Eurotech Ltd

Annual Report and Financial Statements

For the year ended 31 December 2011

Registered number 1608562

Directors

Dr F Cutri
J J S Bain
S Barazza
G Tecchiolli

Secretary

J J S Bain

Auditors

Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

Registered office

3 Clifton Court
Cambridge CB1 7BN

Contents

Directors' Report

The Directors present their report and the audited financial statements of the company for the year ended 31 December 2011

Principal activities
The principal activities of the company are the design, development and marketing of embedded communications and control products

Business review and future developments
During the year the company has continued to develop its customer base, product range and has enhanced its prospects for 2012

Operating performance

	2011	*2010*
	£000	*£000*
Turnover	15,983	15,315
Operating profit	1,384	525
Shareholders' funds	2,061	1,112
Average number of employees	34	42

Sales
Sales improved by 4 4% driven by a strong export market although as in 2010 the trading environment remained challenging in our home market Sales within the geographical area of the UK reduced by £2,831,000 (48 3%) to £3,026,000, although export sales grew by £3,499,000 (37 0%) to £12,957,000 Total sales in 2011 were £15,983,000 (2010 £15,315,000) We anticipate growth in the UK Geographical area in 2012 An operating profit of £1,384,000 was generated for the year compared to an operating profit of £525,000 in 2010

Product launches and development of new products continued throughout 2011, from which we anticipate to generate returns in the coming years The level of development investment during the year as a proportion of turnover was 4 9% (£789,000) compared to 9 4% (£1,435,000) in 2010

The average number of employees was 34 (2010 42), and sales per employee grew by 28 8% to £470,088 (2010 £365,000)

Gross profit as a percentage of sales for the year was 31 5% (2010 33 8%) The gross profit generated was £5,031,000 compared to £5,181,000 in 2010 Operations were able to hold costs and continued the drive towards maximising the amount of product built by our outsourced manufacturing partners

The long term intercompany loan of £1,300,000 was repaid during the year Stocks and debtors at year end as a proportion of total sales were 18 6% compared to 42 2% at the prior year end

The number of new customers secured by the company remained strong, with the customer base being maintained at anticipated levels

Directors' Report (continued)

Principal risks and uncertainties

Detailed financial, operational and engineering planning is maintained throughout the year with annual reviews prepared for approval, with monthly management reports and quarterly detailed updates

Price risk of components and obsolescence of stock - The company trades primarily in Sterling but is exposed to movements in foreign currency, primarily the US Dollar and the Euro Strategic components are purchased to ensure we are able to optimize margins and mitigate against price fluctuations that occur in the component market The company maintains a regular monthly review of stock to ensure that we minimise the risk associated with stock obsolescence

Credit management - The company has developed policies that are aimed at minimising losses The policies are regularly reviewed in light of market conditions and credit worthiness guidelines are reviewed regularly

Liquidity risk - The company mitigates liquidity risk by constant attention to cash generation by maximising cash collections and negotiating terms with its suppliers

Competitive and environmental risks - The company relies on its ability to design products that meet the needs of its customers by delivering products over a long period of time at a competitive price to ensure that customer business is retained, generating a financial return and allowing investment in research and development to produce a new generation of products

The company maintains a constant and involved development strategy with its customers, identifying market trends and the likely demand from our broad base of customers which allows us, to a certain extent, mitigate against the fluctuations in specific market areas and industry sectors

Operationally, the company has in place a diverse supply chain thereby limiting the risk of any one supplier being unable to deliver product The company considers the availability of key components as a key risk and manages this by understanding the diverging financial and operational goals of its suppliers and its customers In close co-operation with its customers, the company holds strategic stocks of key components to ensure that, wherever possible and within reasonable limits, the company is able to maintain supply of product for as long as its customers require

Competitive risks are part of the company's business, however understanding the needs of its customers, ensuring that the company delivers the service they require, and offering products to market in the shortest lead time, will continue to give the company a competitive edge The company manages its operational costs and delivers high specification products that are capable of operating in environmentally harsh conditions

Going concern

The company's business activities, together with the factors likely to affect its future development and its financial position are described above

