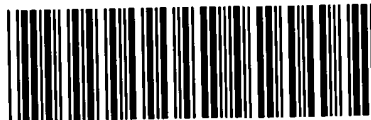

HITEK POWER LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
REGISTERED NUMBER 00908344
FOR THE YEAR ENDED 31 DECEMBER 2021**

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HITEK POWER LIMITED

COMPANY INFORMATION

Director	C. Pitrat (appointed 15 April 2022) K. Neagle (appointed 15 April 2022)
Company secretary	C. Pitrat (appointed 26 April 2022)
Registered number	00908344
Registered office	Unit 10 Hawthorn Road Littlehampton West Sussex BN17 7LT
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 2nd floor St John's House Haslett Avenue West Crawley RH10 1HS

HITEK POWER LIMITED

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HITEK POWER LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The Directors presents their strategic report together with the audited financial statements for the year ended 31 December 2021.

Review of business and future developments

Revenue for 2021 increased £0.76m on 2020 primarily due to continued strong sales in the semiconductor equipment market and continued design wins across the semiconductor market as a whole. The demand from the semiconductor equipment market is expected to continue through 2022, investment has been made in the UK facility to enable incremental growth in low power E-Beam products which will result in increased year on year revenue.

The primary function of the Company continues to be the design, manufacture, service and distribution of high voltage products. The strategy for that part of the business continues to be differentiated products with profitable growth of revenue and increased market share in the semiconductor implant and inspection markets. During 2021, the Company has continued to develop new technology and products that continue to create new opportunities to fuel growth in the changing landscape of the semiconductor market where high aspect ratio devices are pushing the practical limits of manufacturing.

The Company is forecast to be profitable in 2022.

Principal risks and uncertainties

The Company manages customer relationships by maintaining close contact and providing a high level of service quality together with cost effective power solutions.

The target markets continue to be cost sensitive but investment in people and test capacity have allowed us to win business in the ever developing global marketplace.

A large proportion of revenue is obtained from the semiconductor ion implantation market. This market can be cyclical and follows consumer technology trends as well as global economic uncertainties.

Performance by HiTek Power Limited is closely monitored by the Directors of the Company, together with the Board of Directors of the ultimate Parent Company, on a monthly basis, with the emphasis being on controls, financial performance and cash management. Credit risk attributable to trade debtors is managed by running credit checks on all new customers and by close monitoring of due dates for payment.

Financial risk management

The Company is an indirectly wholly owned subsidiary of our US based Parent Company Advanced Energy Industries, Inc. who are incorporated in the United States of America and are quoted on the NASDAQ stock exchange. The group is financially strong with global operations offering products and services to a wide range of industrial markets.

HITEK POWER LIMITED

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

Financial and credit risks

Financial risks are closely controlled through daily monitoring of cash flow and working capital requirements, and regular forecasts of revenue, profit and liquidity. The Company is impacted by changes in foreign currency exchange rates through sales and purchase transactions in currencies other than the functional currency of the Company, the Great British Pound, primarily the US Dollar and Euro. The Company, now being part of a global US listed group, and the financial security that that brings, has chosen not to hedge foreign exchange exposures but continues to monitor and review the position.

The Company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers, monitoring our existing customer base for changes, setting appropriate account limits and regularly reviewing our customer portfolio.

Key performance indicators

	12 months ended 2021 £	<i>12 months ended 2020 £</i>
Revenue (£)	18,533,642	<i>17,770,914</i>
Gross Profit (£)	4,771,900	<i>6,525,490</i>
Gross Profit (%)	25.75	<i>36.72</i>

This report was approved by the Directors and signed on their behalf.

Cindy Pitrat

C. Pitrat
 Director
 20/9/2022

HITEK POWER LIMITED

**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.

Results and dividends

The profit for the year, after taxation, amounted to £368,184 (2020: profit of £1,126,030).

The Directors do not recommend the payment of a dividend for the year under review (2020: £Nil).

