

ELTEK LTD
Form 20-F
June 28, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington D.C. 20549

FORM 20-F

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF
THE SECURITIES EXCHANGE ACT OF 1934**

OR

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2005

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

OR

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

Commission file number 0-28884

ELTEK LTD.

(Exact name of Registrant as specified in its charter
and translation of Registrant's name into English)

Israel

(Jurisdiction of incorporation or organization)

4 Drezner Street, Sgoola Industrial Zone, P.O. Box 159, Petach Tikva 49101, Israel

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act: **None**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Ordinary Shares, NIS 0.6 Par Value

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Shares, par value NIS 0.6	5,602,511
(as of December 31, 2005)	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

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If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

This Annual Report on Form 20-F is incorporated by reference into our Form S-8 Registration Statements File Nos. 333-12012, 333-123559 and 333-130611.

INTRODUCTION

Eltek Ltd., incorporated in 1970 under the laws of the State of Israel, develops, manufactures, markets and sells printed circuit boards, or PCBs, including high density interconnect, or HDI, multi-layered and flex-rigid boards for the medical technology, defense and aerospace, industrial equipment and telecommunications industries. Our principal customers include manufacturers of medical, defense, aerospace, industrial, telecom and networking equipment, as well as contract electronic manufacturers. Our ordinary shares are listed on the NASDAQ Capital Market (symbol: ELTK). Our European manufacturing and marketing subsidiary named Kubatronik Leiterplatten GmbH, or Kubatronik, is located in Geislingen Germany and is our only active subsidiary. As used in this annual report, the terms we, us and our mean Eltek Ltd. and its subsidiaries, unless otherwise indicated.

Our consolidated financial statements appearing in this annual report are prepared in New Israeli Shekels, or NIS, and in accordance with generally accepted accounting principles in Israel, or Israeli GAAP, which vary in certain significant respects from generally accepted accounting principles in the United States, or U.S. GAAP, as described in Note 28 to the consolidated financial statements. All references in this annual report to dollars or \$ are to U.S. dollars and all references in this annual report to NIS are to New Israeli Shekels. Amounts stated in dollars in this report, except where the context otherwise indicates, have been translated from NIS at a specified rate solely for convenience and should not be construed as representations that the NIS amount actually represents such dollar amount or could be converted into dollars at the rate indicated. The translations of NIS amounts into dollars appearing throughout this annual report have been made at the representative rate of exchange on December 31, 2005 of NIS 4.603 = \$1.00, as published by the Bank of Israel. See Item 3.A. Key Information Selected Financial Data Exchange Rate Information .

Statements made in this annual report concerning the contents of any contract, agreement or other document are summaries of such contracts, agreements or documents and are not complete descriptions of all of their terms. If we filed any of these documents as an exhibit to this annual report or to any registration statement or annual report that we previously filed, you may read the document itself for a complete description of its terms.

Except for the historical information contained in this annual report, the statements contained in this annual report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended, with respect to our business, financial condition and results of operations. Such forward-looking statements reflect our current view with respect to future events and financial results. We urge you to consider that statements which use the terms anticipate, believe, do not believe, expect, plan, intend, estimate and similar expressions are intended to identify forward-looking statements. We remind readers that forward-looking statements are merely predictions and therefore inherently subject to uncertainties and other factors and involve known and unknown risks that could cause the actual results, performance, levels of activity, or our achievements, or industry results, to be materially different from any future results, performance, levels of activity, or our achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by applicable law, including the securities laws of the United States, we undertake no obligation to publicly release any update or revision to any forward-looking statements to reflect new information, future events or circumstances, or otherwise after the date hereof. We have attempted to identify significant uncertainties and other factors affecting forward-looking statements in the Risk Factors section that appears in Item 3.D. Key Information- Risk Factors

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The following table presents selected consolidated financial data as of the dates and for each of the periods indicated. You should read the selected consolidated financial data set forth below together with Item 5. Operating and Financial Review and Prospects as well as our consolidated financial statements and notes thereto appearing elsewhere in this annual report.

