

Registered number: 06999250

Accutronics Limited

Directors' Report and Financial Statements

For the Year Ended 31 December 2022

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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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Accutronics Limited

Strategic Report For the Year Ended 31 December 2022

Introduction

The directors have pleasure in submitting their Strategic Report for Accutronics Limited for the year ended 31 December 2022.

Review of the business and Future developments

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

The current year saw an increase in turnover of £83,465 from £9,276,895 to £9,360,360 with the demand returning to more normalised pre-pandemic levels. There continues to be a high level of activity on new projects which will help drive revenue growth from new products next year and beyond. Gross margins have improved 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.

In addition administration expenses have increased year on year due to the ongoing investment in staff in a highly competitive labour market.

The results for 2022 have further secured the business with a platform from which we can embark upon the growth aspirations we have for future years.

We have continued to invest in inventory levels, resulting in an increase of inventory of £159,762 during the year to help mitigate risks presented by the global supply chain issues caused by the pandemic.

These global supply chain challenges also continue to impact the terms we were able to negotiate with our suppliers and creditor days continue to be reduced. In 2022 this absorbed a further £288,028 of cash but given the successful year liquidity overall remains strong, even after remittances to our Parent Company. 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 continue to work closely with our core customer base and expect to look towards expanding our base in the coming year.

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 income statement.

Accutronics Limited

Strategic Report (continued) For the Year Ended 31 December 2022

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 36.0% (2021 – 33.0%) 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 10.1% (2021 - 9.5%) 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 had a ppm quality yield of 231 for the period.

Risk management policies and objectives

Covid-19

Although the global pandemic has eased 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 or its variants having a negative impact upon the business in this coming year.

Global Supply Chain Issues

The scarcity and price of raw materials continue to be a challenge. 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 that we are able to continue 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 has 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.

Accutronics Limited

Strategic Report (continued)
For the Year Ended 31 December 2022

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 6/6/2023 and signed on its behalf.



M Allen
Director

Accutronics Limited

Directors' Report For the Year Ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

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 £773,335 (2021 - £708,344).

During the year dividends of £751,880 (2021 - £1,014,493) have been declared. The directors do not propose payment of a final dividend (2021 - £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.

Accutronics Limited

**Directors' Report (continued)
For the Year Ended 31 December 2022**

Disclosure of Information to auditor

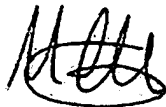
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- 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 6/6/2023 and signed on its behalf.



**M Allen
Director**

Accutronics Limited

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 2022, 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 2022 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.

Accutronics Limited

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.

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 and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed in respect of management override of controls 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. Revenue procedures consisted of performing cut off testing, tests of control and tests of detail and challenging judgments and estimates made in the recognition of long term contract revenue.

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.

Christopher Phillips

Christopher Phillips (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: 06/06/23

Accutronics Limited

**Statement of Comprehensive Income
For the Year Ended 31 December 2022**

	Note	2022 £	2021 £
Turnover	4	9,360,360	9,276,895
Cost of sales		(5,990,138)	(6,215,155)
Gross profit		3,370,222	3,061,740
Distribution costs		(49,136)	(32,984)
Administrative expenses		(2,385,281)	(2,176,579)
Other operating income	5	10,021	25,811
Operating profit	6	945,826	877,988
Interest payable and similar expenses	10	(3,983)	(219)
Profit before tax		941,843	877,769
Tax on profit	11	(168,508)	(169,425)
Profit for the financial year		773,335	708,344
Total comprehensive income for the year		773,335	708,344