Based on the company's trading forecasts and the support of its parent undertaking (if required) the directors' view is that the company has adequate resources to continue in operational existence for the foreseeable future

Directors' Report (contınued)

Internal controls
The company regularly revıews ıts dısaster recovery plan and the re-ınstatement of ıts busıness systems Internal controls are revıewed to ensure management ıs fully aware of the busıness rısks relatıng to losses that may occur due to fluctuatıons ın exchange rates, loss of any sıngle ımportant customer, product warranty ıssues, delays ın new product releases and overruns ın development costs

The Board of Dırectors annually prepares detaıled plans for the ensuıng year, these ınclude fınancıal reports, product development and busıness development plans The Board then monıtors ıts performance agaınst key ındıcators, such as sales, cash generatıon and return on assets The Board regularly revıews rısks to the busıness and puts ın place procedures and actıons that wıll mıtıgate costs from non performance agaınst any of ıts key ındıcators If necessary re-adjustment of resources ıs made to ensure the strategıc goals of the company are met

Rısk assessments for the busıness are regularly undertaken to ensure that employees are protected and there are guıdelınes for employees regardıng a duty of care to each other and to the busıness and ıts customers Company polıcıes are revıewed and ınternal controls are ın place to ensure that the busıness operates wıthın them Complıance wıth the polıcıes ıs revıewed to ensure that both posıtıve and negatıve feedback ıs used to enhance and correct the way that the busıness ıs managed

Results and dividends
The profit after tax for the year amounted to £949,000 (2010 profit of £786,000) The Dırectors do not recommend the payment of a final dıvıdend (2010 £nıl)

Research and development
Durıng the year the company has contınued wıth ıts research and development programme Expendıture ın the year amounted to £789,000 (2010 £1,435,000)

Employees
The success of the company ıs dependent upon the abılıtıes of ıts employees The company ıs commıtted to traınıng, developıng and recruıtıng staff to make possıble the ımplementatıon of the company's plans It ıs the polıcy of the company to provıde ınformatıon to ıts employees on a regular basıs Thıs ınformatıon ıncludes matters relatıng to ıts performance, ıts prospects ın the market and the economıc outlook of ıts busıness ın the perıod ahead

It ıs the polıcy of the company to recruıt, traın and promote dısabled persons on the basıs of theır aptıtudes and abılıtıes If employees become dısabled, every effort would be made to retaın them and where necessary re-traın them for approprıate posts

Dırectors
The Dırectors of the company durıng the year were

Dr F Cutrı
J J S Baın
S Barazza
G Tecchıollı

Dırectors' qualıfyıng thırd party indemnıty provısıons
The company has granted an ındemnıty to one or more of ıts Dırectors agaınst lıabılıty ın respect of proceedıngs brought by thırd partıes, subject to the condıtıons set out ın sectıon 234 of the Companıes Act 2006 Such qualıfyıng thırd party ındemnıty provısıon remaıns ın force as at the date of approvıng the Dırectors' Report

Directors' Report (continued)

Directors' statement as to disclosure of information to Auditors
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors
In accordance with section 485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the Board

F A Cutri
Director

Date 9th May 2012

Statement of Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Report of the independent auditor to the members of Eurotech Ltd

We have audited the financial statements of Eurotech Ltd for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 20 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Report of the independent auditor to the members of Eurotech Ltd (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Rachel Wilden (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Cambridge
Date 14 May 2012

Profit and loss account

for the year ended 31 December 2011

	Notes	*2011* *£000*	*2010* *£000*
Turnover	2	**15,983**	15,315
Cost of sales		**(11,076)**	(10,134)
Gross Profit		4907	5,181
Distribution costs		(180)	(282)
Administrative expenses		(3,343)	(4,374)
Operating Profit	3	1,384	525
Interest receivable and similar income	6	1	-
Interest payable and similar charges	7	(29)	(30)
Profit on ordinary activities before taxation		1,356	495
Tax on profit on ordinary activities	8	(407)	291
Profit on ordinary activities after taxation, being retained profit for the financial year	16,17	949	786

