Eltek Power (UK) Ltd
Annual report and financial statements
for the year ended 31 December 2016
Eltek Power (UK) Ltd

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Eltek Power (UK) Ltd

Board of directors and advisers

Officers and professional advisors

Directors
J Butcher
I Fenwick
M Baker

Secretary
I Fenwick

Company number
1755876

Registered office
Eltek House Cleveland Road
Hemel Hempstead Industrial Estate
Hemel Hempstead
Hertfordshire
United Kingdom
HP2 7EY

Independent auditors
PricewaterhouseCoopers LLP
The Atrium
1 Harefield Road
Uxbridge
Middlesex
UB8 1EX

Solicitors
SA Law
60 London Road
St Albans
Hertfordshire
AL1 1NG
Eltek Power (UK) Ltd

Strategic report
for the year ended 31 December 2016

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

Principal activities
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 as the number one in the Telecom sector;
- Leveraging our technology to expand into new markets;
- Driving profitability through growth and operational improvement.

The company goes to market focusing on the telecom, industrial, data centres and technology sectors. 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, and railway and metro.
- Increase acceptance for switchboard technology.

Data Centres

- Market potential for DC in back-up and front end.
- Gradually build organisation.

Technology

- Keep and utilise our technology leadership.

Review of business
In 2016, the company’s turnover decreased by 5.6% to £24,276,229 (2015: £25,710,084) whereas gross margin decreased by 1.0 percentage points to 14.0%. Profit before taxation decreased by £776,416 to £413,753 (2015: £1,190,169).

The net working capital ratio increased from 2.55 to 2.84 in the year due to a significant reduction in creditors

The revenue decrease is mainly due to a decrease in the Industrial segment as a result of a major project being completed in 2015, and a reduction in orders from a major Telecom customers contract.

The net assets of the company at 31 Dec 2016 was £4,474,480 (2015: £4,151,263).

Key Performance Indicators (KPIs)
Given the straightforward nature of the business, the company’s directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance of position of the business.
Eltek Power (UK) Ltd

Strategic report for the year ended 31 December 2016 (continued)

Principal risks and uncertainties
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 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, USD and NOK. 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.

Approved by the board and signed by order of the Board

I Fenwick
Company Secretary

5 June 2016
Directors’ report
for the year ended 31 December 2016

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

Dividend
The Directors do not propose the payment of a dividend for the year (2015: £1,000,000).

Directors
The directors who were in office during the year and up to the date of signing the financial statements were as follows:

J Butcher
I Fenwick
M Baker

Future developments
The directors are optimistic about the prospects of the company for 2017. They are not aware of any fundamental changes to the business operations. Some decrease in telecom revenue is expected due to the completion of a major customer contract extension, but the underlying business is expected to continue to grow in accordance with the strategy set out in the strategic report.

Directors’ indemnities
The Company maintains liability insurance for its Directors and Officers. The company also provides indemnity for its Directors, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

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

Statement of directors’ responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;
• state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
• make judgements and accounting estimates that are reasonable and prudent; and
• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
Directors’ report
for the year ended 31 December 2016 (continued)

Statement of Directors’ Responsibilities in respect of the Financial Statements (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

In the case of each director in office at the date the Directors’ Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company’s auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company’s auditors are aware of that information.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

By order of the Board

[Signature]

I Fenwick
Company Secretary

5 June 2017
Eltek Power (UK) Ltd

Independent auditors' report to the members of Eltek Power (UK) Ltd

Report on the financial statements

Our opinion
In our opinion, Eltek Power (UK) Ltd's financial statements (the "financial statements"):  
- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;  
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and  
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:
- the Balance sheet as at 31 December 2016;  
- the Statement of comprehensive income for the year then ended;  
- the Statement of changes in equity for the year then ended; and  
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinions on other matters prescribed by the Companies 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.

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or  
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or  
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.
Eltek Power (UK) Ltd

Independent auditors’ report to the members of Eltek Power (UK) Ltd (continued)

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of directors’ responsibilities set out on page 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) (“ISAs (UK & Ireland)”). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

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

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company’s circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

