

EUROTECH LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

EUROTECH LTD

COMPANY INFORMATION

DIRECTORS	J J S Bain (resigned 26 May 2022) S Barazza
REGISTERED NUMBER	01608562
REGISTERED OFFICE	3 Clifton Court Cambridge CB1 7BN
INDEPENDENT AUDITOR	Price Bailey LLP Chartered Accountants & Statutory Auditors Tennyson House Cambridge Business Park Cambridge CB4 0WZ

EUROTECH LTD

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EUROTECH LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITY

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

DIVIDENDS

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

DIRECTORS

The directors who served during the year were:

J J S Bain (resigned 26 May 2022)
S Barazza

FUTURE DEVELOPMENTS

As a business we have overcome the challenges that Covid generated. Sales and margins improved compared to 2021 and we look to make further progress in 2023. We are looking at reducing our overheads where possible and reduce our energy requirements. We will continue with a hybrid working pattern, where employees may choose to work from home as business requirements allow. We have continued to open new opportunities and establish proof of concepts that will enhance our order book for 2023 and 2024. We believe that, although the trading environment has been challenging, especially the sourcing of key components, we will overcome those challenges and continue to come through the current difficult trading period a stronger business. We continue to invest in our engineering skills and our customer offering

RESEARCH AND DEVELOPMENT ACTIVITIES

During the year, the company continued with its research and development programme. Our engineers work in a close, collective way with Eurotech Group Companies and our partners to widen and strengthen our offering, ensuring that we meet the constant strenuous requirements that our industry sectors demand.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

As reported Internationally and specifically in the United Kingdom component supply has been highlighted as a key difficulty in assembly of finished products in a timely manner. As we come to end of 2022 we believe that 2023 should bring some relief from the scarcity and delay in delivery of components. The strong relationship built up over many years with our suppliers of components and our outsources assemblers has ensured we have smoothed some of the critical delays of finished product. We have supported this relationship with strategic stock holdings at group level of key components. Although some components cost have risen we hope with the implementation of further efficiencies at all levels of the business to ensure customer satisfaction levels are maintained.

With close attention to our customers' needs we anticipate that our design in's will bear fruit in the years to come. We have interest in a number of diversified industry sectors and therefore believe that we can better withstand any short term dilution of demand that may arise from any one sector.

With support of our parent company the Board believes that there is sufficient confidence to rely on our forecasts for the coming period of 2023 and 2024.

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.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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.

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 to 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.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

The auditor, Price Bailey LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 25 September 2023 and signed on its behalf.

S Barazza
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROTECH LTD

OPINION

We have audited the financial statements of Eurotech Ltd (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss 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.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROTECH LTD (CONTINUED)

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROTECH LTD (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the company and how it operates and considered the risk of the company not complying with the applicable laws and regulations including fraud in particular those that could have a material impact on the financial statements. This included those regulations directly related to the financial statements. In relation to the company this included employment law, financial reporting and health & safety.

The risks were discussed with the audit team and we remained alert to any indications of non-compliance throughout the audit. We carried out specific procedures to address the risks identified. These included the following:

- Management override: We reviewed systems and procedures to identify potential areas of management override risk. In particular, we carried out testing of journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions to identify large or unusual transactions. We reviewed key authorisation procedures and decision making processes for any unusual or one-off transactions.
- Review of key management estimates, including assessment of management bias.
- Retrospective review of estimates from prior periods.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROTECH LTD (CONTINUED)

USE OF OUR REPORT

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.

Paul Cullen FCCA (Senior Statutory Auditor)

for and on behalf of

Price Bailey LLP

Chartered Accountants

Statutory Auditors

Tennyson House

Cambridge Business Park

Cambridge

CB4 0WZ

26 September 2023

EUROTECH LTD

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover		4,530,730	3,747,525
Cost of sales		(2,221,200)	(2,035,711)
Gross profit		<u>2,309,530</u>	<u>1,711,814</u>
Distribution costs		(64,883)	(61,115)
Administrative expenses		(2,708,582)	(2,703,161)
Operating loss	5	<u>(463,935)</u>	<u>(1,052,462)</u>
Interest receivable and similar income		464	29
Loss before tax		<u>(463,471)</u>	<u>(1,052,433)</u>
Tax on loss	10	-	(113,438)
Loss after tax		<u>(463,471)</u>	<u>(1,165,871)</u>
Retained earnings at the beginning of the year		(1,982,768)	(816,897)
		<u>(1,982,768)</u>	<u>(816,897)</u>
Loss for the year		(463,471)	(1,165,871)
Retained earnings at the end of the year		<u>(2,446,239)</u>	<u>(1,982,768)</u>

The notes on pages 9 to 24 form part of these financial statements.