The selected consolidated financial data as of December 31, 2005 and 2004 and for the three years ended December 31, 2005 have been derived from our audited consolidated financial statements and notes thereto included elsewhere in this annual report. The selected consolidated financial data as of December 31, 2003, 2002 and 2001 and for the two years ended December 31, 2003 have been derived from our audited consolidated financial statements and notes thereto which are not included in this annual report.

Our consolidated financial statements have been audited by the firm of Somekh Chaikin, an independent registered public accounting firm in Israel, a member firm of KPMG International whose report appears elsewhere herein. Our consolidated financial statements have been prepared in accordance with Israeli GAAP, which vary in certain significant respects from U.S. GAAP, as described in Note 28 to the financial statements.

For the convenience of the reader, the reported consolidated NIS figures as at and for the year ended December 31, 2005 have been presented in U.S. dollars (unaudited) translated at the representative rate of exchange on December 31, 2005 of NIS 4.603 = \$1.00, as published by the Bank of Israel. The U.S. dollars amounts so presented should not be construed as representing amounts receivable, payable or incurred in U.S. dollars or convertible into U.S. dollars.

STATEMENT OF CONSOLIDATED OPERATIONS DATA:

	Year Ended December 31,					Convenience Translation into Dollars
	2001 ⁽¹⁾	2002 ⁽¹⁾	2003 ⁽¹⁾	2004 ⁽²⁾	2005 ⁽²⁾	2005
	(In thousands, except per share data)					
Israeli GAAP:						
Revenues	NIS 119,920	NIS 108,035	NIS 108,303	NIS 125,002	NIS 144,429	\$ 31,378
Cost of revenues	(101,335)	(106,458)	(102,643)	(109,998)	(115,733)	(25,143)
Gross profit	18,585	1,577	5,660	15,004	28,696	6,235
Research and development income (expenses), net	(398)	(116)	18	--	(646)	(140)
Selling, general and administrative expenses	(14,273)	(15,152)	(14,996)	(18,265)	(19,862)	(4,315)
Amortization of goodwill	--	(292)	(584)	(593)	(593)	(129)
Operating income (loss)	3,914	(13,983)	(9,902)	(3,854)	7,595	1,651
Financial expenses, net	(1,799)	(1,443)	(2,989)	(2,948)	(2,656)	(577)
Income (loss) before other income (expenses), net	2,115	(15,426)	(12,891)	(6,802)	4,939	1,074
Other income (expenses), net	718	290	(20)	52	103	22
Income (loss) before tax benefit (expenses) and minority interest	2,833	(15,136)	(12,911)	(6,750)	5,042	1,096
Tax benefit (expenses)	--	(380)	(194)	713	--	--
Income (loss) after tax benefit (expenses) before minority interest	2,833	(15,516)	(13,105)	(6,037)	5,042	1,096
Minority interests	--	(198)	118	182	218	47
Net income (loss)	NIS 2,833	NIS (15,714)	NIS (12,987)	NIS (5,855)	NIS 5,260	\$ 1,143
Basic and diluted earnings (loss) per NIS 1 par value of the share capital ¹	NIS 0.96	NIS (5.36)	NIS (3.61)	NIS (1.36)	NIS 1.29	\$ 0.28
Weighted average NIS 1 par value of share capital used to compute basic and diluted net earnings (loss)	2,932	2,932	3,569	4,131	4,209	4,209
U.S. GAAP:						
Net income (loss)	NIS 2,833	NIS (15,422)	NIS (12,403)	NIS (5,376)	NIS 5,913	\$ 1,285

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Basic earnings (loss) per share	NIS 0.59	NIS (3.16)	NIS (2.54)	NIS (0.98)	NIS 1.06	\$ 0.23
Weighted average number of shares used in basic EPS calculation (thousands)	4,825	4,886	4,886	5,492	5,575	5,575
Diluted earnings (loss) per share	NIS 0.58	NIS (3.16)	NIS (2.54)	NIS (0.98)	NIS 0.84	\$ 0.18
Weighted average number of shares used in diluted EPS calculation (thousands)	4,884	4,886	4,886	5,492	6,970	6,970