Director

The Director who served during the year was:

T O McGimpsey (resigned 15 April 2022)

Going concern

The Company made a profit of £0.4m in the year (2020: profit of £1.1m) and has net current assets of £7.7m (2020: £9.5m) at the statement of financial position date. The Directors have prepared budgets and cash flows for a period of at least twelve months from the date of the approval of the financial statements which demonstrate that the Company will be in a position to meet its liabilities as they fall due. Additionally, support is provided by its ultimate Parent Company, Advanced Energy Industries, Inc., to support this position. The Directors also considered the ongoing impact of COVID-19, which has impacted a number of countries across the world since early 2020, and the ongoing situation in Ukraine to assess the financial strength of the support provided and concluded it's appropriate to prepare the financial statements on a going concern basis. Accordingly, these financial statements do not include any adjustments to the carrying amount and classification of assets and liabilities that may arise if the Company was unable to continue as a going concern.

Director's responsibilities statement

The Directors are responsible for preparing the Strategic report, the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 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 and profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information

HITEK POWER LIMITED

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

included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Future developments

Future developments can be found under review of business and future developments in the Strategic report on page 1.

Disclosure of information to auditor

The Directors confirm that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Directors 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 auditor is aware of that information.

Auditor

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

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

Cindy Pitrat

C. Pitrat
Director

20/9/2022



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HITEK POWER LIMITED (CONTINUED)

Opinion

We have audited the financial statements of HiTek Power Limited (the 'company') for the year ended 31 December 2021, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, 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 UK, including the FRC'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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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.

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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HITEK POWER LIMITED (CONTINUED)

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Matter on which we are required to report under the Companies Act 2006

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.

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the directors' responsibilities statement, 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HITEK POWER LIMITED (CONTINUED)

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.

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.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- The Company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified the following laws and regulations as the most likely to have a material effect if non-compliance were to occur; financial reporting legislation, distributable profits legislation, tax legislation, anti-bribery legislation and employment law.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We understood how the Company is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We utilised internal and external information to corroborate these enquiries.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by making enquires of management and those charged with governance. We utilised internal and external information to corroborate these enquiries and to perform a fraud risk assessment for the Company as a whole. We considered the risk of fraud to be higher through the potential for management override of controls.
- Audit procedures performed by the engagement team included:



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HITEK POWER LIMITED (CONTINUED)

- evaluation of the programmes and controls established to address the risks related to irregularities and fraud;
 - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
 - identifying and testing related party transactions
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
 - Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the industry in which the client operates
 - understanding of the legal and regulatory requirements specific to the Company

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.

Grant Thornton UK LLP

Christian Heeger BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Crawley
20/9/2022

HITEK POWER LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Turnover	4	18,533,642	17,770,914
Cost of sales		(13,761,742)	(11,245,424)
Gross profit		4,771,900	6,525,490
Administrative expenses		(5,258,767)	(5,927,160)
Other operating income	5	309,311	588,385
Operating (loss) / profit	6	(177,556)	1,186,715
Interest receivable and similar income	10	6,877	-
Interest payable and expenses	11	(1,623)	(17,004)
Other finance costs	12	(164,000)	(242,000)
(Loss) / profit before tax		(336,302)	927,711
Tax on profit	13	704,486	198,319
Profit for the financial year		<u>368,184</u>	<u>1,126,030</u>
Other comprehensive income for the year			
Actuarial gains/(losses) on defined benefit pension scheme	21	3,966,000	(2,537,000)
Movement of taxation in respect of items of other comprehensive income		(991,500)	481,935
Other comprehensive income for the year		<u>2,974,500</u>	<u>(2,055,065)</u>
Total comprehensive income for the year		<u>3,342,684</u>	<u>(929,035)</u>

The notes on pages 14 to 39 form part of these financial statements.