EUROTECH LTD
REGISTERED NUMBER: 01608562

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	11	32,705	52,315
Tangible assets	12	70,186	38,997
		<u>102,891</u>	<u>91,312</u>
Current assets			
Stocks	13	279,124	210,543
Debtors	14	1,634,885	774,550
Cash at bank and in hand	15	861,947	583,762
		<u>2,775,956</u>	<u>1,568,855</u>
Creditors: amounts falling due within one year	16	(3,531,003)	(1,850,921)
Net current liabilities		<u>(755,047)</u>	<u>(282,066)</u>
Total assets less current liabilities		<u>(652,156)</u>	<u>(190,754)</u>
Provisions for liabilities			
Other provisions	19	(172,069)	(170,000)
		<u>(172,069)</u>	<u>(170,000)</u>
Net liabilities		<u><u>(824,225)</u></u>	<u><u>(360,754)</u></u>
Capital and reserves			
Called up share capital	20	33,333	33,333
Share premium account	21	304,874	304,874
Other reserves	21	1,283,807	1,283,807
Profit and loss account	21	(2,446,239)	(1,982,768)
		<u>(824,225)</u>	<u>(360,754)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 September 2023.

S Barazza
Director

The notes on pages 9 to 24 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. GENERAL INFORMATION

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, under FRS 102 paragraph 1.12(b), on the basis that it is a qualifying entity and its ultimate parent company, Eurotech SpA, includes the Company's cash flows in its own consolidated financial statements; and
- from the requirement to disclose details of transactions with other group undertakings; and
- from the disclosing of Company key management personnel compensation, as required by FRS 102 paragraph 33.7; and
- from the financial instruments disclosures, required under FRS 102 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures.

The financial statements have been rounded to the nearest £.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 GOING CONCERN

The directors have considered the going concern basis of preparation of the financial statements, noting the results for the year, forecasts and plans going forward.

The directors have received confirmation from Eurotech SpA, the parent company, that Eurotech SpA intends to provide financial support to the company to assist the company in meeting its liabilities as and when they fall due to the extent that resources are not otherwise available to the company to meet such liabilities. Eurotech SpA has confirmed it has ability to provide such support and intends to provide the support as appropriate for the period of 12 months from the date of approval of these financial statements. In applying the going concern basis the Directors have also considered the past practise of Eurotech SpA in providing financial support to the company.

The directors have prepared cash flow forecasts for a period of 12 months from the year end which demonstrate that the cash reserves of the company with the support of Eurotech SpA will be sufficient for it to be able to continue as a going concern. The opportunities the Company has in the pipeline are in a good stage and will provide future business to the Company.

The financial statements do not contain any adjustments that would be required if the company were not able to continue as a going concern.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. ACCOUNTING POLICIES (CONTINUED)

2.3 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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

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

2.4 TURNOVER

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. 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.

Turnover 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, incurred or to be incurred in respect of the transactions can be measured reliably.

Turnover 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 is probable will be recovered.

2.5 RESEARCH AND DEVELOPMENT

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (CONTINUED)

2.6 OPERATING LEASES: THE COMPANY AS LESSEE

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

2.7 INTEREST INCOME

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

2.8 PENSIONS

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.9 TAXATION

Tax is recognised in the Statement of Income and Retained Earnings except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. ACCOUNTING POLICIES (CONTINUED)

2.10 INTANGIBLE ASSETS

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

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Computer software	-	3	years
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2.11 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following basis.

Depreciation is provided on the following basis:

Plant and machinery	- over 3 or 4 years
Land and buildings Leasehold	- the lesser of 10 years or the term of the lease

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.12 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Income and Retained Earnings.

2.13 DEBTORS

Short-term debtors are measured at transaction price, less any impairment.

2.14 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. ACCOUNTING POLICIES (CONTINUED)

2.15 CREDITORS

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 HOLIDAY PAY ACCRUAL

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.

2.17 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Income and Retained Earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.18 FINANCIAL INSTRUMENTS

The Company has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

The Company has elected to apply the recognition and measurement provisions of IFRS 9 Financial Instruments (as adopted by the UK Endorsement Board) with the disclosure requirements of Sections 11 and 12 and the other presentation requirements of FRS 102.

