

Registered number: 06999250

Accutronics Limited

Directors' Report and Financial Statements

For the Year Ended 31 December 2021



Accutronics Limited

Company Information

Directors

M Allen
L S Saunders
M E Manna

Registered number

06999250

Registered office

Unit 20 Loomer Road
Chesterton
Newcastle-under-Lyme
Staffordshire
ST5 7LB

Independent auditor

RSM UK Audit LLP
Festival Way
Festival Park
Stoke-on-Trent
ST1 5BB

Accutronics Limited

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Introduction

The directors have pleasure in submitting their Strategic Report for Accutronics Limited for the year ended 31 December 2021.

Review of the business and Future developments

The Directors are pleased to report another successful year for the Company.

The current year saw a decrease in turnover of £1,359,375 from £10,636,270 to £9,276,895 due largely to the increased demand from the medical sector experienced in 2020, driven by the global pandemic, moving back to a more normalised level. A high level of activity on new projects continues and will help drive revenue growth from new products next year and beyond. Gross margins have improved slightly year on year but will remain under pressure due to ongoing pricing pressures from key customers and the challenges presented by the continued global supply chain challenges and freight costs.

In addition, administration expenses have increased year on year due to the ongoing investment in staff and increased expenditure for services provided by the parent undertaking.

The results for 2021 have further secured the business with a platform from which we can embark upon the growth aspirations we have for future years.

The successful year has ensured that liquidity overall remains strong, even after remittances to our Parent Company and the Company continues to have the appropriate headroom to enable it to move forward into the coming year and continue to execute the strategic growth plans established for Accutronics Limited. We have continued to invest in inventory levels, resulting in an increase of inventory of £584,968 during the year to help mitigate risks presented by the global supply chain issues caused by the pandemic.

We continue to work towards creating a secure core customer base and expect to look towards expanding it in the coming year. During the year we were successfully selected as a strategic supplier for one major Medical OEM. We have strong relationships with existing customers and are pleased with the progress made towards forging new customer relationships. This continues to further strengthen the business and allows us to continue to focus on delivering the latest battery technology to OEMs worldwide in a range of professional markets including Medical and specialist electronics sectors. We continue to promote the overall group offering from all of the Company locations to help delivery of the overall growth plan to help ensure a solid future. We also continue to drive into new market sectors offering both off the shelf products and custom battery solutions.

Our own ready for market platform, Entellion, along with our innovative approach to unique bespoke battery solutions, our focus on quality and our excellent levels of customer service continue to ensure that we deliver for all our stakeholders.

Research & Development

The Company encourages innovation in its product offerings, both by improving existing products and introducing new opportunities, with these research costs expensed to the Statement of Comprehensive Income.

Key performance indicators

The Company has established key performance indicators to measure its progress in achieving both its business objectives and strategy. The Board reviews performance against these measures on a regular basis. At the company's current stage of development, the principal performance measures are summarised below:

Financial

The Gross margin for the period is 33.0% (2020 – 32.7%) and is deemed appropriate for the business given its required infrastructure, its need to invest in R & D and the cost challenges created by the global supply chain issues.

Its Operating Profit margin is 9.5% (2020 -12.9%) again acceptable given the R & D investment required and the increased costs of operating due to the conditions presented by the legacy of the global pandemic.

Non-financial

The business continues to maintain its excellent track record in Quality, Health and Safety and Environmental controls. We continue to maintain our ISO 9001, ISO 13485 and ISO 14001 registrations. The business maintained its excellent Health and Safety record of Zero reportable incidents and reduced its ppm quality yield further to 98 for the period.

Risk management policies and objectives

Covid-19

We continue to work closely with our customers to manage their on-going demands. We continue to collaborate with our workforce to ensure we can continue to manufacture in a manner that protects and ensures their safety and well-being. We have regular dialogue with our supply chain, which we have worked hard to expand. Given all of these factors we do not expect to see Covid-19 having a negative impact upon the business in this coming year.

Global Supply Chain Issues

The scarcity and price of raw materials and availability of freight capacity have both become new risks to the business. We've strengthened our procurement resource and work closely with both customers and suppliers to ensure we are well placed to facilitate orders. In addition, we've continued to invest working capital into our stock holdings. This integrated approach ensures we continue to be able to service our customers' requirements in a sustainable manner.