All of the above results relate to continuing activities

Statement of total recognised gains and losses

for the year ended 31 December 2011

There are no recognised gains or losses other than the profit of £949,000 attributable to the shareholders for the year ended 31 December 2011 *(2010 £786,000)*

Balance sheet
at 31 December 2011

	Notes	2011 £000	2011 £000	2010 £000	2010 £000
Fixed assets					
Tangible fixed assets	9		161		296
Current assets					
Stocks	10	576		2,456	
Debtors	11	2,167		4,014	
Cash at bank and in hand		2,893		707	
		5,636		7,177	
Creditors amounts falling due within one year	12	(3,703)		(5,000)	
Net current assets			1,933		2,177
Total assets less current liabilities			2,094		2,473
Creditors: amounts falling due after one year	13		-		(1,300)
Provisions for liabilities	14		(33)		(61)
Net assets			2,061		1,112
Capital and reserves					
Called up share capital	15		33		33
Share premium account	16		305		305
Capital contribution reserve	16		2,800		2,800
Profit and loss account	16		(1,077)		(2,026)
Shareholders' funds	17		2,061		1,112

These financial statements were approved by the board of directors and were signed on its behalf by

F A Cutri
Director

Date 9th May 2012

Notes

1 Accounting policies

Basis of preparation
The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards

Statement of cash flows
The Directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent publishes group financial statements

Related party transactions
The company is a wholly owned subsidiary of Eurotech S p A, the group financial statements of which are publicly available Accordingly, the company has taken advantage of the exemption in FRS8 from disclosing transactions with members of the Group

Tangible fixed assets
Fixed assets are stated at cost less accumulated depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Fixtures and fittings	–	25% per annum
Plant and equipment	–	25% and 33% per annum
Software	–	33% per annum

Leasehold improvements are depreciated over the lesser of 10 years or the lease term

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and gains or losses on translation are included within the profit and loss account

Leases
Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Notes *(continued)*

1 Accounting policies (continued)

Pensions
The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged in the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Research and development expenditure
Expenditure on research and development is written off in the profit and loss account in the year in which it is incurred

Stocks
Stocks are stated at the lower of cost and net realisable value Cost includes all costs incurred in bringing each product to its present location and condition Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal For work in progress and finished goods, cost is taken as production cost (cost of direct materials and labour plus attributable overheads based on a normal level of activity) In determining the cost of raw materials, consumables and stock purchased for resale, the average purchase price is used

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception

- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Provisions for liabilities
A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

Provisions for the expected costs of maintenance under warranty are charged in the profit and loss account The effect of the time value of money is not material and therefore the provision is not discounted

Notes *(continued)*

2 Turnover

Turnover by geographic market

Turnover represents the amounts receivable for goods and services, net of vat and trade discounts, and is recognised upon the despatch of goods to customers

The total turnover of the company for the year has been derived from its principal continuing activity An analysis of turnover by geographical market is given below

	2011	*2010*
	£000	*£000*
United Kingdom	**3,026**	5,857
Rest of Europe	**1,573**	1,428
USA	**10,465**	7,848
Rest of the world	**919**	182
	15,983	15,315

3 Operating profit

This is stated after charging/(crediting)

		2011	*2010*
		£000	*£000*
Auditor's remuneration			
– audit of financial statements		**35**	35
– taxation services		**11**	18
Depreciation of owned tangible fixed assets		**121**	138
Operating lease rentals	– land and buildings	**172**	171
	– plant, machinery and motor vehicles	**9**	9
Research and development expenditure		**789**	1,435
Exchange (gain)/loss		**(38)**	69

Notes *(continued)*

4 Directors' emoluments

	2011 £000	2010 £000
Directors' emoluments	**368**	328
Company contributions to money purchase pension schemes	**26**	26
	No	*No*
Number of directors accruing benefits under defined benefit pension schemes	-	-
Number of directors accruing benefits under money purchase schemes	**2**	2
Number of directors who received shares for qualifying services	-	-
Number of directors who exercised share options	-	-

The aggregate emoluments of the highest paid Director was £235,846 *(2010 £199,061)* and company pension contributions of £16,002 *(2010 £16,002)* were made to a money purchase scheme on his behalf The highest paid director did not receive shares for qualifying services or exercise any options in either the current or prior year

