

**EUROTECH LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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# EUROTECH LTD

## COMPANY INFORMATION

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<b>Directors</b>	J J S Bain S Barazza
<b>Secretary</b>	J J S Bain
<b>Company number</b>	01608562
<b>Registered office</b>	3 Clifton Court Cambridge CB1 7BN
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Abacus House Castle Park Cambridge CB3 0AN
<b>Business address</b>	3 Clifton Court Cambridge CB1 7BN

# **EUROTECH LTD**

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# **EUROTECH LTD**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors present the strategic report for the year ended 31 December 2016.

#### **Fair review of the business**

Sales for the year were £5,614,000 (2015: £6,143,000). An operating profit of £134,000 (2015: £125,000) was generated for the year.

Product launches and development of new products continued in 2016, from which we anticipate generating returns in the coming years.

The average number of employees was 23 (2015: 22), with sales per employee of £244,000 (2015: £279,000) being generated.

Gross profit as a percentage of sales for the year was 40% (2015: 42%). The gross profit generated was £2,234,000 (2015: £2,548,000). Operations were able to hold costs and continued the drive towards maximising the amount of product built by our outsourced manufacturing partners.

#### **Principal risks and uncertainties**

Detailed financial, operational and engineering planning is maintained throughout the year, with annual reviews prepared for approval, together with 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 by our sub-contractors 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 exchange losses. The policies are regularly reviewed in light of market conditions and credit worthiness guidelines are reviewed regularly. The company regularly reviews aged debtors to ensure prompt collection of amounts due.

#### **Liquidity risk**

The company mitigates liquidity risk by constant attention to cash generation through 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, to a certain extent, allows us to 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, or arranges for its customers to hold, 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.

# EUROTECH LTD

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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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.

### **Internal controls**

The company regularly reviews its disaster recovery plan and the re-instatement of its business systems. Internal controls are reviewed to ensure management is fully aware of the business risks relating to losses that may occur due to fluctuations in exchange rates, loss of any single important customer, product warranty issues, delays in new product releases and overruns in development costs. The company is certified to ISO 9001 2015.

The Board of Directors annually prepares detailed plans for the ensuing year, these include financial reports, product development and business development plans. The Management Team then monitors its performance against key indicators, such as sales, cash generation and return on assets. The Management Team regularly review risks to the business and put in place procedures and actions that will mitigate costs from failure to perform against any of its key indicators. If necessary, re-adjustment of resources is made to ensure the strategic goals of the company are met.

Risk assessments for the business are regularly undertaken to ensure that employees are protected and there are guidelines for employees regarding a duty of care to each other and to the business and its customers. Company policies are reviewed and internal controls are in place to ensure that the business operates within them. Compliance with the policies is reviewed to ensure that both positive and negative feedback is used to enhance and correct the way that the business is managed.

On behalf of the board



J J S Bain  
Director

6<sup>th</sup> June 2017

# **EUROTECH LTD**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors present their annual report and audited financial statements for the year ended 31 December 2016.

#### **Principal activities**

The principal activities of the company continue to be the design, development and marketing of embedded communications and control products.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J J S Bain  
S Barazza

#### **Dividends**

No dividends were paid in the year. The directors do not recommend payment of a final dividend.

#### **Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

#### **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 accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

# EUROTECH LTD


## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors are responsible for keeping adequate 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.

On behalf of the board



J J S Bain

**Director**

6<sup>th</sup> June 2017

# **EUROTECH LTD**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF EUROTECH LTD**

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#### **Report on the financial statements**

##### **Our opinion**

In our opinion, Eurotech Ltd's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

##### **What we have audited**

The financial statements, included within the Annual Report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2016;
- the Profit and loss account and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

##### **Opinions on other matters prescribed by the Companies**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

##### **Other matters on which we are required to report by**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



# EUROTECH LTD

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF EUROTECH LTD

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#### **Responsibilities for the financial statements and the audit**

##### **Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

##### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Adrian Bennett (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge

6 June 2017

# EUROTECH LTD

## PROFIT AND LOSS ACCOUNT

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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	Note	2016 £'000	2015 £'000
Turnover	3	5,614	6,143
Cost of sales		(3,380)	(3,595)
<b>Gross profit</b>		<u>2,234</u>	<u>2,548</u>
Distribution costs		(69)	(56)
Administrative expenses		(2,115)	(2,367)
Other operating income		84	-
<b>Operating profit</b>	4	<u>134</u>	<u>125</u>
Interest receivable and similar income		2	6
<b>Profit on ordinary activities before taxation</b>		<u>136</u>	<u>131</u>
Tax on profit on ordinary activities	7	(33)	(48)
<b>Profit for the financial year</b>		<u>103</u>	<u>83</u>
<b>Total comprehensive income for the year</b>		<u>103</u>	<u>83</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# **EUROTECH LTD**