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 trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, 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.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. ACCOUNTING POLICIES (CONTINUED)

2.18 FINANCIAL INSTRUMENTS (continued)

Other financial assets

Other financial assets, which includes investments in equity instruments which are not classified as subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the recognised transaction price. Such assets are subsequently measured at fair value with the changes in fair value being recognised in the profit or loss. Where other financial assets are not publicly traded, hence their fair value cannot be measured reliably, they are measured at cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in the profit or loss.

Financial liabilities

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

Basic financial liabilities, which include trade and other payables, bank loans and other loans are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

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

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Other financial instruments

Derivatives, including forward exchange contracts, futures contracts and interest rate swaps, are not classified as basic financial instruments. These are initially recognised at fair value on the date the derivative contract is entered into, with costs being charged to the profit or loss. They are subsequently measured at fair value with changes in the profit or loss.

Debt instruments that do not meet the conditions as set out in FRS 102 paragraph 11.9 are subsequently measured at fair value through the profit or loss. This recognition and measurement would also apply to financial instruments where the performance is evaluated on a fair value basis as

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. ACCOUNTING POLICIES (CONTINUED)

2.18 FINANCIAL INSTRUMENTS (continued)

with a documented risk management or investment strategy.

Derecognition of financial instruments

Derecognition of financial assets

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the Company transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the Company will continue to recognise the value of the portion of the risks and rewards retained.

Derecognition of financial liabilities

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

3.

JUDGMENTS IN APPLYING ACCOUNTING POLICIES 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.

4. TURNOVER

An analysis of turnover by class of business is as follows:

EUROTECH LTD

**NOTES TO THE FINANCIAL STATEMENTS
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	2022 £	2021 £
Turnover analysed by geographical market:		
United Kingdom	1,987,593	1,768,198
Rest of Europe	1,824,410	1,216,895
USA	529,023	425,825
Rest of the world	189,704	336,607
	<u>4,530,730</u>	<u>3,747,525</u>

5. OPERATING LOSS

The operating loss is stated after charging:

	2022 £	2021 £
Research & development charged as an expense	43,147	177,603
Exchange differences	43,020	16,721
Depreciation of owned tangible fixed assets	21,130	21,594
Amortisation of intangible fixed assets	19,610	9,805
Cost of stocks recognised as an expense	2,221,200	2,035,711
Other operating lease rentals	<u>150,407</u>	<u>122,356</u>

6. AUDITOR'S REMUNERATION

During the year, the Company obtained the following services from the Company's auditor and its associates:

	2022 £	2021 £
Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements	22,000	17,250

EUROTECH LTD

**NOTES TO THE FINANCIAL STATEMENTS
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7. EMPLOYEES

Staff costs were as follows:

	2022 £	2021 £
Wages and salaries	1,473,709	1,408,953
Social security costs	140,506	143,611
Cost of defined contribution scheme	87,459	63,328
	<u>1,701,674</u>	<u>1,615,892</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Average number of employees	<u>22</u>	<u>24</u>

8. DIRECTORS' REMUNERATION

	2022 £	2021 £
Directors' emoluments	18,339	74,916
Company contributions to defined contribution pension schemes	1,654	6,617
Redundancy payments	-	110,000
	<u>19,993</u>	<u>191,533</u>

The number of directors whom retirement benefits are accruing under defined contribution schemes amounts to Nil (2021 - 1)

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 €132,000 (2021: €132,000), all of which was paid by the ultimate parent undertaking. The director does 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.

9. INTEREST RECEIVABLE

	2022 £	2021 £
Other interest receivable	464	29
	<u>464</u>	<u>29</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. TAXATION

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	-	(36,408)
	-	(36,408)
Total current tax	-	(36,408)
Deferred tax		
Origination and reversal of timing differences	-	149,846
Total deferred tax	-	149,846
Taxation on profit on ordinary activities	-	113,438

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	(463,471)	(1,052,433)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(88,059)	(199,962)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,336	-
Capital allowances for year in excess of depreciation	(8,696)	(2,864)
Loss on disposal of fixed assets	1,818	-
Changes in provisions leading to an increase (decrease) in the tax charge	(20,507)	-
Unrelieved tax losses carried forward	114,108	202,826
Deferred Tax	-	149,846
R&D Tax credits	-	(36,408)
Total tax charge for the year	-	113,438

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The company has tax losses of £3,115,940 (2021: £2,515,000) to set against future taxable profits.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. INTANGIBLE ASSETS