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

James Cadzow (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
5 June 2017
### Statement of Comprehensive Income
for the year ended 31 December 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Turnover</td>
<td>3</td>
<td>24,276,229</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td></td>
<td>(20,880,209)</td>
</tr>
<tr>
<td>Gross profit</td>
<td></td>
<td>3,396,020</td>
</tr>
<tr>
<td>Distribution costs</td>
<td></td>
<td>(2,015,887)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td></td>
<td>(919,627)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>4</td>
<td>460,506</td>
</tr>
<tr>
<td>Interest receivable and similar income</td>
<td>5</td>
<td>3,380</td>
</tr>
<tr>
<td>Interest payable and similar expenses</td>
<td>6</td>
<td>(50,133)</td>
</tr>
<tr>
<td>Profit on ordinary activities before taxation</td>
<td></td>
<td>413,753</td>
</tr>
<tr>
<td>Tax on profit on ordinary activities</td>
<td>8</td>
<td>(90,536)</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td></td>
<td>323,217</td>
</tr>
<tr>
<td>Other comprehensive income (Net of tax)</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td>323,217</td>
</tr>
</tbody>
</table>

All the amounts above are in respect of continuing operations for the current and previous years.
The notes on pages 11 to 23 form an integrated part of these financial statements.
Eltek Power (UK) Ltd

Balance sheet
as at 31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Fixed assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>9</td>
<td>-</td>
<td>3,245</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>10</td>
<td>946,525</td>
<td>2,251,845</td>
</tr>
<tr>
<td>Debtors</td>
<td>11</td>
<td>3,626,783</td>
<td>3,752,158</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td></td>
<td>2,866,941</td>
<td>1,317,933</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7,440,249</td>
<td>7,321,936</td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>12</td>
<td>(2,615,866)</td>
<td>(2,863,020)</td>
</tr>
<tr>
<td>Net current assets</td>
<td></td>
<td>4,824,383</td>
<td>4,458,916</td>
</tr>
<tr>
<td>Total assets less current liabilities</td>
<td></td>
<td>4,824,383</td>
<td>4,462,161</td>
</tr>
<tr>
<td>Provisions for liabilities</td>
<td>13</td>
<td>(349,903)</td>
<td>(310,898)</td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
<td>4,474,480</td>
<td>4,151,263</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Called up share capital</td>
<td>14</td>
<td>522,227</td>
<td>522,227</td>
</tr>
<tr>
<td>Capital redemption reserve</td>
<td></td>
<td>4,444</td>
<td>4,444</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>3,947,809</td>
<td>3,624,592</td>
</tr>
<tr>
<td>Total shareholders’ funds</td>
<td></td>
<td>4,474,480</td>
<td>4,151,263</td>
</tr>
</tbody>
</table>

The accompanying notes on pages 11 to 23 are an integral part of these financial statements.

The financial statements on pages 8 to 23 were approved by the Board of directors and signed on its behalf by:

[Signature]

I Fenwick
Director

5 June 2017

ELTEK POWER (UK) LTD
Registered number: 1755876
Eltek Power (UK) Ltd

Statement of changes in equity for the year ending 31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>Called up share capital £</th>
<th>Capital redemption reserve £</th>
<th>Retained earnings £</th>
<th>Total Shareholders' funds £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance 1 January 2015</td>
<td>522,227</td>
<td>4,444</td>
<td>3,680,230</td>
<td>4,206,901</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td></td>
<td></td>
<td>944,362</td>
<td>944,362</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td></td>
<td>(1,000,000)</td>
<td>(1,000,000)</td>
</tr>
<tr>
<td>Closing balance as at 31 December 2015</td>
<td>522,227</td>
<td>4,444</td>
<td>3,624,592</td>
<td>4,151,263</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td></td>
<td></td>
<td>323,217</td>
<td>323,217</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Closing balance as at 31 December 2016</td>
<td>522,227</td>
<td>4,444</td>
<td>3,947,809</td>
<td>4,474,480</td>
</tr>
</tbody>
</table>
Eltek Power (UK) LTD

Notes to the financial statements
for the year ended 31 December 2016 (continued)

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 its registered office is:

Eltek House Cleveland Road
Hemel Hempstead Industrial Estate
Hemel Hempstead
Hertfordshire
United Kingdom
HP2 7EY

Statement of compliance

The individual financial statements of Eltek Power (UK) Ltd have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

b) 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

c) Exemptions for qualifying entities under FRS 102

The entity meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions in relation to the presentation of a cash flow statement, financial instruments & key-management personnel remuneration.
Eltek Power (UK) LTD

Notes to the financial statements for the year ended 31 December 2016 (continued)

Summary of significant accounting policies (continued)

d) Foreign currency

i. Functional and presentation currency

The company’s functional and presentation currency is the pound sterling.

ii. 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. 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 the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within ‘interest payable and similar charges’ or ‘interest receivable and similar income’. All other foreign exchange gains and losses are presented in the statement of comprehensive income within administrative expenses.

