount of any liability of the Sellers arising (or that would have arisen but for Paragraph 4) in respect of Tax which is primarily the liability of, or attributable to, a person other than the Company.

## 6. OVERPROVISIONS

- 6.1 If, on or before, the seventh anniversary of Completion, the Buyer believes that there is an Overprovision, the Buyer shall notify the Sellers and if the auditors for the time being of the Company determine (at the request of the Sellers) that there is an Overprovision, then:
- (a) the amount of Overprovision shall first be set off against any payment then due from the Sellers under this Tax Covenant;



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- (b) if there is an excess, a refund shall be made to the Sellers of any previous payment or payments made by the Sellers under this Tax Covenant (and not previously refunded under this Tax Covenant), up to the amount of that excess; and
  - (c) if the excess referred to in Paragraph 6.1.(b) is not exhausted, the remainder of that excess will be carried forward and set off against any future payment or payments that become due to the Sellers under this Tax Covenant.
- 6.2. After the Company's auditors have made a determination under Paragraph 6.1., the Sellers or the Buyer may, at any time before the seventh anniversary of Completion, request the auditors for the time being of the Company to review and, if necessary and appropriate, amend the original determination (at the expense of the party requesting the review, or where a payment becomes due under this Paragraph 6.2. at the expense of the party required to make that payment) and an adjusting payment equal to the amount of any disparity between the original and revised determination shall be made by or to the Sellers as soon as reasonably practicable.

## 7. SAVINGS

- 7.1 If, on or before, the seventh anniversary of Completion, the Buyer believes that a Savings has arisen, the Buyer shall notify the Sellers that a Savings has arisen and as soon as is reasonably practicable repay the Sellers, after deductions of any amounts then due to the Sellers, the lesser of:
  - (a) the amount of the Saving (as determined by the auditors) less any costs incurred by the Buyer or the Company; and
  - (b) the amount paid by the Sellers under paragraph 2 in respect of the Liability for Taxation which gave rise to the Saving less any part of that amount previously repaid to the Sellers under any provision of this Tax Covenant or otherwise.

- 7.2 After the Company's auditors have made a determination under Paragraph 7.1., the Sellers or the Buyer may, at any time before the seventh anniversary of Completion, request the auditors for the time being of the Company to review and, if necessary and appropriate, amend the original determination (at the expense of the party requesting the review, or where a payment becomes due under this Paragraph 7.2. at the expense of the party required to make that payment) and an adjusting payment equal to the amount of any disparity between the original and revised determination shall be made by or to the Sellers as soon as reasonably practicable.

## 8. RECOVERY FROM THIRD PARTIES

- 8.1 Where the Sellers have paid an amount under Paragraph 2 in respect of any Liability for Tax and the Buyer or the Company is or becomes entitled to recover from some other person (not being the Buyer, the Company or any other company within the

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Buyer's Tax Group), any amount in respect of such Liability for Taxation, the Buyer shall or shall procure that the Company shall:

- (a) notify the Sellers of its entitlement as soon as reasonably practicable; and
- (b) if required by the Sellers and, subject to the Buyer and/or the Company being indemnified by the Sellers against any Tax that may be suffered on receipt of that amount and any costs and expenses incurred in recovering that amount, take or procure that the Company or the relevant Subsidiary takes all reasonable steps to enforce that recovery against the person in question (keeping the Sellers fully informed of the progress of any action taken), provided that the Buyer shall not be required to take any action pursuant to this paragraph 8.1, other than an action against:
  - (i) a Tax Authority; or
  - (ii) a person who has given Tax advice to the Company on or before Completion;

which, in the Buyer's reasonable opinion, is likely to harm its' or the Company's commercial relationship (potential or actual) with that or any other person.