Currency Risk

The Company has exposure to currency fluctuations in both the Euro and US Dollar but have appropriate policies and instruments in place to monitor and control this potential exposure. The use of natural hedges and flexible banking structures helps us mitigate the foreign exchange risk and is implemented with oversight from Board members of our Parent Company.

Credit Risk

The Company's principal financial assets are bank balances and cash, trade debtors and stock.

The Company's credit risk is primarily attributable to its trade debtors and stock. The Company has appropriate policies and controls in place to adequately control this risk. We have a robust credit control policy, and a large element of the debtor balances are with multinational OEMs.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Company's principal financial assets are bank balances and cash, trade debtors and stock.

Risk management policies and objectives (continued)

Liquidity Risk

Our liquidity remains strong, and the Company continues to have the appropriate headroom to enable it to move forward into the coming year and continue to execute the strategic growth plans established for Accutronics Limited.

There is currently no debt finance.

Cash Flow

Cashflow also remains strong and appropriate analysis has been done to provide the Board with confidence that there is no concern over cash availability in the coming year. We have no interest rate risk but do have foreign exchange exposure which is managed using natural hedges and flexible banking structures. The operation of the controls around this risk is sanctioned and controlled by the Parent Company.

The Company recognises the need to invest in product development and remain at the leading edge of innovation in its market in order to mitigate the risk over product obsolescence and technological advancement in its sector.

This report was approved by the board on *27 September 2022* and signed on its behalf.



**M Allen
Director**

**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.

Principal activity

The principal activity of the Company in the year continued to be that of a developer and manufacturer of custom rechargeable batteries for professional applications.

Results and dividends

The profit for the year, after taxation, amounted to £708,344 (2020 - £1,112,855).

During the year dividends of £1,014,493 (2020 - £1,297,710) have been declared. The directors do not propose payment of a final dividend (2020 - £Nil).

Directors

The directors who served during the year were:

M Allen
L S Saunders
M E Manna

Directors' responsibilities statement

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

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Matters covered in the strategic report

Details of risk management policies and objectives, research and development activities, and future developments are contained in the strategic report.

Directors' Report (continued)
For the Year Ended 31 December 2021

Disclosure of information to auditor

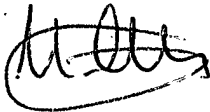
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Auditor

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

This report was approved by the board on 27 September 2022 and signed on its behalf.



M Allen
Director

Independent Auditor's Report to the Members of Accutronics Limited

Opinion

We have audited the financial statements of Accutronics 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the Members of Accutronics Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Accutronics Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Company operates in and how the Company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management and those charged with governance whether the Company is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

Accutronics Limited

Independent Auditor's Report to the Members of Accutronics Limited (continued)

The extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

The audit engagement team identified the risk of management override of controls, revenue recognition and stock provisions as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, performing cut off testing, tests of control and tests of detail to cover all revenue assertions and challenging judgments and estimates made in the recognition of long term contract revenue and those applied in the methodology adopted in establishing the stock provision.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

RSM UK Audit Up

Adam Krupski (Senior Statutory Auditor)

for and on behalf of
RSM UK Audit LLP

Statutory Auditor
Chartered Accountants

Festival Way
Festival Park
Stoke-on-Trent
ST1 5BB

Date: *29 September 2022*

Accutronics Limited**Statement of Comprehensive Income
For the Year Ended 31 December 2021**

	Note	2021 £	2020 £
Turnover	4	9,276,895	10,636,270
Cost of sales		(6,215,155)	(7,161,405)
Gross profit		3,061,740	3,474,865
Distribution costs		(32,984)	(33,956)
Administrative expenses		(2,176,579)	(2,083,275)
Other operating income	5	25,811	18,367
Operating profit	6	877,988	1,376,001
Interest receivable and similar income	10	-	91
Interest payable and similar expenses	11	(219)	-
Profit before tax		877,769	1,376,092
Tax on profit	12	(169,425)	(263,237)
Profit for the financial year		708,344	1,112,855
Total comprehensive income for the year		708,344	1,112,855

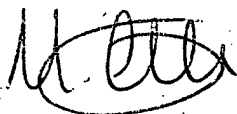
The notes on pages 13 to 26 form part of these financial statements.