## **STATEMENT OF COMPREHENSIVE INCOME**

***FOR THE YEAR ENDED 31 DECEMBER 2016***

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	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
<b>Profit for the year</b>	103	83
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income for the year</b>	<u>103</u>	<u>83</u>

# EUROTECH LTD

## BALANCE SHEET

AS AT 31 DECEMBER 2016

		2016		2015	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	8		16		41
<b>Current assets</b>					
Stocks	9	206		162	
Debtors	10	2,237		1,629	
Cash at bank and in hand		893		1,117	
		<u>3,336</u>		<u>2,908</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(1,125)</u>		<u>(825)</u>	
Net current assets			2,211		2,083
<b>Total assets less current liabilities</b>			2,227		2,124
<b>Provisions for liabilities</b>	12		(40)		(40)
<b>Net assets</b>			<u>2,187</u>		<u>2,084</u>
<b>Capital and reserves</b>					
Called up share capital	15		33		33
Share premium account			305		305
Capital contribution reserve			1,284		1,284
Profit and loss account			565		462
<b>Total equity</b>			<u>2,187</u>		<u>2,084</u>

6<sup>th</sup> The financial statements on pages 8 to 26 were approved by the board of directors and authorised for issue on ~~June 2017~~ and are signed on its behalf by:

  
J J S Bain  
Director

Company Registration No. 01608562

# EUROTECH LTD

## STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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	Called up share capital £'000	Share premium account £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total equity £'000
<b>Balance at 1 January 2015</b>	<u>33</u>	<u>305</u>	<u>2,800</u>	<u>379</u>	<u>3,517</u>
<b>Year ended 31 December 2015:</b>					
Total comprehensive income for the year	-	-	-	83	83
Dividend	-	-	(1,516)	-	(1,516)
<b>Balance at 31 December 2015</b>	<u>33</u>	<u>305</u>	<u>1,284</u>	<u>462</u>	<u>2,084</u>
<b>Year ended 31 December 2016:</b>					
Total comprehensive income for the year	-	-	-	103	103
<b>Balance at 31 December 2016</b>	<u>33</u>	<u>305</u>	<u>1,284</u>	<u>565</u>	<u>2,187</u>

# EUROTECH LTD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1 Accounting policies

##### Company information

Eurotech Ltd is a company limited by shares and domiciled and incorporated in England and Wales. The registered office is 3 Clifton Court, Cambridge, CB1 7BN.

##### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The company has taken advantage of the exemption available and has not included a cash flow in the financial statements.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted have been applied consistently and are set out below.

##### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

##### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

##### 1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

##### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

# EUROTECH LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1 Accounting policies

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Leasehold	the lesser of 10 years or the term of the lease
Plant and machinery	over 3 or 4 years
Fixtures, fittings & equipment	over 3 or 4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# EUROTECH LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1 Accounting policies

##### 1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.



# EUROTECH LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1 Accounting policies

##### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### ***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### ***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### ***Other financial liabilities***

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### 1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

# EUROTECH LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1 Accounting policies

##### 1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

###### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

###### *Deferred tax*

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

##### 1.12 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

##### 1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

# EUROTECH LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### **1 Accounting policies**

##### **1.14 Retirement benefits**

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.

##### **1.15 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

##### **1.16 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

##### **1.17 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

#### **2 Judgements and key sources of estimation uncertainty**

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

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

In the opinion of the directors, the estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amount of assets and liabilities would be the assessment of the provision against obsolete stock. The company maintains a regular monthly review of stock in order to accurately assess the level of obsolescence to be provided against.

# EUROTECH LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 3 Turnover and other revenue

##### Turnover analysed by geographical market

	2016 £'000	2015 £'000
United Kingdom	1,791	1,731
Rest of Europe	623	241
USA	2,365	3,123
Rest of the world	835	1,048
	<u>5,614</u>	<u>6,143</u>

#### 4 Operating profit

	2016 £'000	2015 £'000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	(268)	(37)
Research and development costs	88	32
Government grants	(84)	-
Fees payable to the company's auditors for the audit of the company's financial statements	20	24
Depreciation of owned tangible fixed assets	31	34
Cost of stocks recognised as an expense	3,380	3,595
Operating lease charges	<u>115</u>	<u>102</u>

#### 5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2016 Number	2015 Number
Distribution	1	1
Operations	2	2
Engineering	8	8
Sales and Marketing	7	5
Administration	<u>5</u>	<u>6</u>
Total	<u>23</u>	<u>22</u>

# EUROTECH LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 5 Employees continued

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	1,104	1,213
Social security costs	134	140
Other pension costs	62	73
Total	<u>1,300</u>	<u>1,426</u>

#### 6 Directors' remuneration

	2016 £'000	2015 £'000
Remuneration for qualifying services	143	360
Company pension contributions to defined contribution schemes	11	29
	<u>154</u>	<u>389</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2015 - 2).