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 2022**

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	13		257,773		300,759
			<u>257,773</u>		<u>300,759</u>
Current assets					
Stocks	14	2,670,944		2,511,182	
Debtors: amounts falling due within one year	15	2,876,939		2,318,315	
Cash at bank and in hand	16	589,554		1,011,769	
		<u>6,137,437</u>		<u>5,841,266</u>	
Creditors: amounts falling due within one year	17	(2,496,834)		(2,284,346)	
Net current assets			<u>3,640,603</u>		<u>3,556,920</u>
Total assets less current liabilities			<u>3,898,376</u>		<u>3,857,679</u>
Provisions for liabilities					
Deferred tax	18	(56,000)		(78,000)	
			<u>(56,000)</u>		<u>(78,000)</u>
Net assets			<u><u>3,842,376</u></u>		<u><u>3,779,679</u></u>
Capital and reserves					
Called up share capital	19		254,453		254,453
Capital contribution reserve	20		316,861		275,619
Profit and loss account	20		3,271,062		3,249,607
			<u><u>3,842,376</u></u>		<u><u>3,779,679</u></u>

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

6/6/2023



**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 2022**

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£
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 1 January 2022	254,453	275,619	3,249,607	3,779,679
Profit for the year	-	-	773,335	773,335
Dividends: Equity capital	-	-	(751,880)	(751,880)
Capital contribution	-	41,242	-	41,242
At 31 December 2022	254,453	316,861	3,271,062	3,842,376

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

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 23.

2.3 Going concern

The directors have prepared and reviewed detailed forecasts to 31 December 2023 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 used the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is based on milestones completed. Costs incurred in the year in connection with future activity on a contract are excluded from 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 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Dividends

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

2. Accounting policies (continued)

2.8 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.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the 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.

2.10 Debtors

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

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.12 Creditors

Short term creditors are measured at the transaction price.

2. Accounting policies (continued)

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2. Accounting policies (continued)

2.18 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'.

2.19 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 reporting 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)

2.20 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.

2.21 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.

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.

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.

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.

Accutronics Limited**Notes to the Financial Statements
For the Year Ended 31 December 2022****4. Turnover**

	2022 £	2021 £
Sale of goods	9,048,736	8,862,560
Construction revenue	311,624	414,335
	<u>9,360,360</u>	<u>9,276,895</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	407,423	347,600
Rest of Europe	7,198,217	8,081,063
Rest of the world	1,754,720	848,232
	<u>9,360,360</u>	<u>9,276,895</u>

5. Other operating income

	2022 £	2021 £
Research and Development Expenditure Credits	<u>10,021</u>	<u>25,811</u>

6. Operating profit

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

	2022 £	2021 £
Research & development charged as an expense	77,085	198,550
Depreciation of tangible fixed assets	117,494	90,174
Exchange gains	(71,494)	(14,634)
Other operating lease rentals	82,760	70,902
Stock impairment losses/(reversals) recognised in cost of sales	<u>17,850</u>	<u>(5,351)</u>

7. Auditor's remuneration

	2022 £	2021 £
Fees payable to the Company's auditor for the audit of the Company's financial statements	<u>20,950</u>	<u>14,785</u>

Accutronics Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

8. Employees

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

	2022 £	2021 £
Wages and salaries	1,651,908	1,697,901
Social security costs	157,464	147,227
Amounts receivable under long-term incentive schemes	41,242	29,878
Cost of defined contribution scheme	62,087	52,173
	<u>1,912,701</u>	<u>1,927,179</u>

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

	2022 No.	2021 No.
Production	36	41
Directors	3	3
Engineers	8	8
Sales	6	6
Administration and support	9	7
	<u>62</u>	<u>65</u>

9. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	135,571	110,929
Amounts receivable under long-term incentive schemes	21,175	7,111
	<u>156,746</u>	<u>118,040</u>

During the year retirement benefits were accruing to 1 director (2021 - Nil) in respect of money purchase schemes.

The number of directors who received shares under long term incentive schemes was 1 (2021 - 1).