Accutronics Limited
Registered number:06999250

Statement of Financial Position
As at 31 December 2021

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	14		300,759		212,788
			<u>300,759</u>		<u>212,788</u>
Current assets					
Stocks	15	2,511,182		1,926,214	
Debtors	16	2,318,315		2,762,068	
Cash at bank and in hand	17	1,011,769		1,860,483	
		<u>5,841,266</u>		<u>6,548,765</u>	
Creditors: amounts falling due within one year	18	(2,284,346)		(2,658,603)	
Net current assets			<u>3,556,920</u>		<u>3,890,162</u>
Total assets less current liabilities			<u>3,857,679</u>		<u>4,102,950</u>
Provisions for liabilities					
Deferred tax	19	(78,000)		(47,000)	
			<u>(78,000)</u>		<u>(47,000)</u>
Net assets			<u><u>3,779,679</u></u>		<u><u>4,055,950</u></u>
Capital and reserves					
Called up share capital	20		254,453		254,453
Capital contribution reserve	21		275,619		245,741
Profit and loss account	21		3,249,607		3,555,756
			<u><u>3,779,679</u></u>		<u><u>4,055,950</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2022



M Allen
Director

The notes on pages 13 to 26 form part of these financial statements.

Accutronics Limited

**Statement of Changes in Equity
For the Year Ended 31 December 2021**

	Called up share capital £	Capital contribution reserve £	Profit and loss account £	Total equity £
At 1 January 2020	254,453	200,567	3,740,611	4,195,631
Profit for the year	-	-	1,112,855	1,112,855
Dividends: Equity capital	-	-	(1,297,710)	(1,297,710)
Capital contribution	-	45,174	-	45,174
At 1 January 2021	254,453	245,741	3,555,756	4,055,950
Profit for the year	-	-	708,344	708,344
Dividends: Equity capital	-	-	(1,014,493)	(1,014,493)
Capital contribution	-	29,878	-	29,878
At 31 December 2021	254,453	275,619	3,249,607	3,779,679

The notes on pages 13 to 26 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

1. General information

Accutronics Limited is a private company, limited by shares and is registered, domiciled and incorporated in England and Wales under the Companies Act.

The address of the Company's registered office is shown on the Company Information page.

The principal activity and nature of operations of the Company is set out in the Directors' 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, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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).

Monetary amounts in these financial statements are rounded to the nearest whole £1 except where otherwise indicated.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' - Presentation of a Statement of Cash Flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' - Carrying amounts for Financial Instruments measured at amortised cost or cost less impairment;
- Section 26 'Share-Based Payment' - Share-Based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options was measured;
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.

The financial statements of the Company are consolidated in the financial statements of Ultralife Corporation. Details of where to obtain these financial statements are disclosed in note 24.

2.3 Going concern

The directors have prepared and reviewed detailed forecasts to 31 December 2022 in addition to considering the requirements and expected trading of the Company post this date to cover a period of 12 months from the date of signing these financial statements. The Company is funded through its cash reserves and has no external financing liabilities. Management forecast continued profitability with cash reserves providing adequate funding and headroom for the period under review. As such the directors have prepared the financial statements on a going concern basis.

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, turnover and costs are recognised over the period of the contract.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract turnover is recognised only to the extent of contract costs that are recoverable and the contract costs are expensed as incurred.

The Company uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded for contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets, depending on their nature, and provided it is probable they will be recovered.

2.5 Other operating income

Research and Development Expenditure Credits are recognised in the Statement of comprehensive income on an accruals basis when they can be accurately measured.

2.6 Interest income

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

2.7 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.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

2. Accounting policies (continued)

2.8 Dividends

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

2.9 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.

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.

Depreciation is provided on the following bases:

Plant and machinery	- 10% - 25% straight line
Furniture, fittings and equipment	- 33% straight line
Computer equipment	- 25% - 33% straight line
Leasehold improvements	- 20% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.10 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.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.12 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.

2.13 Creditors

Short term creditors are measured at the transaction price.

2. Accounting policies (continued)

2.14 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.

2.15 Share-based payment transactions

The Group to which the Company belongs issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the option at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

Options over the Group's shares granted to employees of subsidiaries are recognised as a capital contribution by the Group parent to the Company.