	Computer software £
Cost	
At 1 January 2022	62,120
	<hr/>
At 31 December 2022	62,120
	<hr/>
Amortisation	
At 1 January 2022	9,805
Charge for the year on owned assets	19,610
	<hr/>
At 31 December 2022	29,415
	<hr/>
Net book value	
At 31 December 2022	<u>32,705</u>
At 31 December 2021	<u>52,315</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. TANGIBLE FIXED ASSETS

	Long-term leasehold property £	Fixtures and fittings £	Office equipment £	Other fixed assets £	Total £
COST					
At 1 January 2022	184,655	78,191	168,226	-	431,072
Additions	-	-	2,341	59,547	61,888
Disposals	(184,655)	(78,191)	(52,173)	-	(315,019)
At 31 December 2022	-	-	118,394	59,547	177,941
Depreciation					
At 1 January 2022	184,655	61,657	145,763	-	392,075
Charge for the year on owned assets	-	6,965	14,165	-	21,130
Disposals	(184,655)	(68,622)	(52,173)	-	(305,450)
At 31 December 2022	-	-	107,755	-	107,755
Net book value					
At 31 December 2022	-	-	10,639	59,547	70,186
At 31 December 2021	-	16,534	22,463	-	38,997

13. STOCKS

	2022 £	2021 £
Raw materials and consumables	169,247	58,989
Work in progress (goods to be sold)	19,185	1,424
Finished goods and goods for resale	90,692	150,130
	<u>279,124</u>	<u>210,543</u>

**NOTES TO THE FINANCIAL STATEMENTS
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14. DEBTORS

	2022 £	2021 £
Trade debtors	735,586	370,897
Amounts owed by group undertakings	857,815	241,755
Other debtors	-	32,924
Prepayments and accrued income	41,484	92,566
Tax recoverable	-	36,408
	<u>1,634,885</u>	<u>774,550</u>

Amounts owed by group undertakings arise from intercompany sales and cost recharges. These amounts are unsecured and interest free. Intercompany sales and cost recharges are receivable in accordance with the respective payment terms.

15. CASH AND CASH EQUIVALENTS

	2022 £	2021 £
Cash at bank and in hand	<u>861,947</u>	<u>583,762</u>

16. CREDITORS: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	198,837	184,506
Amounts owed to group undertakings	2,752,857	1,027,338
Other taxation and social security	92,569	38,003
Other creditors	6,699	9,503
Accruals and deferred income	480,041	591,571
	<u>3,531,003</u>	<u>1,850,921</u>

Amounts owed to group undertakings relate to intercompany sales and cost recharges. The Intercompany purchases and cost recharges are repayable in accordance with the respective credit terms. These amounts are unsecured and interest free.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. FINANCIAL INSTRUMENTS

	2022 £	2021 £
Financial assets		
Financial assets measured at fair value through profit or loss	1,629,808	583,762
Financial assets that are debt instruments measured at amortised cost	861,947	645,576
	<u>2,491,755</u>	<u>1,229,338</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>3,336,434</u>	<u>(1,702,918)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors and accruals.

18. DEFERRED TAXATION

	2021 £
At beginning of year	149,846
Charged to profit or loss	(149,846)
At end of year	<u>-</u>

19. PROVISIONS

	Provisions £
At 1 January 2022	170,000
Charged to profit or loss	2,069
At 31 December 2022	<u>172,069</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

20. SHARE CAPITAL

	2022 £	2021 £
Allotted, called up and fully paid		
33,333 (2021 - 33,333) Ordinary shares of £1.00 each	<u>33,333</u>	<u>33,333</u>

21. RESERVES**Share premium account**

The share premium comprises the excess value recognised from the issue of ordinary shares at par.

Other reserves

Other reserves is capital contribution reserve for contributions from equity investors.

Profit and loss account

The profit and loss account comprises the Company's cumulative accounting profits and losses since inception.

22. CAPITAL COMMITMENTS

At 31 December 2022 the Company had capital commitments as follows:

	2022 £	2021 £
Contracted for but not provided in these financial statements	<u>119,093</u>	<u>-</u>

23. PENSION COMMITMENTS

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 £87,459 (2021: £63,328). There were no amounts outstanding at the year end (2021: £nil).

24. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	-	107,723
	<u>-</u>	<u>107,723</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

25. FINANCIAL COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

The company has guaranteed duty payments to HM Revenue & Customs to a maximum of £100,000 (2021: £100,000).

26. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Eurotech SpA, 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.

27. CONTROLLING PARTY

The company is controlled by Eurotech SpA, the ultimate parent undertaking. Eurotech SpA, 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 the Group financial statements are available from Eurotech SpA, Via Fratelli Solari 3/a, 33020 Amaro (Udine), Italy.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.