e) 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 revenue when risks and rewards are passed to the customer, and services once they have been rendered and accepted by the customer.

f) Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use. Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible assets, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

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

The assets’ residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

g) 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 revenue is recognised.
Eltek Power (UK) LTD

Notes to the financial statements
for the year ended 31 December 2016 (continued)

Summary of significant accounting policies (continued)

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.

h) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts, where applicable. Bank overdrafts are shown within creditors in current liabilities where necessary.

j) Pension costs

The company operates three defined contribution plans for for the benefit of certain directors and 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 when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plans are held separately from the company’s independently administered funds. The amount charged to the statement of comprehensive income during the year is £237,306 (2015: £239,372)
Eltek Power (UK) LTD

Notes to the financial statements
for the year ended 31 December 2016 (continued)

Summary of significant accounting policies (continued)

k) Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

l) Provisions and contingencies

i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

- **Restructuring provisions**

  Restructuring provisions are recognised when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and

- **Provision is not made for future operating losses.**

  Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

- **Warranty provisions.**

  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 specific warranty terms and conditions vary depending on the product sold, but generally includes 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.
ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company’s control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

m) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments or receipts discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset’s original effective interest rate. The impairment loss is recognised in profit or loss.

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

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

n) Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.
Eltek Power (UK) LTD

Notes to the financial statements
for the year ended 31 December 2016 (continued)

Summary of significant accounting policies (continued)

o) Related party transactions
The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

p) Distributions to equity holders
Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company stakeholders. These amounts are recognised in the statement of changes in equity.

2. Critical accounting judgements and potential uncertainties
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.

The directors have reviewed the estimates and assumptions used in the preparation of the financial statements. The directors do not believe that there is a significant risk which would lead to material adjustments to the carrying value of any assets and liabilities in the next financial year due to the changes on the estimates or assumptions.

3. Turnover
The turnover and operating profit for the year were derived from the company's principal activity.

The geographical analysis of turnover is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>22,046,682</td>
<td>23,344,695</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>2,229,547</td>
<td>2,357,285</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>-</td>
<td>8,104</td>
</tr>
<tr>
<td></td>
<td><strong>24,276,229</strong></td>
<td><strong>25,710,084</strong></td>
</tr>
</tbody>
</table>

4. Operating profit

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Inventory impairment</td>
<td>27,066</td>
<td>156,614</td>
</tr>
<tr>
<td>Foreign exchange (gain)/ losses</td>
<td>(47,961)</td>
<td>49,893</td>
</tr>
<tr>
<td>Operating lease charge</td>
<td>123,034</td>
<td>127,405</td>
</tr>
<tr>
<td>Service provided by company's auditors</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fees payable for the audit</td>
<td>27,575</td>
</tr>
<tr>
<td></td>
<td>Fees payable for other audit related services</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,245</td>
<td>12,981</td>
</tr>
<tr>
<td>(Reversal)/ Impairment of debtors</td>
<td>(883)</td>
<td>17,871</td>
</tr>
</tbody>
</table>

16
**Eltek Power (UK) LTD**

**Notes to the financial statements for the year ended 31 December 2016 (continued)**

5. **Interest receivable and similar income**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>£3,380</td>
<td>£3,911</td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£3,380</td>
<td>£3,911</td>
</tr>
</tbody>
</table>

6. **Interest payable and similar expenses**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other finance charges</td>
<td>£50,133</td>
<td>£60,857</td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£50,133</td>
<td>£60,857</td>
</tr>
</tbody>
</table>

7. **Directors and employees**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff costs during the year were as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>£1,355,692</td>
<td>£1,244,454</td>
</tr>
<tr>
<td>Social security costs</td>
<td>£150,697</td>
<td>£132,383</td>
</tr>
<tr>
<td>Other pension costs</td>
<td>£237,306</td>
<td>£239,372</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£1,743,695</td>
<td>£1,616,209</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Production, warehouse and engineering</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Sales</td>
<td>26</td>
<td>25</td>
</tr>
</tbody>
</table>

|        | 33 | 32 |

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration in respect of directors was as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aggregate amount of emoluments paid in respect of qualifying services</td>
<td>£216,402</td>
<td>£191,819</td>
</tr>
<tr>
<td>Aggregate value of company contributions to money purchase pension schemes</td>
<td>£41,692</td>
<td>£40,477</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£258,094</td>
<td>£232,296</td>
</tr>
</tbody>
</table>
Eltek Power (UK) LTD

Notes to the financial statements
for the year ended 31 December 2016 (continued)