S Barazza and G Tecchiolli, as well as being directors of Eurotech Ltd, are also directors of the ultimate parent company and fellow subsidiaries These directors received total remuneration for the year of €372,452 (2010 €417,000), all of which was paid by the ultimate holding company The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the ultimate parent and fellow subsidiary companies

5 Staff and costs

The average monthly number of persons employed by the company (including Directors) during the year, analysed by category, was as follows

	2011 No	2010 No
Distribution	**2**	2
Operations	**3**	11
Engineering	**12**	12
Sales and Marketing	**9**	9
Administration	**8**	8
	34	42

	2011 £000	2010 £000
Wages and salaries	**1,599**	1,866
Social security costs	**180**	194
Pension costs	**87**	99
	1,866	2,159

Notes *(continued)*

6 Interest receivable and similar income

	2011	*2010*
	£000	*£000*
Bank interest receivable	**1**	-

7 Interest payable and similar charges

	2011	*2010*
	£000	*£000*
Group loan interest	**24**	30
Bank interest payable	**5**	-

8 Taxation

(a) Tax on profit on ordinary activities

The tax credit is made up as follows

	2011	*2010*
	£000	*£000*
Current tax		
Corporation tax at 26 5% *(2010 28%)*	**136**	-
Adjustment in respect of prior period	**-**	-
Total current tax	**136**	-
Deferred tax		
Origination and reversal of timing differences	**271**	(291)
Tax on profit on ordinary activities	**407**	(291)

Notes *(continued)*

8 Taxation (continued)

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the average rate of corporation tax for the period of 26 5% *(2010 28%)* The differences are reconciled below

	2011	*2010*
	£000	*£000*
Current tax reconciliation		
Profit on ordinary activities before tax	**1,356**	525
Profit on ordinary activities multiplied by standard rate of corporation tax for the period of 26 5% *(2010 28%)*	**359**	147
Effects of		
Expenses not deductible for tax purposes	**40**	32
Capital allowances in excess of depreciation	**6**	1
Research and development tax claim	-	(21)
Utilisation of tax losses brought forward	**(269)**	(159)
Total current tax	**136**	-

(c) Deferred tax

	***Recognised* 2011**	2010	**2011**	***Unrecognised*** 2010
	£000	*£000*	***£000***	*£000*
Depreciation in excess of capital allowances	**20**	22	-	-
Tax losses	-	269	-	-
Total deferred tax	**20**	291	-	-

Included in debtors (note 11)	**20**

Movement on total deferred tax

	£000
At 1 January 2011	291
Deferred tax credit in profit and loss account	**(271)**
At 31 December 2011	**20**

The deferred tax has been recognised as the directors believe that the results for the year and the forecasts for the following years indicate that the asset will be recovered The asset will be recovered as the company generates taxable profits in future periods

Notes *(continued)*

8 Taxation (continued)

(d) Factors affecting future tax changes

In his budget of 21 March 2012, the Chancellor of the Exchequer announced tax rate changes, which, if enacted in the proposed manner, will have an effect on the Company's future tax position As at 31 December 2011, the tax rate changes announced in the Budget had not yet been substantively enacted and as such, in accordance with accounting standards the changes have not been reflected in the Company s financial statements as at 31 December 2011 Finance Act 2011, enacted on 19 July 2011, reduced the main rate of corporation tax to 26% from 1 April 2011 and to 25% from 1 April 2012 Deferred tax has been restated accordingly in these financial statements

Additional changes to the main rate of UK Corporation Tax announced in the budget will reduce the main rate to 24% from 1 April 2012 and by 1% per annum to 22% by 1 April 2014 These changes had not been substantively enacted at the balance sheet date and consequently their effects are not included in these financial statements The effect of these announced reductions is not likely to be material Finance Act 2011 also enacted a reduction from 1 April 2012 in the rate of capital allowances applicable to plant and machinery and to integral features from 20% to 18% and from 10% to 8% respectively

The above changes to the rates of corporation tax and capital allowances will impact the amount of future cash tax payments to be made by the company