HITEK POWER LIMITED
REGISTERED NUMBER:00908344

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	14	265,197	392,823
Tangible assets	15	651,863	395,998
Investments	16	1	1
		<u>917,061</u>	<u>788,822</u>
Current assets			
Stocks	17	3,343,512	2,727,107
Debtors: amounts falling due after more than one year	18	2,914,988	3,287,894
Debtors: amounts falling due within one year	18	4,876,519	7,201,706
Cash at bank and in hand	19	2,435,230	1,087,645
		<u>13,570,249</u>	<u>14,304,352</u>
Creditors: amounts falling due within one year	20	(5,830,284)	(4,775,832)
Net current assets		<u>7,739,965</u>	<u>9,528,520</u>
Total assets less current liabilities		<u>8,657,026</u>	<u>10,317,342</u>
Provisions for liabilities			
Other provisions	23	(404,000)	(404,000)
Pension liability	21	(11,248,000)	(16,251,000)
Net liabilities		<u>(2,994,974)</u>	<u>(6,337,658)</u>

HITEK POWER LIMITED
REGISTERED NUMBER:00908344

Capital and reserves

Called up share capital	24	2,506,600	<i>2,506,600</i>
Capital contribution	25	7,226,289	<i>7,226,289</i>
Profit and loss account	25	(12,727,863)	<i>(16,070,547)</i>
		<u>(2,994,974)</u>	<u><i>(6,337,658)</i></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20/9/2022

Cindy Pitrat

C. Pitrat
Director

The notes on pages 14 to 39 form part of these financial statements.

HITEK POWER LIMITED

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

	Called up share capital	Capital contribution	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	2,506,600	7,226,289	(16,070,547)	(6,337,658)
Comprehensive income for the year				
Profit for the year	-	-	368,184	368,184
Actuarial gains on pension scheme	-	-	3,966,000	3,966,000
Taxation in respect of items of other comprehensive income	-	-	(991,500)	(991,500)
Other comprehensive income for the year	-	-	2,974,500	2,974,500
Total comprehensive income for the year	-	-	3,342,684	3,342,684
At 31 December 2021	2,506,600	7,226,289	(12,727,863)	(2,994,974)

HITEK POWER LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Capital contribution	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2020	2,506,600	7,226,289	(15,141,512)	(5,408,623)
Comprehensive income for the year				
Profit for the year	-	-	1,126,030	1,126,030
Actuarial losses on pension scheme	-	-	(2,537,000)	(2,537,000)
Taxation in respect of items of other comprehensive income	-	-	481,935	481,935
Other comprehensive income for the year	-	-	(2,055,065)	(2,055,065)
Total comprehensive income for the year	-	-	(929,035)	(929,035)
At 31 December 2020	2,506,600	7,226,289	(16,070,547)	(6,337,658)

The notes on pages 14 to 39 form part of these financial statements.

HITEK POWER LIMITED

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

1. General information

HiTek Power Limited is a private company limited by shares & incorporated in England & Wales. Its registered office is located at Unit 10 Hawthorn Road, Littlehampton, West Sussex, BN17 7LT and the nature of the Company's operations and its principal activities are set out in the Strategic report.

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 judgement in applying the Company's accounting policies (see note 3).

The financial statements contain information about HiTek Power Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption conferred by section 401 of the Companies Act 2006 not to produce consolidated financial statements as it is included in non-EEA group accounts of a larger group, whose latest financial statements are available to the public at the group's registered office located at 1595 Wynkoop Street, Suite 800, Denver, CO, 80202, USA.

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 Advanced Energy Industries, Inc. as at 31 December 2021 and these financial statements may be obtained from the group's registered office, see full details of the address within accounting policy 2.1.

2.3 Going concern

The Company made a profit of £0.4m in the year (2020: profit of £1.1m) and has net current assets of £7.7m (2020: £9.5m) at the statement of financial position date. The Directors have prepared budgets and cash flows for a period of at least twelve months from the date of the approval of the financial statements which demonstrate that the Company will be in a position to meet its liabilities as they fall due. Additionally, support is provided by its ultimate Parent Company, Advanced Energy Industries, Inc., to support this position. The Directors also considered the ongoing impact of COVID-19, which has impacted a number of countries across the world since early 2020, and the ongoing situation in Ukraine to assess the financial strength of the support provided and concluded it's appropriate to prepare the financial statements on a going concern basis. Accordingly, these financial statements do not include any adjustments to the carrying amount and classification of assets and liabilities that may arise if the Company was unable to continue as a

HITEK POWER LIMITED

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

2. Accounting policies (continued)

going concern.