2.16 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 and loans to and from group undertakings.

2.17 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in 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.

2.18 Operating leases: the Company as lessee

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

2. Accounting policies (continued)

2.19 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.20 Current and deferred taxation

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

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

2.21 Research and development

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. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.22 Employee benefit

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward an allotment of unused holiday entitlement at the reporting date. The expected cost of holiday entitlement is recognised in profit or loss in the period in which the employee's services are received. Any unused entitlement is recognised as a liability.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revisions affects both current and future periods.

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

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Stock valuation

Stocks are valued at the lower of cost and net realisable value with provisions made against slow moving or obsolete stocks. Slow moving and obsolete stock is provided for by management based on their assessment of its future use by considering factors such as its ageing, potential future sales and any technological changes.

**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	347,600	454,591
Rest of Europe	8,081,063	9,525,542
Rest of the world	848,232	656,137
	<u>9,276,895</u>	<u>10,636,270</u>

All turnover is derived from the sale of goods.

5. Other operating income

	2021 £	2020 £
Research and Development Expenditure Credits	<u>25,811</u>	<u>18,367</u>

6. Operating profit

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

	2021 £	2020 £
Research & development charged as an expense	198,550	144,055
Depreciation of tangible fixed assets	90,174	77,696
Exchange gains	(14,634)	(79,842)
Other operating lease rentals	70,902	73,165
Stock impairment losses recognised in cost of sales	<u>(5,351)</u>	<u>62,095</u>

7. Auditor's remuneration

	2021 £	2020 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	<u>14,785</u>	<u>13,240</u>

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	1,611,400	1,504,508
Social security costs	147,227	138,389
Amounts receivable under long-term incentive scheme	29,878	45,174
Cost of defined contribution scheme	52,173	47,252
	<u>1,840,678</u>	<u>1,735,323</u>

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

	2021 No.	2020 No.
Production	41	40
Directors	3	3
Engineers	8	11
Sales	6	6
Administration and support	7	3
	<u>65</u>	<u>63</u>

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	110,929	106,136
Amounts receivable under long-term incentive schemes	7,111	16,167
	<u>118,040</u>	<u>122,303</u>

The number of directors to whom retirement benefits are accruing under money purchase schemes was Nil (2020 - Nil).

The number of directors who received shares under long term incentive schemes was 1 (2020 - 1).

10. Interest receivable and similar income

	2021 £	2020 £
Bank and other interest receivable	-	91
	<u>-</u>	<u>91</u>

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

11. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	15	-
Other interest payable	204	-
	<u>219</u>	<u>-</u>

12. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	138,425	271,542
Adjustments in respect of previous periods	-	(4,305)
Total current tax	<u>138,425</u>	<u>267,237</u>
Deferred tax		
Origination and reversal of timing differences	16,158	(10,000)
Changes to tax rates	14,842	6,000
Total deferred tax	<u>31,000</u>	<u>(4,000)</u>
Taxation on profit	<u>169,425</u>	<u>263,237</u>

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

12. Taxation (continued)**Factors affecting tax charge for the year**

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

	2021 £	2020 £
Profit before tax	<u>877,769</u>	<u>1,376,092</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	166,776	261,457
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	66	350
Adjustments to tax charge in respect of prior periods	-	(4,305)
Other permanent differences leading to a decrease in taxation	(8,466)	-
Fixed asset differences	(8,157)	191
Other differences leading to an increase in the tax charge	19,206	5,544
Total tax charge for the year	<u><u>169,425</u></u>	<u><u>263,237</u></u>

Factors that may affect future tax charges

The standard rate of corporation tax in the United Kingdom for the year was 19% (2020 - 19%). An increase in the UK corporation tax rate was announced in the 2021 Budget which would increase the rate to 25% from 1 April 2023. Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods subject to this increased rate. The rate change has been included in Finance Bill 2021 and was substantively enacted on 24 May 2021 and therefore deferred tax will be calculated using the 25% corporation tax rate. Deferred tax has therefore been provided at a rate of 25% (2020 - 19%).

13. Dividends

	2021 £	2020 £
Equity dividends on Ordinary shares	<u><u>1,014,493</u></u>	<u><u>1,297,710</u></u>

Dividends payable to the 'A' shareholders of £85,001 (2020 - £133,538) have been waived by the shareholders.