9 Tangible fixed assets

	Leasehold improvements £000	*Plant and equipment £000*	*Fixtures, Fittings and software £000*	*Total £000*
Cost:				
At 1 January 2011	381	372	281	1,034
Additions	4	18	2	24
Disposals	(177)	(81)	(108)	(366)
At 31 December 2011	**208**	**309**	**175**	**692**
Depreciation:				
At 1 January 2011	166	343	229	738
Charge for year	73	25	23	121
Eliminated on disposals	(147)	(81)	(100)	(328)
At 31 December 2011	**92**	**287**	**152**	**531**
Net book value:				
At 31 December 2011	**116**	**22**	**23**	**161**
At 31 December 2010	215	29	52	296

10 Stocks

	2011 £000	*2010 £000*
Raw materials and consumables	**354**	1,546
Work in progress	**6**	102
Finished goods and goods for resale	**216**	808
	576	2,456

The difference between purchase price or production costs of stocks and their replacement cost is not material

Notes *(continued)*

11 Debtors

	2011 *£000*	*2010* *£000*
Trade debtors	**711**	2,023
Amounts owed from group undertakings	**1,378**	1,557
Other debtors	**-**	80
Deferred tax	**20**	291
Prepayments and accrued income	**58**	63
	2,167	4,014

12 Creditors: amounts falling due within one year

	2011 *£000*	*2010* *£000*
Trade creditors	**2,492**	4,063
Amounts owed to group undertakings	**86**	633
Corporation tax	**136**	-
Taxation and social security	**47**	51
Accruals and deferred income	**921**	251
VAT	**9**	-
Other creditors	**12**	2
	3,703	5,000

13 Creditors: amounts falling due after more than one year

	2011 *£000*	*2010* *£000*
Over five years		
Amounts owed to group undertakings – loan	**-**	1,300
	-	1,300

The rate of interest on the group loan during 2011 was 2 70% *(2010 2 34%)* This was reviewed annually on 31 December

The interest was paid monthly, the principal sum was repaid during the year

Notes *(continued)*

14 Provisions for liabilities

	Provisions for maintenance warranties	*Provision for dilapidations*	*Total*
	£000	*£000*	*£000*
At 1 January 2011	33	28	61
Utilised during the year	-	(28)	(28)
At 31 December 2011	**33**	**-**	**33**

The warranty provision is for product costs anticipated in satisfying commitments under warranty periods for products sold within the last year and could be returned over the next 2 years

15 Issued share capital

Allotted, called up and fully paid	*No.*	*2011 £000*	*No*	*2010 £000*
Ordinary shares of £1 each	**33,333**	33	33,3	33

16 Movement on reserves

	Share premium account	*Capital contribution reserve*	*Profit and loss account*
	£000	*£000*	*£000*
At 1 January 2011	305	2,800	(2,026)
Profit for the year	-	-	949
At 31 December 2011	**305**	**2,800**	**(1,077)**

Notes *(continued)*

17 Reconciliation of shareholders' funds

	2011 *£000*	*2010* *£000*
Profit for the financial year	949	786
Net increase to shareholders' funds	949	786
Opening shareholders' funds	1,112	326
Closing shareholders funds	**2,061**	1,112

18 Other financial commitments

Operating leases which expire	*2011* *Land and buildings* *£000*	*2010* *Land and buildings* *£000*
Within one year	**26**	–
In two to five years	-	144
After five years	-	–
	103	144

The company operates a defined contribution pension scheme There were no outstanding contributions owed to the plan at the balance sheet date *(2010 £nil)*

19 Guarantees

The company has guaranteed duty payments to HM Revenue & Customs to a maximum of £100,000 *(2010 £75,000)*

20 Ultimate parent undertaking and controlling party

The company is controlled by Eurotech S p A, the ultimate parent undertaking Eurotech S p A, a company incorporated in Italy and registered in Italy, heads the only group in which the results of the company are consolidated Copies of that company's Annual Report and group financial statements are available from Eurotech S p A, Via Fratelli Solari 3/a, 33020 Amaro (Udine), Italy