Accutronics Limited**Notes to the Financial Statements
For the Year Ended 31 December 2022****10. Interest payable and similar expenses**

	2022 £	2021 £
Bank interest payable	1,115	15
Other interest payable	2,868	204
	<u>3,983</u>	<u>219</u>

11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	190,964	138,425
Adjustments in respect of previous periods	(456)	-
Total current tax	<u>190,508</u>	<u>138,425</u>
Deferred tax		
Origination and reversal of timing differences	(16,721)	16,158
Changes to tax rates	(5,279)	14,842
Total deferred tax	<u>(22,000)</u>	<u>31,000</u>
Taxation on profit	<u>168,508</u>	<u>169,425</u>

Notes to the Financial Statements
For the Year Ended 31 December 2022

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

The tax assessed for the year is lower than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit before tax	941,843	877,769
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	178,950	166,776
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	66
Adjustments to tax charge in respect of prior periods	(456)	-
Other permanent differences leading to a decrease in taxation	-	(8,466)
Fixed asset differences	(4,261)	(8,157)
Other differences leading to a (decrease)/increase in the tax charge	(5,725)	19,206
Total tax charge for the year	168,508	169,425

Factors that may affect future tax charges

The standard rate of corporation tax in the United Kingdom for the year was 19% (2021 - 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% (2021 - 25%).

12. Dividends

	2022 £	2021 £
Equity dividends on Ordinary shares	751,880	1,014,493

Dividends payable to the 'A' shareholders of £92,800 (2021 - £85,001) have been waived by the shareholders.

Accutronics Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

13. Tangible fixed assets

	Plant and machinery £	Fixtures, fittings and equipment £	Computer equipment £	Leasehold improvements £	Total £
Cost					
At 1 January 2022	717,816	169,664	239,756	44,420	1,171,656
Additions	52,638	2,892	18,978	-	74,508
At 31 December 2022	770,454	172,556	258,734	44,420	1,246,164
Depreciation					
At 1 January 2022	486,519	162,302	177,656	44,420	870,897
Charge for the year	81,676	2,553	33,265	-	117,494
At 31 December 2022	568,195	164,855	210,921	44,420	988,391
Net book value					
At 31 December 2022	202,259	7,701	47,813	-	257,773
At 31 December 2021	231,297	7,362	62,100	-	300,759

14. Stocks

	2022 £	2021 £
Raw materials and consumables	1,699,683	1,381,807
Work in progress (goods to be sold)	456,626	502,885
Finished goods and goods for resale	514,635	626,490
	<u>2,670,944</u>	<u>2,511,182</u>

Accutronics Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

15. Debtors

	2022 £	2021 £
Trade debtors	1,720,162	1,176,389
Gross amounts due from contract customers	142,569	141,893
Amounts owed by group undertakings	722,911	707,842
Other debtors	138,208	159,072
Prepayments and accrued income	153,089	133,119
	<u>2,876,939</u>	<u>2,318,315</u>

16. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	589,554	1,011,769
Less: bank overdrafts	(32,075)	-
	<u>557,479</u>	<u>1,011,769</u>

17. Creditors: Amounts falling due within one year

	2022 £	2021 £
Bank overdrafts	32,075	-
Trade creditors	809,484	1,097,512
Amounts owed to group undertakings	1,241,233	585,663
Corporation tax	60,496	30,614
Other taxation and social security	41,060	36,690
Accruals and deferred income	284,120	526,811
Gross amounts due to contract customers	28,366	7,056
	<u>2,496,834</u>	<u>2,284,346</u>

Accutronics Limited**Notes to the Financial Statements
For the Year Ended 31 December 2022****18. Deferred taxation**

	2022 £	2021 £
At beginning of year	78,000	47,000
(Credited)/charged to the profit or loss	(22,000)	31,000
At end of year	56,000	78,000

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	63,000	74,000
Short term timing differences	(7,000)	4,000
	56,000	78,000

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

	2022 £	2021 £
Allotted, called up and fully paid		
179,453 (2021 - 179,453) Ordinary shares of £1.00 each	179,453	179,453
75,000 (2021 - 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 2022

20. 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.

21. 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 £62,087 (2021 - £52,173). Contributions totaling £8,229 (2021 - £7,671) were payable to the fund at the balance sheet date and are included in creditors.

22. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	64,243	65,777
Later than 1 year and not later than 5 years	952	11,811
	<u>65,195</u>	<u>77,588</u>

23. 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.