- 8.2 If the Buyer or the Company recovers any amount referred to in Paragraph 8.1, the Buyer shall account to the Sellers for the lesser of:
- (a) any amount recovered (including any related interest or related repayment supplement) less any Tax suffered in respect of that amount and any costs and expenses incurred in recovering that amount (save to the extent that amount has already been made good by the Sellers under Paragraph 8.1(b)); and
  - (b) the amount paid by the Sellers under Paragraph 2 in respect of the Liability for Taxa in question.

## 9. CORPORATION TAX RETURNS

- 9.1 Subject to this Paragraph 9, the Buyer will have exclusive conduct of all Tax affairs of the Company after Completion.
- 9.2 The Buyer will procure that the Company keeps the Sellers fully informed of its Tax affairs for any accounting period ended on or before Completion for which final agreement with the relevant Tax Authority of the amount of Tax due from the Company has not been reached. The Buyer will not submit any substantive correspondence or submit or agree any return or computation for any such period to any Tax Authority without giving the Sellers a reasonable opportunity to comment and taking account any reasonable representations made by the Sellers.



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- 9.3 The Buyer will procure that the Company will not amend or withdraw any return or computation, or any claim, election, surrender or consent made by it for its accounting periods ended on or before Completion without given the Sellers a reasonable opportunity to comment and taking account of any reasonable representations made by the Sellers.
- 9.4 The Buyer shall procure that the returns and computations referred to in Paragraph 9.3 shall be authorised, signed and submitted to the relevant Tax Authority without amendment or any amendments as the Buyer reasonably considers to be necessary and shall give the Sellers all reasonable assistance (at the Sellers' cost and expense) to finalise those returns and computations with the relevant Tax Authority, save where the return or computation is not full, true and accurate in all material respects.
- 9.5 The Sellers or their duly authorised agent shall at the Seller's cost and expense prepare all documents and shall conduct of all matters (including correspondence) relating to the corporation tax returns and computations of the Company for all accounting periods ended on or before the Accounts Date, provided that the Sellers shall not without the prior written consent of the Buyer (not to be unreasonably withheld or delayed) transmit any communication (written or otherwise) to the relevant Tax Authority or agree any matter with the relevant Tax Authority.
- 9.6 The Buyer shall procure that the Company, at the Sellers' cost and expense, provide such access to their books, accounts and records as is necessary and reasonably necessary and reasonable to enable the Sellers to prepare the corporation tax returns and computations of the Company for all accounting periods ended on or before the Accounts Date and conduct matters relating to them in accordance with this Paragraph 9.
- 9.7 The Seller shall take all reasonable steps to ensure that the corporation tax returns and computations of the Company for all accounting periods ended on or before the Accounts Date are prepared and submitted to the relevant Tax Authority as soon as possible.
- 9.8 For the avoidance of doubt:
- (a) where any matter relating to Tax gives rise to a Tax Claim, the provisions of Paragraph 10 shall take precedence over the provisions of this Paragraph 9; and
  - (b) the provisions of this Paragraph 9 shall not prejudice the rights of the Buyer to make a Tax Claim under this Tax Covenant in respect of any Liability for Tax.