2.4 Revenue

Revenue represents sales to external customers at invoiced amounts net of discounts less value added tax or local taxes on sales. We recognise revenue from product sales upon transfer of title and risk of loss to our customers provided that there is evidence of an arrangement, the sales price is fixed or determinable, and the collection of the related receivable is reasonably assured. In most transactions, we have no obligations to our customers after the date products are shipped, other than pursuant to warranty obligations. For arrangements containing support and service elements, we allocate revenue based on vendor specific objective evidence of the selling price of each individual element of the arrangement. We defer the revenue of any undeliverable elements until the undelivered element is delivered. Shipping and handling fees billed to customers, if any, are recognised as revenue. The related shipping and handling costs are recognised in cost of sales.

Based on the creditworthiness of certain customers, we may require payment prior to the manufacture or shipment of products purchased by these customers. Cash payments received prior to shipment are recorded as customer deposits, a current liability, and then recognised as revenue when appropriate based upon the revenue recognition criteria discussed earlier in this section. We do not offer price protection to customers, or allow returns, unless covered by our normal policy for repair of defective products.

2.5 Warranty costs

We provide for the estimated costs to fulfil customer warranty obligations upon the recognition of the related revenue. We offer warranty coverage for the majority of our products for periods typically ranging from 12 to 24 months after shipment. We estimate that anticipated costs of repairing our products under such warranties based on historical costs of repairs. The assumptions we use to estimate warranty accruals are re-evaluated periodically in light of the actual experience of each product platform. Should product failure rates differ from our estimates, actual costs could vary slightly from our expectations.

2.6 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.

Repairs and maintenance are charged to the Statement of comprehensive income during the period in which they are incurred.

HITEK POWER LIMITED

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

2. Accounting policies (continued)**2.6 Tangible fixed assets (continued)**

Depreciation on assets is charged at the following annual rates in order to allocate the cost of each asset less its residual value using the straight-line method over its estimated useful life which range as follows:

The estimated useful lives range as follows:

Long-term leasehold property	- The lease term
Plant and machinery	- 3-8 years

The asset's 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 the Statement of comprehensive income.

2.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ('CGU') to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

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

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

2.10 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.

HITEK POWER LIMITED

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

2. Accounting policies (continued)**2.11 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.

2.12 Creditors

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

2.13 Foreign currency translation*(a) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'sterling', which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

All foreign exchange gains and losses are presented in the Statement of comprehensive income within operating profit or operating loss.

2.14 Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

2.15 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

HITEK POWER LIMITED

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

2. Accounting policies (continued)**2.16 Intangible assets***(a) Goodwill*

Goodwill represents the excess of the cost of a business combination over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. Goodwill is being amortised to 'administrative expenses' over a period of 20 years and where a reliable estimate cannot be made, this is presumed as 5 years.

Estimates of the useful economic life are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

In accordance with the transitional exemption available in FRS 102, the Company has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 June 2014, therefore the Company continues to recognise purchased goodwill which arose on a business combination that was accounted for by acquisition accounting in accordance with UK GAAP as applied at that time.

(b) Research costs

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred.

(c) Computer costs

Computer software costs are stated at historical cost less accumulated amortisation and any accumulated impairment losses. Computer software costs are amortised on a straight line basis over 3 years.

(d) Development costs

Development expenditure is recognised as an intangible asset where the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Development costs are stated at historical cost less accumulated amortisation and any accumulated impairment losses. Development costs are amortised on a straight line basis over 5 years.

HITEK POWER LIMITED

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

2. Accounting policies (continued)**2.17 Finance costs**

Finance costs are charged to the Statement of comprehensive income 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.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income 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 reporting 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 Statement of financial position 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 reporting date.

Deferred tax balances are not discounted.

2.19 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

HITEK POWER LIMITED

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

2. Accounting policies (continued)**2.20 Pension costs**

Contributions to the Company's defined contribution pension scheme are charged to the Statement of comprehensive income in the year in which they become payable.

The difference between the fair value of the assets held in the Company's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Company's statement of financial position as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the Company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Defined contribution pension plans

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

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

HITEK POWER LIMITED

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

2. Accounting policies (continued)**2.20 Pensions (continued)**

The cost of the defined benefit plan, recognised in the Statement of comprehensive income as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of comprehensive income as a 'finance expense'.

