

Registered number: 02839147

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



ADVANCED ENERGY INDUSTRIES U.K. LIMITED

COMPANY INFORMATION

Director	T O McGimpsey
Company secretary	L M Clayton (resigned on 26/03/2018) S Mason (appointed on 26/03/2018)
Registered number	02839147
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

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

CONTENTS

	Page
Strategic Report	1 - 2
Director's Report	3 - 4
Independent Auditor's Report	5 - 7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 23

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The director presents his strategic report together with the audited financial statements for the year ended 31 December 2018.

Review of business and future developments

Advanced Energy Industries UK Ltd. ("AEI(UK)L") delivered advanced power and control technologies to customers across a broad range of markets. Our products were mainly used to enable deposition and removal of thin films in plasma applications, typically used in systems to produce semiconductor chips, architectural glass, crystalline and thin film solar cells as well as hard, functional or decorative coatings. In the latter part of 2017 a decision was made by the ultimate parent (Advanced Energy Industries Inc. – "AEI") to transfer the customer contracts to another entity within the AEI group, aligning the contracts with the entity which employs the individuals that manage the customer relationships. Also, late in 2017, AEI decided to restructure the group, moving a German and Japanese entity to become direct subsidiaries of AEI(UK)L.

Products and Services

Our products were highly engineered and mission critical power conversion solutions, tailored to enable new processes, improve productivity and lower cost of ownership for our customers. We also provided technical and application support to our customers.

Outlook

With the entity now operating solely as a holding company there is expected to be minimal trading activity in 2019 and beyond.

Principal risks and uncertainties

The risks and uncertainties within the entity have been significantly reduced following its transformation primarily to a holding company.

Performance by AEI(UK)L is closely monitored by the director 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.

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Financial risk management

The company is an indirect wholly owned subsidiary of our US based parent company AEI, 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.

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 was 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, being part of a global US listed group, and the financial security that that brings, has chosen not to hedge FX 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

	2018	2017
Revenue (£)	156,947	7,522,078
Gross Profit (£)	13,232	745,173
Gross Profit (%)	8.4	9.9

Approval

This strategic report was approved by order of the Board on.



T O McGimpsey
Director

Date: 28 August 2019

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The director presents his report and the financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the year, after taxation, amounted to £6,260 (2017: loss £1,239,168).

The director does not recommend the payment of a dividend for the year under review (2017: £Nil).

Director

The director who served during the year was:

T O McGimpsey

Director's responsibilities statement

The director is 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 director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the director is 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 director is responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and may differ from the legislation in other jurisdictions.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Disclosure of information to auditor

The director confirms that:

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

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



T O McGimpsey
Director

Date: 28 August 2019



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANCED ENERGY INDUSTRIES U.K. LIMITED

Opinion

We have audited the financial statements of Advanced Energy Industries U.K. Limited (the 'Company') for the year ended 31 December 2018, 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 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANCED ENERGY INDUSTRIES U.K.
LIMITED (CONTINUED)**

Other information

The director is responsible for the other information. The other information comprises the information included in the Strategic and Directors' Report, set out on pages 1-4. 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's 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 Director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANCED ENERGY INDUSTRIES U.K.
LIMITED (CONTINUED)**

Responsibilities of directors for the financial statements

As explained more fully in the Director's Responsibilities Statement on page 3, the director is 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 director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is 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 director 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.

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
Date: 29 August 2019

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	156,947	7,522,078
Cost of sales		(143,715)	(6,776,905)
Gross profit		13,232	745,173
Administrative expenses		15,096	(630,190)
Operating profit	5	28,328	114,983
Interest payable and expenses	9	(34,320)	(34,317)
(Loss)/profit before tax		(5,992)	80,666
Tax on (loss)/profit	10	(268)	(1,319,834)
Loss for the financial year		(6,260)	(1,239,168)
Other comprehensive income for the year			
Total comprehensive income for the year		(6,260)	(1,239,168)

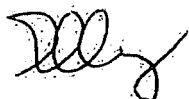
The notes on pages 11 to 23 form part of these financial statements.