## 10. CONDUCT OF TAX CLAIMS



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- 10.1 Subject to Paragraph 10.2, if the Buyer or the Company become aware of a Tax Claim, the Buyer shall give or procure that notice in writing is given to the Sellers as soon as reasonably practicable, provided that giving that notice shall not be a condition precedent to the Sellers' liability under this Tax Covenant.
- 10.2 If the Sellers become aware of a Tax Claim, the Sellers shall notify the Buyer in writing as soon as reasonably practicable, and, on receipt of the notice, the Buyer shall be deemed to have given the Sellers' notice of the Tax Claim in accordance with the provisions of Paragraph 10.1.
- 10.3 Subject to Paragraph 10.4, if the Sellers indemnify the Buyer and the Company to the Buyer's reasonable satisfaction against all liabilities, costs, damages, expenses that may be incurred (including additional Liability for Tax) the Buyer shall take and shall procure that the Company shall take any action that the Sellers request by notice in writing given to the Buyer to avoid, dispute, defend, resist, appeal, request an internal HMRC or WRA review or compromise of the Tax Claim.
- 10.4 The Buyer and/or the Company shall not be obliged to appeal or procure an appeal against any assessment to Tax if the Buyer, having given the Sellers written notice of that assessment, does not receive written instructions to do so from the Sellers within ten Business Days.
- 10.5 Without prejudice to the liability of the Sellers under this Schedule the Buyer shall not be obliged to take, or procure the taking of, any action under Paragraph 10.3 in respect of a Tax Claim:
- (a) the Sellers do not request the Buyer and the Company to take any action under Paragraph 10.2 or fail to indemnify the Buyer and the Company to the Buyer's reasonable satisfaction within a period of time (commencing with the date of the notice given to the Sellers) that is reasonable, having regard to the nature of the Tax Claim and the existence of any time limit in relation to avoiding, disputing, defending, resisting, appealing or compromising such Tax Claim, and which period shall not in any event exceed a period of 10 days; or
  - (b) any of the Sellers (or the Company before Completion) has been involved in a case involving fraudulent conduct or wilful default in respect of the Liability for Tax which is the subject matter of the Dispute; or
  - (c) the Dispute involves an appeal against a determination by the Tax Chamber of the First-Tier Tribunal or higher tribunal, unless the Sellers have obtained the opinion of Tax counsel of at least five years' standing that the appeal has a reasonable prospect of success.
- 10.6 If Paragraph 10.3 does not apply by virtue of any provision in Paragraph 10, the Buyer or the Company shall have absolute conduct of the Dispute (without prejudice to its

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rights under this Tax Covenant) and shall be free to pay or settle the Tax Claim on terms that the Buyer and/or the Company in its absolute discretion considers fit.

10.7 Subject to Paragraph 10.9, by agreement in writing between the Buyer and Sellers and on any terms as they may agree from time to time, the conduct of a Dispute may be delegated to the Sellers provided that, unless the Buyer and the Sellers specifically agree otherwise in writing, the Sellers shall:

- (a) promptly inform the Buyer of all matters relating to a Dispute and shall provide the Buyer with copies of all correspondence and notes or other written records of telephone conversations or meetings relating to a Dispute;
- (b) obtain the Buyer's written approval (not to be unreasonably withheld or delayed) before appointing solicitors or other professional advisers;
- (c) submit to the Buyer for prior written approval (not to be unreasonably withheld or delayed) all material written communications relating to the Dispute to be transmitted to the relevant Tax Authority and shall make any amendments the Buyer reasonably requests; and
- (d) not settle or compromise the Dispute or agree any matter relating to it without the Buyer's prior written approval (not to be unreasonably withheld or delayed).

10.8 The Buyer shall provide and shall procure that the Company or relevant Subsidiary provides to the Sellers and the Sellers' professional advisers reasonable access to premises and personnel and to any relevant assets, documents and records within their power, possession or control for the purpose of investigating the matter and enabling the Sellers to take such action as is referred to in this Paragraph 10.

10.9 Neither the Buyer nor the Company shall be subject to any claim by or liability to any of the Sellers for non-compliance with any of the foregoing provisions of this Paragraph 10 if the Buyer and/or the Company has acted in good faith in accordance with the instructions of any one or more of the Sellers.

## 11. GROSSING UP

11.1 All amounts due under this Tax Covenant from the Sellers to the Buyer shall be paid in full without any set-off, counterclaim, deduction or withholding (other than deduction or withholding of tax required by law). If any deductions or withholdings are required by law to be made from any sums payable under this Tax Covenant, the Sellers shall provide any evidence of the relevant withholdings as the Buyer may reasonably require and shall pay to the Buyer any sum as will, after the deduction or withholding is made, leave the Buyer with the same amount as it have been entitled to receive without that deduction or withholding.