2.21 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of financial position date.

2.22 Operating leases: the Company as lessee

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the Statement of comprehensive income over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Statement of comprehensive income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the Statement of comprehensive income on a straight-line basis over the term of the lease, or up to the first break clause.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 June 2014) to continue to be charged over the period to the first market rent review rather than the term of lease.

For leases entered into after 1 June 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to the Statement of comprehensive income over the term of the lease.

2.23 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

HITEK POWER LIMITED

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

2. Accounting policies (continued)**2.24 Borrowing costs**

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

2.25 Provisions for liabilities

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

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position 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 Statement of financial position.

2.26 Reserves

The Company's reserves are as follows;

- Called up share capital reserve represents the nominal value of the shares issued.
- The capital contribution represents the monies paid by the ultimate parent undertaking into the defined benefit pension scheme upon acquiring the Company which are not repayable, and monies paid, through the waiver of intercompany balances, by the two immediate parent undertakings on wind-up of those same dormant parent entities.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

2.27 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.

HITEK POWER LIMITED

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

2. Accounting policies (continued)**2.27 Financial instruments (continued)**

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 reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when 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.

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

HITEK POWER LIMITED

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

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

In preparing these financial statements, the Directors have had to make the following judgements:

- Determine whether leases entered into by the Company as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Company's tangible and intangible assets, and fixed asset investments. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 15)*

Tangible fixed assets, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Defined benefit pension scheme*

The Company recognise that the defined pension scheme is considered a complex accounting estimate and as such, engage qualified valuation specialists. Estimates are reviewed and considered each year end.

- *Stock provision*

Due to the nature of the business there is a risk of stock obsolescence. The Company reviews stock holdings and makes provisions with reference to expected net realisable value of each stock line.

- *Recoverability of receivables*

The Company assesses, with sufficient regularity, the counterparty's ability to repay debts owed to the Company by reference to the liquidity of the receivable and other commercial factors.

- *Deferred tax asset rates*

The Company has considered the likely timing of reversal of deferred tax assets and liabilities in considering the tax notes to apply when valuing deferred tax balances.

HITEK POWER LIMITED

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	570,191	956,098
Rest of Europe	2,821,763	3,019,890
USA	10,264,377	8,924,913
Rest of the world	4,877,311	4,870,013
	<u>18,533,642</u>	<u>17,770,914</u>

5. Other operating income

	2021 £	2020 £
Other operating income	80,144	37,846
Foreign exchange difference - gain	229,167	550,539
	<u>309,311</u>	<u>588,385</u>

6. Operating (loss) / profit

The operating (loss) / profit is stated after charging/(crediting):

	2021 £	2020 £
Exchange differences	125,167	(99,601)
Research & development charged as an expense	4,388,235	3,194,822
Depreciation of tangible fixed assets	178,295	166,391
Lease payments recognised as an expense	275,046	251,590
Amortisation of intangible assets, including goodwill	127,626	164,425
Profit on disposal of tangible fixed assets	<u>-</u>	<u>(1,300)</u>

HITEK POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**7. Auditor's remuneration**

	2021 £	2020 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>41,500</u>	<u>39,500</u>

8. Employees

Staff costs were as follows:

	2021 £	2020 £
Wages and salaries	5,528,177	4,542,132
Social security costs	692,153	505,982
Cost of defined contribution scheme	222,581	163,499
Cost of defined benefit scheme	89,000	116,000
	<u>6,531,911</u>	<u>5,327,613</u>

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

	2021 No.	2020 No.
Operations	35	34
Research and development	39	36
Sales and administration	12	5
General and administration	18	14
	<u>104</u>	<u>89</u>

9. Directors' remuneration

The Directors of the Company are employed within the Advanced Energy Industries, Inc. group. The Directors received £Nil (2020: £Nil) emoluments for their services to HiTek Power Limited. The Directors were not in the Company's defined benefit or defined contribution pension scheme during the year or in 2020.