ADVANCED ENERGY INDUSTRIES U.K. LIMITED
REGISTERED NUMBER:02839147

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	12	16,223,840	16,223,840
		<u>16,223,840</u>	<u>16,223,840</u>
Current assets			
Stocks	13	2,638	38,680
Debtors: amounts falling due within one year	14	18,137	2,756,746
Cash at bank and in hand	15	1,153,463	1,733,025
		<u>1,174,238</u>	<u>4,528,451</u>
Creditors: amounts falling due within one year	16	(3,657,112)	(7,005,065)
Net current liabilities		<u>(2,482,874)</u>	<u>(2,476,614)</u>
Total assets less current liabilities		<u>13,740,966</u>	<u>13,747,226</u>
Net assets		<u>13,740,966</u>	<u>13,747,226</u>
Capital and reserves			
Called up share capital	19	10,200	10,200
Other reserves	20	12,648,640	12,648,640
Profit and loss account	20	1,082,126	1,088,386
		<u>13,740,966</u>	<u>13,747,226</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 August 2019



T O McGimpsey
Director

The notes on pages 11 to 23 form part of these financial statements.

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	10,200	12,648,640	1,088,386	13,747,226
Comprehensive income for the year				
Loss for the year	-	-	(6,260)	(6,260)
Total comprehensive income for the year	-	-	(6,260)	(6,260)
At 31 December 2018	10,200	12,648,640	1,082,126	13,740,966

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	10,000	-	2,327,554	2,337,554
Comprehensive income for the year				
Loss for the year	-	-	(1,239,168)	(1,239,168)
Total comprehensive income for the year	-	-	(1,239,168)	(1,239,168)
Shares issued during the year	200	-	-	200
Additional paid in capital	-	12,648,640	-	12,648,640
Total transactions with owners	200	12,648,640	-	12,648,840
At 31 December 2017	10,200	12,648,640	1,088,386	13,747,226

The notes on pages 11 to 23 form part of these financial statements.

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Advanced Energy Industries U.K. Ltd. is a company limited by shares and registered in England and Wales. Its registered head office is located at Unit 10 Hawthorn Road, Littlehampton, West Sussex, United Kingdom, BN17 7LT.

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 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 2018 and these financial statements may be obtained from the Registrar of Companies.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

2.3 Going concern

The Company made a loss during the year and has a net current liability position of £2,482,874 (2017: £2,476,614).

The financial statements have been prepared on a going concern basis which assumes the continuing financial support of the ultimate parent undertaking. The directors have received confirmation that this financial support will continue to be provided for the foreseeable future to enable the company to continue as a going concern and to settle its liabilities as and when they fall due.

2.4 Revenue

Turnover represents sales to external customers at invoiced amounts net of discounts less value added tax and is recognised when goods are dispatched to customers.

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets 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 profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Plant and machinery	- 3 to 8 years
---------------------	----------------

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.6 Impairment of fixed assets

Assets that are subject to depreciation 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 (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).

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Stocks

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

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 profit or loss.

2.9 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.

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.10 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.

2.11 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.

2.12 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 non-puttable 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 financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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.

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.13 Foreign currency translation

(a) Functional and presentational currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the entity'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 profit or loss.

All foreign exchange gains and losses are presented in profit or loss within operating profit or operating loss.

2.14 Finance assets

Financial assets 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 are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.16 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.

2.17 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

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 on 01 January 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

In preparing these financial statements, the director has made 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 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*

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.

- *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.

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Turnover

The whole of the turnover is attributable to the principal activity of the Company.

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Inventory as an expense	143,715	6,776,905

6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	8,500	8,625

7. Employees

The Company has no employees other than the director, who did not receive any remuneration (2017: £Nil).

8. Director's remuneration

The director of the Company is employed within the Advanced Energy Industries Inc. group. The director received £Nil (2017: £Nil) emoluments for his services to Advanced Energy Industries U.K. Ltd.

There was no director in the Company's defined contribution pension scheme (2017: £Nil).

