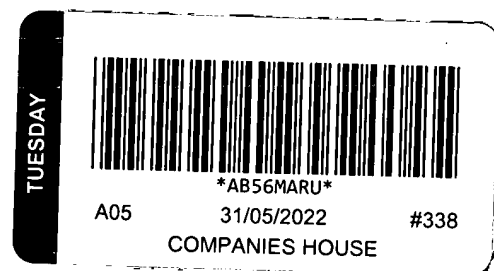

ELTEK POWER (UK) LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



ELTEK POWER (UK) LTD

COMPANY INFORMATION

Directors	J Butcher C Howe V Verl
Company secretary	V Verl
Registered number	01755876
Registered office	Eltek House Cleveland Road Hemel Hempstead Herts HP2 7EY
Independent auditor	Hillier Hopkins LLP Chartered Accountants & Statutory Auditor Radius House 51 Clarendon Road Watford Herts WS17 1HP

ELTEK POWER (UK) LTD

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ELTEK POWER (UK) LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The principal activity of the Company during the year continued to be that of the importation and distribution of electronic power supply equipment.

Eltek's strategy

The Company wants to become the undisputed technology leader within the power conversion market. This is to be achieved by:

- Firmly establishing the Company in the Telecom sector;
- Leveraging our technology to expand into new markets;
- Driving profitability through growth and operational improvement.

On the 31 January 2022, the Company entered into a merger agreement to acquire the business and net assets of Delta Electronics Europe Limited, a fellow group company at its book value.

Delta Electronics Europe Limited performs the main support activities in the UK for Delta Group customers. The cost of these services are invoiced back to the manufacturing business units of the Delta Group based in Taiwan, Singapore, Thailand; part of the Delta Group trading business based in Netherlands, Canada and UK.

Business review

In 2021, the Company's turnover reduced by 6.70 percentage to £23,005,372 (2020: £24,657,845) whereas the gross margin increased by 6.07 percentage points. Profit before taxation of £1,038,573 (2020: £853,838).

The net working capital ratio increased from 1.99 to 2.11 in the year due to a significant increase in debtors and cash at bank due to the company retaining more capital from retained profits in the year.

The turnover reduction is mainly due to decrease in the Industrial and Telecom segment.

The net assets of the Company at 31 Dec 2021 was £6,257,088 (2020: £5,422,854).

Principal risks and uncertainties

As the coronavirus is spreading across the world and influencing everyone's normal activities, our first priority is to safeguard the health and safety of our employees, customers and community. In the UK we are following the advice, rules and regulations of the government. Eltek has a strong revenue and order book for 2022 Q1.

The Company goes to market focusing on the telecom, industrial, data centre and technology sectors. The United Kingdom left the European Union single market from 1st of January 2021 which didn't effect on Eltek importing materials from European Union. We have experienced problems delivering products to our customers in Europe, whilst this makes planning difficult; Eltek has put in place contingency plans which we anticipate will enable us to meet our customers' ongoing requirements and contractual obligations. These include increasing our local stockholding and working with our transport partners to secure alternate shipping routes where applicable. Eltek predict no change to staffing levels due to Brexit and our spare parts for maintenance contracts are always kept within our UK warehouses.

The growth drivers for each sector are as follows:

Telecoms

- Strengthening market position in the growing telecom market.
- Extend technology leadership.

Industrial

- Focus on power, utilities, railway and metro.
- Increase acceptance for switchboard technology.

Data Centres

- Market potential for our MCIS portfolio.

ELTEK POWER (UK) LTD

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

- Gradually build organisation.

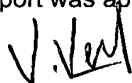
Technology

- Maintain our technology leadership and to continue to lead the way in power conversion, in order to make a difference for customers and for the climate.

Financial key performance indicators

Please refer to the review of business section above for analysis of KPIs.

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



.....
V Veri

Secretary

Date: 25/05/2022

ELTEK POWER (UK) LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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;
- 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.

Results and dividends

The profit for the year, after taxation, amounted to £834,234 (2020 - £689,312).

The directors declared a dividend for the financial year of £nil (2020: £nil) .

Directors

The directors who served during the year were:

J Butcher
C Howe
V Verl

Future developments

The directors are optimistic about the prospects of the Company for 2022. They are not aware of any fundamental changes to the business operations. The telecom turnover is expected to be flat, with industrial business growing. In 2021 the Company will deliver a healthy revenue and margin. The underlying business is expected to continue to grow in accordance with the strategy set out in the strategic report.