HITEK POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**10. Interest receivable**

	2021 £	2020 £
Other interest receivable	<u>6,877</u>	<u>-</u>

11. Interest payable and similar charges

	2021 £	2020 £
Intercompany interest payable	<u>1,623</u>	<u>17,004</u>

12. Other finance costs

	2021 £	2020 £
Net interest on defined benefit liability	<u>164,000</u>	<u>242,000</u>

13. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	15,227	33,082
Adjustments in respect of previous periods	(101,119)	-
Total current tax	<u>(85,892)</u>	<u>33,082</u>
Deferred tax		
Origination and reversal of timing differences	274,756	186,633
Effect of changes in tax rates	110,148	(103,025)
Adjustment in respect of previous periods	(1,003,498)	(315,009)
Total deferred tax	<u>(618,594)</u>	<u>(231,401)</u>
Taxation on (loss)/profit on ordinary activities	<u>(704,486)</u>	<u>(198,319)</u>

HITEK POWER LIMITED

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

13. Taxation (continued)

Factors affecting tax charge for the year

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

	2021 £	2020 £
(Loss) / profit on ordinary activities before tax	<u>(336,302)</u>	<u>927,711</u>
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(63,898)	176,265
Effects of:		
Fixed asset differences	(10,200)	30,666
Expenses not deductible	27,650	2,704
Rate change differences	(1,037,205)	(338,314)
Other tax adjustments, reliefs and transfers	29	(1,284)
Adjustments to tax charge in respect of previous periods - deferred tax	110,148	(103,025)
Adjustments to tax charge in respect of prior periods	-	26,138
R&D Expenditure Credits	15,227	-
Effect of group relief/other reliefs	-	45,185
Movement in deferred tax not recognised	253,763	(36,654)
Total tax credit for the year	<u>(704,486)</u>	<u>(198,319)</u>

The aggregate current and deferred tax relating to items recognised in other comprehensive income is an expense of £991,500 (2020: *credit of* £481,935).

For further information on deferred tax balances see note 22 .

HITEK POWER LIMITED

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

14. Intangible Assets

	Computer software £	Development costs £	Purchased goodwill £	Total £
Cost				
At 1 January 2021	193,156	621,153	8,831,122	9,645,431
At 31 December 2021	<u>193,156</u>	<u>621,153</u>	<u>8,831,122</u>	<u>9,645,431</u>
Amortisation				
At 1 January 2021	186,648	234,838	8,831,122	9,252,608
Charge for the year	3,395	124,231	-	127,626
At 31 December 2021	<u>190,043</u>	<u>359,069</u>	<u>8,831,122</u>	<u>9,380,234</u>
Net book value				
At 31 December 2021	<u>3,113</u>	<u>262,084</u>	<u>-</u>	<u>265,197</u>
At 31 December 2020	<u>6,508</u>	<u>386,315</u>	<u>-</u>	<u>392,823</u>

Amortisation on intangible assets is charged to admin expenses.

HITEK POWER LIMITED

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

15. Tangible fixed assets

	Leasehold property £	Assets under construction £	Plant and machinery £	Total £
Cost				
At 1 January 2021	1,053,937	-	1,273,770	2,327,707
Additions	220,945	66,575	178,458	465,978
Disposals	-	-	(877)	(877)
At 31 December 2021	<u>1,274,882</u>	<u>66,575</u>	<u>1,451,351</u>	<u>2,792,808</u>
Depreciation				
At 1 January 2021	832,696	-	1,099,013	1,931,709
Charge for the year	78,360	-	99,935	178,295
Acquired	-	-	31,818	31,818
Disposals	-	-	(877)	(877)
At 31 December 2021	<u>911,056</u>	<u>-</u>	<u>1,229,889</u>	<u>2,140,945</u>
Net book value				
At 31 December 2021	<u>363,826</u>	<u>66,575</u>	<u>221,462</u>	<u>651,863</u>
At 31 December 2020	<u>221,241</u>	<u>-</u>	<u>174,757</u>	<u>395,998</u>

HITEK POWER LIMITED

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

16. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2021	1
At 31 December 2021	<u>1</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
HiTek Power GmbH	Uracher Strasse 91, 72555 Metzingen, Germany	Dormant	Ordinary	100 %

17. Stocks

	2021 £	2020 £
Raw materials and consumables	829,862	404,572
Work in progress	2,317,545	1,915,118
Finished goods and goods for resale	196,105	407,417
	<u>3,343,512</u>	<u>2,727,107</u>

The replacement cost of stocks and work in progress is not materially different from the historic value.