7 Directors and employees (continued)

<table>
<thead>
<tr>
<th>2016 Number</th>
<th>2015 Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>The number of directors to whom retirement benefits are accruing under money purchase pension schemes</td>
<td>2</td>
</tr>
<tr>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>The following amounts were received by the highest paid director in respect of qualifying services:</td>
<td>£</td>
</tr>
<tr>
<td>Aggregate emoluments</td>
<td>120,957</td>
</tr>
<tr>
<td>Aggregate value of company contributions to money purchase pension schemes</td>
<td>24,020</td>
</tr>
<tr>
<td></td>
<td>144,977</td>
</tr>
</tbody>
</table>

8 Tax on profit on ordinary activities

The charge for taxation is based upon the taxable profit for the year and comprises:

| 2016 | 2015 |
| £ | £ |

Tax on profit on ordinary activities

a) Analysis of charge in the year

Current tax:
UK corporation tax on profits for the year | 117,700 | 254,204 |

Total current tax | 117,700 | 254,204 |

Deferred tax:

Origination and reversal of timing differences | (27,164) | (9,776) |
Effect of changes in tax rates | - | 1,379 |

Total deferred tax (note 11) | (27,164) | (8,397) |

Tax on profit on ordinary activities | 90,536 | 245,807 |
8. Tax on profit on ordinary activities (continued)

b) Reconciliation of tax charge

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK (20.00%) (2015: 20.25%). The differences are explained below:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit on ordinary activities before taxation</td>
<td>413,753</td>
<td>1,190,169</td>
</tr>
</tbody>
</table>

Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>82,751</td>
<td>241,009</td>
</tr>
</tbody>
</table>

Effects of:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses not deductible for tax purposes</td>
<td>7,785</td>
<td>4,798</td>
</tr>
</tbody>
</table>

Tax charge for the year

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>90,536</td>
<td>245,807</td>
</tr>
</tbody>
</table>

c) Factors affecting future tax changes

A change in the UK corporation tax rate was substantively enacted as part of Finance Act 2016 on 15 September 2016. This included a reduction to the main rate to reduce it to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using this enacted tax rate and reflected in these financial statements. The corporation tax rate from 1 April 2016 is set at 20% and it is to reduce to 19% from 1 April 2017.

9 Tangible assets

<table>
<thead>
<tr>
<th></th>
<th>Plant and machinery</th>
<th>Fixtures, fittings and computers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2015</td>
<td>383,967</td>
<td>1,181,519</td>
<td>1,565,486</td>
</tr>
<tr>
<td>Disposals</td>
<td>(383,967)</td>
<td>(1,129,596)</td>
<td>(1,513,563)</td>
</tr>
<tr>
<td><strong>At 31 December 2015</strong></td>
<td></td>
<td></td>
<td>51,923</td>
</tr>
</tbody>
</table>

Accumulated depreciation

<table>
<thead>
<tr>
<th></th>
<th>Plant and machinery</th>
<th>Fixtures, fittings and computers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2015</td>
<td>383,967</td>
<td>1,165,293</td>
<td>1,549,260</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>-</td>
<td>12,981</td>
<td>12,981</td>
</tr>
<tr>
<td>Disposals</td>
<td>(383,967)</td>
<td>(1,129,596)</td>
<td>(1,513,563)</td>
</tr>
<tr>
<td><strong>At 31 December 2015</strong></td>
<td></td>
<td></td>
<td>48,678</td>
</tr>
</tbody>
</table>

Net book value

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2015</td>
<td></td>
<td>3,245</td>
</tr>
</tbody>
</table>

Eltek Power (UK) LTD

Notes to the financial statements
for the year ended 31 December 2016 (continued)

9. Tangible assets (continued)

<table>
<thead>
<tr>
<th></th>
<th>Plant and machinery</th>
<th>Fixtures, fittings and computers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2016</td>
<td>-</td>
<td>51,923</td>
<td>51,923</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>At 31 December 2016</strong></td>
<td>-</td>
<td>51,923</td>
<td>51,923</td>
</tr>
<tr>
<td><strong>Accumulated depreciation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2016</td>
<td>-</td>
<td>48,678</td>
<td>48,678</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>-</td>
<td>3,245</td>
<td>3,245</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>At 31 December 2016</strong></td>
<td>-</td>
<td>51,923</td>
<td>51,923</td>
</tr>
<tr>
<td><strong>Net book value</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2016</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

10 Stocks

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>£</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>177,668</td>
<td>456,699</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work in progress</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finished goods</td>
<td>768,857</td>
<td>1,795,146</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>946,525</td>
<td>2,251,845</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The provision against inventory at year end is £395,900 (2015: £368,834)