ELTEK POWER (UK) LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Financial risk management

Management of the Company and execution of its strategy are subject to a number of risks as outlined below:

Price risk

The Company's key pricing risks are consistent with those of its immediate parent Eltek AS, since the majority of product and material purchases are made from within the group based on agreed internal transfer pricing structures.

Credit risk

The Company utilises an external credit rating agency to evaluate customer credit risks. This risk is evaluated on processing a customer order with appropriate levels of credit being offered to customers depending upon information available.

Currency risk

The Company is exposed to currency risk on intercompany transactions and sale and purchases with third parties in EUR and USD. These risks are managed at group level as described in the Eltek AS annual report. The company does not take out any derivatives to hedge this risk.

Liquidity risk

The Company is in a strong net asset position and manages liquidity risk through careful management of cash and stock levels and through the monitoring of debtors.

Interest rate cash flow risk

The Company has interest bearing cash balances which earn interest at a variable rate. The Company has no interest bearing liabilities.

Research and development activities

There are no research and development facilities in the UK and therefore no expenses to report in the Statement of Comprehensive Income.

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.

Post balance sheet events

There have been no significant events affecting the Company since the year end other than those reported in note 24 of the financial statements.

Auditor

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

ELTEK POWER (UK) LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

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



.....
V Veri
Secretary

Date: 25/05/2022

ELTEK POWER (UK) LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELTEK POWER (UK) LTD

Opinion

We have audited the financial statements of Eltek Power (UK) Ltd (the 'Company') for the year ended 31 December 2021, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity 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 2021 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.

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.

ELTEK POWER (UK) LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELTEK POWER (UK) LTD (CONTINUED)

We have nothing to report in this regard.

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 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.

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 Strategic report or 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 3, 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.

ELTEK POWER (UK) LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELTEK POWER (UK) 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:

- the nature of the industry and sector, control environment and business performance including the remuneration incentives and pressures of key management;
- the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. We consider the results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

We also obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and relevant tax legislation.

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.

ELTEK POWER (UK) LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELTEK POWER (UK) 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.

Hillier Hopkins LLP

Neil Cundale BSc FCA (Senior statutory auditor)

for and on behalf of
Hillier Hopkins LLP

Chartered Accountants
Statutory Auditor

Radius House
51 Clarendon Road
Watford
Herts

WS17 1HP

Date: *30 May 2022*

ELTEK POWER (UK) LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	23,005,372	24,657,845
Cost of sales		(17,454,843)	(20,205,535)
Gross profit		5,550,529	4,452,310
Distribution costs		(3,359,812)	(2,594,249)
Administrative expenses		(1,152,144)	(1,007,983)
Operating profit	5	1,038,573	850,078
Interest receivable and similar income	9	-	3,925
Interest payable and similar expenses	10	-	(165)
Profit before tax		1,038,573	853,838
Tax on profit	11	(204,339)	(164,526)
Profit for the financial year		834,234	689,312

There was no other comprehensive income for 2021 (2020:£NIL).

The notes on pages 13 to 27 form part of these financial statements.

ELTEK POWER (UK) LTD
REGISTERED NUMBER: 01755876

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Current assets			
Stocks	13	3,177,370	2,995,163
Debtors: amounts falling due within one year	14	6,089,487	4,213,221
Cash at bank and in hand	15	3,265,348	4,457,300
		<u>12,532,205</u>	<u>11,665,684</u>
Creditors: amounts falling due within one year	16	(5,942,586)	(5,869,546)
Net current assets		<u>6,589,619</u>	<u>5,796,138</u>
Total assets less current liabilities		<u>6,589,619</u>	<u>5,796,138</u>
Provisions for liabilities			
Other provisions	18	(332,531)	(373,284)
		<u>(332,531)</u>	<u>(373,284)</u>
Net assets		<u><u>6,257,088</u></u>	<u><u>5,422,854</u></u>
Capital and reserves			
Called up share capital	19	522,227	522,227
Capital redemption reserve	20	4,444	4,444
Profit and loss account	20	5,730,417	4,896,183
		<u>6,257,088</u>	<u>5,422,854</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

.....
J Butcher
 Director

Date:

The notes on pages 13 to 27 form part of these financial statements.

ELTEK POWER (UK) LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2020	522,227	4,444	4,206,871	4,733,542
Comprehensive income for the year				
Profit for the year	-	-	689,312	689,312
Total comprehensive income for the year	-	-	689,312	689,312
Total transactions with owners	-	-	-	-
At 1 January 2021	522,227	4,444	4,896,183	5,422,854
Comprehensive income for the year				
Profit for the year	-	-	834,234	834,234
Total comprehensive income for the year	-	-	834,234	834,234
Total transactions with owners	-	-	-	-
At 31 December 2021	522,227	4,444	5,730,417	6,257,088

The notes on pages 13 to 27 form part of these financial statements.