HITEK POWER LIMITED

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

18. Debtors

	2021 £	2020 £
Due after more than one year		
Deferred taxation (note 22)	<u>2,914,988</u>	<u>3,287,894</u>
	2021 £	2020 £
Due within one year		
Trade debtors	493,255	729,775
Amounts owed by group undertakings	3,356,010	6,073,893
Other debtors	473,984	133,113
Prepayments and accrued income	139,374	146,443
Tax recoverable	413,896	118,482
	<u>4,876,519</u>	<u>7,201,706</u>

The amount owed by group undertakings are due on demand.

19. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	<u>2,435,230</u>	<u>1,087,645</u>

20. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	1,635,775	678,683
Amounts owed to group undertakings	3,088,206	2,716,751
Other taxation and social security	249,594	443,809
Other creditors	79,924	75,955
Accruals and deferred income	776,785	860,634
	<u>5,830,284</u>	<u>4,775,832</u>

The amount owed to group undertakings are repayable on demand.

HITEK POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**21. Pensions**

The Company operates both a defined benefit and defined contribution pension schemes.

Defined contribution pension schemes

The Company operates four defined contribution pension schemes: Aegon, Nest, Scottish Widows and Peoples Pension. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension charge amounted to £222,581 (2020: £163,499). Contributions totalling £34,864 (2020: £27,887) were payable to the funds at the balance sheet date and are included in creditors.

Defined benefit pension scheme

The Company operates a defined benefit pension scheme. The scheme is managed by a corporate trustee accountable to the pension scheme members. The trustee of the fund is required to act in the best interests of the beneficiaries.

Pension benefits depend upon age, length of service and salary level.

A full actuarial valuation of the defined benefit scheme was carried out at 31 December 2021 by a qualified independent actuary. Contributions to the scheme are made by the Company based on the advice of the actuary and with the aim of making good of the deficit over the remaining lives of the inactive members.

There were no changes to the scheme during the year and no amounts owing to the scheme at the year end (2020: £Nil).

	2021 £	2020 £
Reconciliation of present value of plan liabilities		
At the beginning of the year	(28,108,000)	(25,251,000)
Interest cost	(309,000)	(458,000)
Actuarial gains/(losses)	1,550,000	(3,057,000)
Experience gains/(losses)	2,000,000	-
Benefits paid	731,000	695,000
Past service cost	-	(37,000)
At the end of the year	<u>(24,136,000)</u>	<u>(28,108,000)</u>

HITEK POWER LIMITED

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

21. Pensions (continued)

	2021 £	2020 £
Composition of plan liabilities		
Schemes wholly or partly funded	<u>24,136,000</u>	<u>28,108,000</u>
	2021 £	2020 £
Reconciliation of fair value of plan assets		
At the beginning of the year	11,857,000	10,509,000
Interest income on plan assets	145,000	216,000
Actuarial gains/(losses)	416,000	520,000
Scheme expenses	(89,000)	(116,000)
Contributions	1,290,000	1,423,000
Benefits paid	(731,000)	(695,000)
At the end of the year	<u>12,888,000</u>	<u>11,857,000</u>
	2021 £	2020 £
Fair value of plan assets	12,888,000	11,857,000
Present value of plan liabilities	(24,136,000)	(28,108,000)
Pension scheme liability	<u>(11,248,000)</u>	<u>(16,251,000)</u>

HITEK POWER LIMITED

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

21. Pensions (continued)

	2021 £	2020 £
Amounts recognised in the Statement of comprehensive income are as follows:		
Included in administrative expenses: Scheme expenses	89,000	116,000
Past service cost	-	37,000
Amounts included in other finance costs: Interest income of plan assets	(145,000)	(216,000)
Interest cost on DBO	309,000	458,000
	<u>253,000</u>	<u>395,000</u>