S Barazza, as well as being a director of Eurotech Ltd, is also a director of the ultimate parent undertaking and fellow subsidiaries. S Barazza received total remuneration for the year of €123,369 (2015: €123,000), all of which was paid by the ultimate parent undertaking. The directors do not believe that it is practicable to apportion this amount between his services as director of the company and his services as director of the ultimate parent and fellow subsidiary companies.

#### 7 Taxation

	2016 £'000	2015 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	29	49
Adjustments in respect of prior periods	1	-
Total current tax	<u>30</u>	<u>49</u>

# EUROTECH LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 7 Taxation

##### Deferred tax

Origination and reversal of timing differences	3	(1)
	<u>          </u>	<u>          </u>
Total tax charge	33	48
	<u>          </u>	<u>          </u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2016 £'000	2015 £'000
Profit before taxation	<u>136</u>	<u>131</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	27	27
Tax effect of expenses that are not deductible in determining taxable profit	2	22
Change in unrecognised deferred tax assets	3	(1)
Adjustments in respect of prior years	<u>1</u>	<u>-</u>
Taxation for the year	<u>33</u>	<u>48</u>

# EUROTECH LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 8 Tangible fixed assets

	Land and buildings Leasehold £'000	Plant and machinery £'000	Fixtures, fittings & equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2016	201	236	127	564
Additions	-	6	-	6
Disposals	-	(2)	-	(2)
At 31 December 2016	201	240	127	568
<b>Accumulated depreciation and impairment</b>				
At 1 January 2016	171	226	126	523
Depreciation charged in the year	21	9	1	31
Eliminated in respect of disposals	-	(2)	-	(2)
At 31 December 2016	192	233	127	552
<b>Carrying amount</b>				
At 31 December 2016	9	7	-	16
At 31 December 2015	30	10	1	41

### 9 Stocks

	2016 £'000	2015 £'000
Raw materials and consumables	64	55
Work in progress	7	5
Finished goods and goods for resale	151	114
Provision against obsolete stock	(16)	(12)
	206	162

# EUROTECH LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 10 Debtors

	2016 £'000	2015 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	503	626
Amount due from parent undertaking	81	76
Amounts due from fellow group undertakings	1,584	835
Prepayments and accrued income	57	77
	<u>2,225</u>	<u>1,614</u>
<b>Amounts falling due after more than one year:</b>		
Deferred tax asset (note 13)	12	15
	<u>12</u>	<u>15</u>
<b>Total debtors</b>	<u>2,237</u>	<u>1,629</u>

At 31 December 2016, trade receivables that were past due, but not written down were as follows:

InterCompany	Balance @ 31.12.16 £'000	Overdue but not written down				
		Not Overdue £'000	0-30 days £'000	31-60 days £'000	61-90 days £'000	Over 90 days £'000
2016	1,665	259	200	429	701	76
2015	911	287	7	271	296	50

Third Party	Balance @ 31.12.16 £'000	Overdue but not written down				
		Not Overdue £'000	0-30 days £'000	31-60 days £'000	61-90 days £'000	Over 90 days £'000
2016	416	349	55	12	0	0
2015	625	524	23	78	0	0

The directors believe the amount is still recoverable notwithstanding the extension of collection granted.

### 11 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	796	426
Amounts due to group undertakings	174	71
Corporation tax	14	29
Other taxation and social security	38	87
Accruals and deferred income	103	212
	<u>1,125</u>	<u>825</u>



# EUROTECH LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 12 Provisions for liabilities

2016 £'000	2015 £'000
40	40

Movements on provisions:

	£'000
At 1 January 2016 and 31 December 2016	40

### 13 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2016 £'000	Assets 2015 £'000
<b>Balances:</b>		
Depreciation in advance of capital allowances	12	15
<b>Movements in the year:</b>		2016 £'000
(Liability)/Asset at 1 January 2016		15
Charge to profit or loss		(3)
(Liability)/Asset at 31 December 2016		12

### 14 Retirement benefit schemes

#### Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to the profit and loss in respect of defined contribution schemes was £62,000 (2015: £73,000).

### 15 Share capital

	2016 £'000	2015 £'000
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
33,333 Ordinary shares of £1 each	33	33

# EUROTECH LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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### 16 Operating lease commitments

#### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £'000	2015 £'000
Within one year	75	95
Between two and five years	-	75
	<u>75</u>	<u>170</u>

### 17 Financial commitments, guarantees and contingent liabilities

The company has guaranteed duty payments to HM Revenue & Customs to a maximum of £100,000 (2015: £100,000).

### 18 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.

### 19 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 available from disclosing transactions with wholly owned members of the Group.

During the year Eurotech Ltd sold products to two related parties, Chengdu Vantron Technology Ltd and to companies within the Finmeccanica S.p.A. Group, to the value of £112,000 (2015: £216,000). At 31 December 2015 there were no outstanding balances receivable in respect of these sales (2015: £96,000).