ELTEK POWER (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Eltek Power (UK) Ltd's ("the Company") principal activity during the year continued to be that of the importation and distribution of electronic power supply equipment.

The Company is a private company limited by share capital, incorporated and domiciled in the United Kingdom. The address of the its registered office is included on the company Information page.

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 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 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Delta Electronics Inc. as at 31 December 2021 and these financial statements may be obtained from 186 Ruey Juang Road, Neihu, Taipei 11491, Taiwan.

2.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements

ELTEK POWER (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.4 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 comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.5 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied, which includes the importation and distribution of electronic power supply equipment. Turnover is recognised net of discounts allowed by the Company and value added taxes.

The Company recognises turnover when risks and rewards are passed to the customer, and services once they have been rendered and accepted by the customer.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Finance costs

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

ELTEK POWER (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.9 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss 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.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the 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.

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.

ELTEK POWER (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Plant and machinery	-	25% reducing balance
Fixtures and fittings	-	25% reducing balance

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

Raw materials and components are stated at the lower of historical cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense within cost of sales in the period in which the related turnover is recognised.

Work in progress and finished goods are valued at the lower of production costs and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate, with the charge recognised in cost of sales. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income, within cost of sales.

2.13 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 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. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.15 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.

ELTEK POWER (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.16 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 profit or loss 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.

2.17 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.17 Financial instruments (continued)

there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on industry experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

Inventory Provision

The provision for obsolete inventory is based on the book value of the inventory. The percentage of total inventory (gross) balance based on when the product was purchased. The inventory provision calculated by applying percentages, as outlined below, to stock depending on its age. Any stock held for repairs are fully provided for in the financial statements in level of inventory provision in the financial year.

Days	Provision
0 - 90	0.0%
91 - 120	10.0%
121 - 180	30.0%
181 - 270	50.0%
271 - 360	80.0%
361 - 9999	100.0%

Warranty Provision

The Company records warranty liabilities for the amount that it estimates as the costs that it expects to incur under product warranties given in connection with the sale of its products. The costs are estimated based on actual historical expenses incurred and estimated future expenses related to last two years sales at 0.7%. Refer to Note 18 for details of current year's warranty provision.

The specific warranty terms and conditions vary depending on the product sold, but generally include repair or replacement parts and labour for periods of up to three years.

Factors that affect the Company's warranty liabilities include the number of units under warranty, historical and anticipated rates of warranty claims on those units and estimated costs to satisfy the Company's warranty obligations. Each period, the Company re-evaluates its estimates to assess the adequacy of the recorded warranty liabilities.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. Turnover

Analysis of turnover by country of destination:

	2021	2020
	£	£
United Kingdom	21,869,645	22,699,290
Rest of Europe	1,113,907	1,937,560
Rest of the world	21,820	20,995
	<u>23,005,372</u>	<u>24,657,845</u>

5. Operating profit

The operating profit is stated after charging:

	2021	2020
	£	£
Exchange differences	49,977	(27,919)
Other operating lease rentals	154,384	160,324
	<u>154,384</u>	<u>160,324</u>

6. Auditor's remuneration

	2021	2020
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	22,000	21,250
	<u>22,000</u>	<u>21,250</u>
Fees payable to the Company's auditor in respect of:		
Taxation compliance services	3,750	3,600
All other services	1,650	1,500
	<u>5,400</u>	<u>5,100</u>

ELTEK POWER (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Employees

Staff costs were as follows:

	2021	2020
	£	£
Wages and salaries	2,517,700	2,203,875
Social security costs	320,858	274,447
Cost of defined contribution scheme	385,677	295,987
	3,224,235	2,774,309

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

	2021	2020
	No.	No.
Administration	7	6
Warehouse	3	3
Service	6	4
Sales	22	20
	38	33

8. Directors' remuneration

	2021	2020
	£	£
Directors' emoluments	378,659	212,538
Company contributions to defined pension schemes	72,686	38,007

During the year retirement benefits were accruing to 3 directors (2020: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £191,693 (2020: £142,033).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £28,655 (2020: £27,565).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