Notes to the Financial Statements
For the Year Ended 31 December 2021

14. Tangible fixed assets

	Plant and machinery £	Fixtures, fittings and equipment £	Computer equipment £	Leasehold improvements £	Total £
Cost					
At 1 January 2021	606,998	161,811	180,282	44,420	993,511
Additions	110,818	7,853	59,474	-	178,145
At 31 December 2021	717,816	169,664	239,756	44,420	1,171,656
Depreciation					
At 1 January 2021	419,283	161,811	155,290	44,339	780,723
Charge for the year on owned assets	67,236	491	22,366	81	90,174
At 31 December 2021	486,519	162,302	177,656	44,420	870,897
Net book value					
At 31 December 2021	231,297	7,362	62,100	-	300,759
At 31 December 2020	187,715	-	24,992	81	212,788

15. Stocks

	2021 £	2020 £
Raw materials and consumables	1,381,807	1,196,633
Work in progress (goods to be sold)	502,885	262,463
Finished goods and goods for resale	626,490	467,118
	2,511,182	1,926,214

Accutronics Limited**Notes to the Financial Statements
For the Year Ended 31 December 2021****16. Debtors**

	2021 £	2020 £
Trade debtors	1,176,389	1,193,392
Gross amounts due from contract customers	141,893	62,292
Amounts owed by group undertakings	707,842	1,268,710
Other debtors	159,072	144,261
Prepayments and accrued income	133,119	93,413
	<u>2,318,315</u>	<u>2,762,068</u>

17. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	<u>1,011,769</u>	<u>1,860,483</u>

18. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	1,097,512	1,291,162
Amounts owed to group undertakings	585,663	680,948
Corporation tax	30,614	126,176
Other taxation and social security	36,690	39,714
Accruals and deferred income	526,811	376,417
Gross amounts due to contract customers	7,056	144,186
	<u>2,284,346</u>	<u>2,658,603</u>

Notes to the Financial Statements
For the Year Ended 31 December 2021

19. Deferred taxation

	2021 £	2020 £
At beginning of year	47,000	51,000
Credited to the profit or loss	31,000	(4,000)
At end of year	78,000	47,000

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	74,000	40,000
Short term timing differences	4,000	7,000
	78,000	47,000

20. Share capital**Shares classified as equity**

	2021 £	2020 £
Allotted, called up and fully paid.		
179,453 (2020 - 179,453) Ordinary shares of £1.00 each	179,453	179,453
75,000 (2020 - 75,000) 'A' Ordinary shares of £1.00 each	75,000	75,000
	254,453	254,453

Each Ordinary share is entitled to one vote in any circumstances and each share is also entitled pari passu to dividend payments or any other distribution, including a distribution arising from a winding up of the Company.

The 'A' Ordinary shares are a separate class of shares for the purpose of paying dividends or other distributions but, in all other respects, shall rank pari passu with the Ordinary shares.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

21. Reserves

Profit and loss account

The profit and loss account reserve represents cumulative profits and losses, net of dividends, paid and other adjustments.

Capital contribution reserve

The Company contributes towards equity-settled share-based payments to certain employees, made by the ultimate parent, Ultralife Corporation. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. A cost is recognised in the Company relating to the employees of the Company who hold these instruments and an equivalent amount is recognised as a movement in the capital contribution reserve.

22. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £52,173 (2020 - £47,252). Contributions totaling £7,671 (2020 - £11,213) were payable to the fund at the balance sheet date and are included in creditors.

23. Commitments under operating leases

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

	2021 £	2020 £
Not later than 1 year	65,777	68,693
Later than 1 year and not later than 5 years	11,811	2,160
	<u>77,588</u>	<u>70,853</u>

24. Controlling party

The immediate Parent Company is Ultralife UK Limited, a Company incorporated in England and Wales.

The ultimate Parent Company is Ultralife Corporation, a Company incorporated in the United States of America and listed on NASDAQ.

The largest group in which the Company's results are consolidated is that headed by Ultralife Corporation. The consolidated financial statements can be obtained from Ultralife Corporate Headquarters, 2000 Technology Parkway, Newark, NY 14513.