11 Debtors

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>£</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors</td>
<td>3,166,486</td>
<td>3,157,055</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts owed by group undertakings</td>
<td>259,418</td>
<td>370,303</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax</td>
<td>100,856</td>
<td>73,692</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>100,023</td>
<td>151,108</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,626,783</td>
<td>3,752,158</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Eltek Power (UK) LTD

Notes to the financial statements for the year ended 31 December 2016 (continued)

11. Debtors (continued)
Amounts owed by group undertakings are unsecured, interest free and have no fixed repayment date.
Trade debtors are stated after provisions for impairment of £45,808 (2015: £46,691).
No debtors were held as collateral during the period.

Analysis of deferred taxation:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerated capital allowances</td>
<td>5,237</td>
<td>5,738</td>
</tr>
<tr>
<td>Other timing differences</td>
<td>95,619</td>
<td>67,954</td>
</tr>
<tr>
<td><strong>Total deferred tax</strong></td>
<td><strong>100,856</strong></td>
<td><strong>73,692</strong></td>
</tr>
</tbody>
</table>

At start of year 73,692 65,295
Deferred tax charge in statement of comprehensive income for year 27,164 8,397

**At end of year** 100,856 73,692

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset and therefore the asset has been recognised in these financial statements.

12 Creditors: amounts falling due within one year

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors</td>
<td>566,954</td>
<td>691,709</td>
</tr>
<tr>
<td>Amounts owed to group undertakings</td>
<td>959,602</td>
<td>1,196,312</td>
</tr>
<tr>
<td>Corporation tax payable</td>
<td>69,769</td>
<td>86,139</td>
</tr>
<tr>
<td>Other taxation and social security</td>
<td>121,367</td>
<td>111,288</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>898,174</td>
<td>777,572</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,615,866</strong></td>
<td><strong>2,863,020</strong></td>
</tr>
</tbody>
</table>

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

13 Provisions for liabilities
The movements in provisions are as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product warranties</strong></td>
<td><strong>£</strong></td>
</tr>
<tr>
<td>At 1 January 2016</td>
<td>310,898</td>
</tr>
<tr>
<td>Utilised in year</td>
<td>(198,595)</td>
</tr>
<tr>
<td>Charged to statement of comprehensive income</td>
<td>237,600</td>
</tr>
<tr>
<td><strong>At 31 December 2016</strong></td>
<td><strong>349,903</strong></td>
</tr>
</tbody>
</table>
Eltek Power (UK) LTD

Notes to the financial statements
for the year ended 31 December 2016 (continued)

13. Provisions for liabilities (continued)
The provision represents the estimated cost of repairs to products within the average sales warranty period of 1 to 3 years.

14 Called up share capital

<table>
<thead>
<tr>
<th>Authorised</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>526,670 ordinary shares of £1 each (2015: 526,670)</td>
<td>526,670</td>
<td>526,670</td>
</tr>
<tr>
<td>1 special share of £1 (2015: 1)</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

   | 526,671 | 526,671 |

<table>
<thead>
<tr>
<th>Called up share capital allotted, and fully paid</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>522,226 ordinary shares of £1 each (2015: 522,226)</td>
<td>522,226</td>
<td>522,226</td>
</tr>
<tr>
<td>1 special share of £1 (2015: 1)</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

   | 522,227 | 522,227 |

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

15 Capital and other commitments
The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

<table>
<thead>
<tr>
<th>Payments due:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Land and buildings</td>
<td>Other</td>
<td>Land and buildings</td>
</tr>
<tr>
<td>Not later than one year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>72,000</td>
<td>35,060</td>
</tr>
<tr>
<td>Later than five years</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

   | 72,000 | 35,060 | 72,000 | 30,171 |

16 Related party transactions
The Company has taken advantage of the exemption available under FRS 102, section 33.JA, not to disclose transactions with wholly owned members of the Delta group.

17 Contingent liabilities
The company has contingent liabilities in respect of guarantees issued by its bank in favour of HMRC amounting to £120,000 (2015: £120,000). The bank has security over the assets of the company.

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Eltek Power (UK) LTD

Notes to the financial statements
for the year ended 31 December 2016 (continued)

18 Ultimate parent undertaking
The immediate parent undertaking is Eltek AS.

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 Kuang Road, Neihu, Taipei 11491, Taiwan. Delta Electronics Inc. is the parent undertaking of the largest group of undertakings.

Eltek AS is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Eltek AS can be obtained from Graterudvele 8, PO Box 1500, N-3007 Drammen.