9. Interest payable and similar expenses

	2018 £	2017 £
Loans from group undertakings	34,320	34,320
Interest receivable	-	(3)
	34,320	34,317

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	-	1,319,738
	-	1,319,738
Total current tax	-	1,319,738
Deferred tax		
Origination and reversal of timing differences	300	109
Changes to tax rates	(32)	(13)
Total deferred tax	268	96
Taxation on profit on ordinary activities	268	1,319,834

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2017: *the same as*) the standard rate of corporation tax in the UK of 19% (2017: 19.25%) as set out below:

	2018 £	2017 £
(Loss)/profit on ordinary activities before tax	(5,992)	80,666
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(1,138)	15,528
Effects of:		
Expenses not deductible	1	1,304,319
Effects of group relief/other reliefs	(2,660)	-
Tax rate changes	(32)	(13)
Anti hybrid disallowance	4,097	-
Total tax charge for the year	268	1,319,834

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Tangible fixed assets

	Plant and machinery £
Cost or valuation	
At 1 January 2018	8,154
Disposals	(1,015)
At 31 December 2018	7,139
Depreciation	
At 1 January 2018	8,154
Disposals	(1,015)
At 31 December 2018	7,139
Net book value	
At 31 December 2018	-
At 31 December 2017	-

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

12. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018	16,223,840
At 31 December 2018	<u>16,223,840</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Advanced Energy Industries GmbH	Germany	Distribution company	Ordinary	100%
Advanced Energy Japan K.K.	Japan	Distribution company	Ordinary	100%
HiTek DB Pension Scheme Trustees Ltd	United Kingdom	Pension scheme	Ordinary	100%
HiTek Power Limited	United Kingdom	Holdings		
		Manufacturing & Distribution	Ordinary	100%
HiTek Power GmbH*	Germany	Distribution	Ordinary	100%
AE Korea Limited*	South Korea	Distribution Company	Ordinary	59%

*Indirect subsidiary

13. Stocks

	2018 £	2017 £
Raw materials and consumables	84	90
Work in progress (goods to be sold)	2,554	2,457
Finished goods and goods for resale	-	36,133
	<u>2,638</u>	<u>38,680</u>

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Debtors

	2018 £	2017 £
Trade debtors	-	1,536,869
Amounts owed by group undertakings	258	1,193,886
Other debtors	-	10,036
Prepayments and accrued income	17,879	15,687
Deferred Taxation	-	268
	<u>18,137</u>	<u>2,756,746</u>

The amounts owed by group undertakings are repayable on demand.

15. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>1,153,463</u>	<u>1,733,025</u>

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	-	170
Amounts owed to group undertakings	3,642,214	5,626,549
Corporation tax	-	1,319,738
Accruals and deferred income	14,898	58,608
	<u>3,657,112</u>	<u>7,005,065</u>

The amount owed to group undertakings are repayable on demand.

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

17. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>1,153,721</u>	<u>4,473,816</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(3,657,112)</u>	<u>(5,685,327)</u>

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

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

18. Deferred taxation

	2018 £	2017 £
At beginning of year	268	364
Charged to profit or loss	(268)	(96)
At end of year	<u>-</u>	<u>268</u>

The deferred tax asset is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	<u>-</u>	<u>268</u>

ADVANCED ENERGY INDUSTRIES U.K. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

19. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
10,200 (2017: 10,200) Ordinary shares of £1 each	<u>10,200</u>	<u>10,200</u>

20. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account

Includes all current and prior periods retained profits and losses.

21. Related party transactions

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

Key management personnel

The Company had no employees and the director is considered to be the only individual who is key management personnel. All director costs are borne by Advanced Energy Industries Inc.

22. Post balance sheet events

There have been no post balance sheet events in 2019.

23. Controlling party

The Company's immediate parent undertaking is AEI Global Holding CV, a company incorporated in the Netherlands. The Company's ultimate parent undertaking is Advanced Energy Industries Inc.

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 and may be obtained from the Registrar of Companies.