9. Interest receivable

	2021 £	2020 £
Other interest receivable	-	3,925
	<u>-</u>	<u>3,925</u>

10. Interest payable and similar expenses

	2021 £	2020 £
Other interest payable	-	165
	<u>-</u>	<u>165</u>

11. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	204,339	174,816
	<u>204,339</u>	<u>174,816</u>
Total current tax	<u>204,339</u>	<u>174,816</u>
Deferred tax		
Origination and reversal of timing differences	-	(10,290)
Total deferred tax	<u>-</u>	<u>(10,290)</u>
Taxation on profit on ordinary activities	<u>204,339</u>	<u>164,526</u>

ELTEK POWER (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - *higher than*) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>1,038,573</u>	<u>853,838</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	197,329	162,229
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(189)	1,067
Other differences leading to an increase (decrease) in the tax charge	7,199	1,230
Total tax charge for the year	<u>204,339</u>	<u>164,526</u>

Factors that may affect future tax charges

On 3 March 2021 the Chancellor of the Exchequer announced an increase in the main rate of UK corporation tax to 25 per cent for businesses with profits greater than £250,000. Businesses with profits of £50,000 or less will continue to be taxed at 19% with marginal relief for profits up to £250,000. These changes were substantially enacted on 25 May 2021 and will take effect from 1 April 2023.

ELTEK POWER (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Tangible fixed assets

	Fixtures and fittings £
Cost or valuation	
At 1 January 2021	51,923
At 31 December 2021	51,923
Depreciation	
At 1 January 2021	51,923
At 31 December 2021	51,923
Net book value	
At 31 December 2021	-
At 31 December 2020	-

13. Stocks

	2021 £	2020 £
Raw materials and consumables	22,099	15,152
Work in progress (goods to be sold)	27,103	5,211
Finished goods and goods for resale	3,128,168	2,974,800
	3,177,370	2,995,163

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. Debtors

	2021 £	2020 £
Trade debtors	5,475,523	3,853,723
Amounts owed by group undertakings	325,087	221,789
Other debtors	6,730	7,154
Prepayments and accrued income	185,383	33,791
Deferred taxation	96,764	96,764
	<u>6,089,487</u>	<u>4,213,221</u>

Amounts owed by group undertakings are unsecured, interest free and have no fixed repayment date.

15. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	3,265,348	4,457,300
	<u>3,265,348</u>	<u>4,457,300</u>

16. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	960,366	1,202,169
Amounts owed to group undertakings	2,592,114	1,868,223
Corporation tax	113,155	94,816
Other taxation and social security	681,452	1,236,840
Accruals and deferred income	1,595,499	1,467,498
	<u>5,942,586</u>	<u>5,869,546</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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17. Deferred taxation

	2021 £
At beginning of year	96,764
Charged to profit or loss	-
At end of year	96,764

The deferred tax asset is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	2,250	2,250
Tax losses carried forward	94,514	94,514
	96,764	96,764

18. Provisions

	Product warranties £
At 1 January 2021	373,284
Charged to profit or loss	(40,753)
At 31 December 2021	332,531

The provision represents the estimated cost of repairs to product within the average sales warranty period of 1 to 3 years.

ELTEK POWER (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

19. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
522,226 (2020 - 522,226) Ordinary shares of £1.00 each	522,226	522,226
1 (2020 - 1) Special share of £1.00	1	1
	<hr/>	<hr/>
	522,227	522,227
	<hr/>	<hr/>

The special share has the same rights as attributed to the ordinary shares.

20. Reserves

Capital redemption reserve

The capital redemption reserve represents the accumulated redemption of equity.

Profit and loss account

The Profit and loss account includes all current and prior period retained profits and losses and foreign exchange gains and losses.

21. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £385,677 (2020: £295,987).

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

22. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	6,963	83,556
Later than 1 year and not later than 5 years	-	6,963
Land and buildings	6,963	90,519
	2021 £	2020 £
Not later than 1 year	24,350	36,503
Later than 1 year and not later than 5 years	18,673	33,303
Other	43,023	69,806

23. Related party transactions

The Company has taken advantage of the exemption available under FRS 102, section 33.1A not to disclose transactions with wholly owned members of its group.

24. Post balance sheet events

On the 31 January 2022, the Company entered into a merger agreement to acquire the business and net assets of Delta Electronics Europe Limited, a fellow group company at its book value.

On 1 February 2022 the Company entered into a new lease for the rental of certain property. The Company has committed to an operating lease of £95,000 falling due within one year and £475,000 falling due between 1-5 years.

25. Controlling party

The immediate parent undertaking is Eltek AS, a company incorporated in Norway.

The ultimate parent undertaking and controlling party is Delta Electronics Inc., a company incorporated in Taiwan. The consolidated financial statements of Delta Electronics Inc. can be obtained from 186 Ruey Juang Road, Neihsu, Taipei 11491, Taiwan.