	2021 £	2020 £
Analysis of actuarial loss recognised in other comprehensive income		
Actual return less interest income included in fair value of plan assets	416,000	520,000
Changes in assumptions underlying the present value of the scheme liabilities	3,550,000	(3,057,000)
	<u>3,966,000</u>	<u>(2,537,000)</u>

	2021 £	2020 £
Composition of plan assets		
Equities	8,980,000	7,533,000
Bonds	3,429,000	3,595,000
Cash	479,000	729,000
Gilts	-	-
Total plan assets	<u>12,888,000</u>	<u>11,857,000</u>

HITEK POWER LIMITED

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

21. Pensions (continued)

	2021 %	2020 %
Principal actuarial assumptions used at the statement of financial position date		
Discount rates	1.90	1.20
Future pension increases	2.80	2.30
Inflation assumption (retail prices index)	3.40	3.10
Inflation assumption (consumer prices index)	2.80	2.30
Life expectancies at 65:		
- for a male aged 65 now	21.9	21.9
- at 65 for male aged 45 now	23.2	23.2
- for a female aged 65 now	24.3	24.2
- at 65 for a female member aged 45 now	25.7	25.6

22. Deferred taxation

	2021 £	2020 £
At beginning of year	3,287,894	2,574,557
Charged to profit or loss	618,594	231,402
Charged to other comprehensive income	(991,500)	481,935
At end of year	<u>2,914,988</u>	<u>3,287,894</u>

The deferred tax asset is made up as follows:

	2021 £	2020 £
Fixed asset timing differences	(13,399)	98,766
Short term timing differences	2,928,387	3,182,183
Other	-	6,945
	<u>2,914,988</u>	<u>3,287,894</u>

HITEK POWER LIMITED

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

23. Provisions

	Dilapidation provision £
At 1 January 2021	404,000
Reclassification from short term liabilities	-
At 31 December 2021	<u>404,000</u>

The provision has been made to cover the costs associated with reinstating the leased building to its original state at the expiry of the lease agreement.

24. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
25,006,000 (2019: 25,006,000) Ordinary shares of £0.10 each	2,500,600	2,500,600
6,000 (2019: 6,000) Deferred shares of £1.00 each	6,000	6,000
	<u>2,506,600</u>	<u>2,506,600</u>

The deferred shares carry no voting rights to dividends or preferential rights in the event of the Company being wound up.

25. Reserves**Capital contribution**

Represents the value of equity given in exchange for cash or asset contributions.

Profit and loss account

Includes all current and prior period retained profits and losses.

HITEK POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**26. 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 £
Land and buildings		
Not later than 1 year	236,040	236,040
Later than 1 year and not later than 5 years	944,160	944,160
Later than 5 years	649,110	885,150
	<u>1,829,310</u>	<u>2,065,350</u>

	2021 £	2020 £
Other		
Not later than 1 year	39,456	16,825
Later than 1 year and not later than 5 years	59,383	17,774
	<u>98,839</u>	<u>34,599</u>

27. Related party transactions

The Company has taken advantage of the exemption conferred by FRS 102 Section 102 Section 33 'Related party disclosures' not to disclose transactions between wholly owned subsidiaries of the Advanced Energy Industries, Inc. group.

Key management personnel

Key management personnel include all Directors and a number of senior managers across the Company that together have authority and responsibility for planning, directing and controlling the activities of the Company. The total compensation paid to key management personnel for services provided to the Company was £853,775 (2020: £799,440).

HITEK POWER LIMITED

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

28. Controlling party

The Company's immediate parent undertaking is Advanced Energy Industries U.K. Limited, a Company incorporated in the United Kingdom. The Company's ultimate parent undertaking and controlling party is Advanced Energy Industries, Inc. which is incorporated in the United States of America.

The smallest and largest group in which the results of the Company are consolidated is that headed by Advanced Energy Industries, Inc. The consolidated accounts are available to the public at the group's registered office located at 1595 Wynkoop Street, Suite 800, Denver, CO, 80202, USA.