## EXECUTION VERSION

- 11.2 If any sum payable by the Sellers to the Buyer under this agreement is subject to Tax in the hands of the Buyer, the Sellers shall pay an additional amount required to ensure that the net amount received by the Buyer shall be the amount that the Buyer would have received if the payment was not subject to Tax.
- 11.3 If the Buyer would, but for the availability of a Buyer's Relief, incur a Tax liability falling with Paragraph 11.2, it shall be deemed for the purposes of that Paragraph 11.2 to have incurred and paid that liability.

## 12. GENERAL

- 12.1 All payments made by the Sellers to the Buyer or by the Buyer to the Sellers in accordance with this Tax Covenant will be treated, if possible as an adjustment of the Purchase Price for the Sale Share.
- 12.2 The Buyer shall in its absolute discretion decide whether to make a claim under this Schedule or the Tax Warranties or both.



EXECUTION VERSION

EXECUTED and DELIVERED as a DEED by )  
ANDREW MICHAEL HURELL, in the physical )  
presence of: )

Signed by:  
*Andrew Hurrell*  
.....20B67DEA2A8B49A:.....

Witness signature

Signed by:  
*Donna Hurrell*  
.....76304F0A4C9C400.....

Witness name

Donna Hurrell

Address

Occupation



EXECUTED and DELIVERED as a DEED by )  
PAUL STEPHEN MORRIS, in the physical )  
presence of: )

Signed by:  
*Paul Morris*  
.....9F772381601547D:.....

Witness signature

Signed by:  
*Michael Benn Spinks*  
.....58419A3BCB2B468.....

Witness name

Michael Benn Spinks

Address

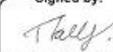
Occupation



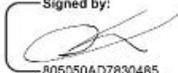


EXECUTION VERSION

EXECUTED and DELIVERED as a DEED by )  
THOMAS ROBERT KELLEY, in the physical )  
presence of: )

Signed by:   
.....AD5B05E8081E49A.....

Witness signature

Signed by:   
.....805D50AD7830485.....

Witness name

Annabel Kelley

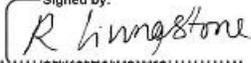
Address



Occupation

EXECUTED and DELIVERED as a DEED by )  
L G MOTION LIMITED, acting by two directors )

Signed by:   
.....CB0930E821F045A.....  
Director

)  
)  
)  
Signed by:   
.....E7A97BE6X1F29C7.....  
Director

EXECUTED and DELIVERED as a DEED by )  
CODA OCTOPUS R&D LTD, acting by two )  
directors )

.....  
Director

)  
)  
)  
.....  
Director





**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-224408; No. 333-233524; and No. 333-236029) and Form S-8 (No. 333-227704 and No. 333-260244) of Coda Octopus Group, Inc. of our report dated January 29, 2025, with respect to the consolidated financial statements as of and for the years ended October 31, 2024 and 2023, of Coda Octopus Group, Inc. which are part of this Annual Report on Form 10-K.

Frazier & Deeter, LLC  
Atlanta, Georgia  
January 29, 2025

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## CHIEF EXECUTIVE OFFICER AND INTERIM CHIEF FINANCIAL OFFICER CERTIFICATION

I, Annmarie Gayle and Gayle Jardine, certify that:

1. We have reviewed this annual report on Form 10-K of Coda Octopus Group, Inc.:
2. Based on our knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on our knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and we are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and we have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 29, 2025

/s/ Annmarie Gayle

Date: January 29, 2025

/s/ Gayle Jardine

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Coda Octopus Group, Inc. (the "Company") on Form 10-K for the year ended October 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Annmarie Gayle, Chief Executive Officer, and I, Gayle Jardine, Interim Chief Financial Officer, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) This report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Annmarie Gayle*  
\_\_\_\_\_  
Chief Executive Officer

*/s/ Gayle Jardine*  
\_\_\_\_\_  
Interim Chief Financial Officer

Date: January 29, 2025

Date: January 29, 2025

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