

**AAC TECHNOLOGIES (SCOTLAND) LIMITED**

**FINANCIAL STATEMENTS**

**For the year ended 31 December 2021**



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# **AAC Technologies (Scotland) Limited**

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**AAC Technologies (Scotland) Limited**

**COMPANY INFORMATION**

**Company registration number**

SC653646

**Directors**

Mr Zhijiang WU  
Mr David Leroy PLEKENPOL  
Mr Siu Tak Jonathan HO (Appointed 4 October 2021)

**Secretary**

Burness Paul LLP

**Registered office**

50 Lothian Road  
Festival Square  
Edinburgh  
EH3 9WJ

**Auditor**

Chiene + Tait LLP  
Chartered Accountants and Statutory Auditor  
61 Dublin Street  
Edinburgh  
EH3 6NL

**Bankers**

Citibank UK Limited  
Citigroup Centre  
33 Canada Square  
Canary Wharf  
London  
E14 5LB

## **AAC Technologies (Scotland) Limited**

### **Strategic Report**

#### **For the period year 31 December 2021**

The directors present their strategic report for the year from 1 January 2021 to 31 December 2021.

#### **Review of the business**

The Company designs micro-electro-mechanical-systems (MEMS) components for microphones, concentrating its research and development activity on new products including related intellectual property.

#### **Development and performance and position at the end of the year**

During the period, the Company derived income of £924k (2020: £336k) and incurred R&D expenses of £763k (2020: £508k). As a result, the Company recorded a net profit of £157K (2020: loss of £235k).

At the end of period, the Company has net assets of £422K (2020: £265k). It is mainly composed of operating related assets.

In conclusion, the Company's directors are satisfied with the performance of the Company in the period.

#### **Financial key performance indicators**

The Company is a subsidiary of AAC Group, it is positioned as one of the Group's major R&D centres and recharges the Group to maintain its operation. Due to the given special business model, the Company's directors do not consider KPIs in the assessment of its performance. Instead, the directors have ensured all R&D and operating expenses incurred during the year are within the budget and are content that the business continues to develop in line with the long-term strategy for the Group.

#### **Principal risks and uncertainties**

The operation of the Company faces significant risks. The risk factors summarised below may not be a complete overview of the risks the Company may encounter and should not be considered as a complete and exhaustive list.

##### *COVID-19 and potential future pandemics*

Pandemics impact on global economies may reduce demand for the components we produce. Disruption to the AAC Technologies group's ability to produce or supply product, or our supplier's ability to support AAC Technologies could impact on the group's overall financial performance. These may impact on the financial support available to the Company in developing MEMS components.

Disruption due to government directives and travel restrictions may impact on employee's ability to perform their jobs adequately, and may lead to missed deadlines or ability to win new business.

##### *Failure to attract, hire and retain specialist personnel*

The Company operates in highly specialised sectors, and the number of qualified candidates is very limited. The number of R&D institutions/ companies for electronics and MEMS in our local market is increasing. These factors, together with increasing labour cost and immigration changes, may make it difficult to attract good candidates, and the potential risk of losing key personnel, could impact our capability to develop new products.

##### *Increasing Cost*

A high inflation rate, especially where this impacts on salaries and travel costs, may impact on operating costs of the Company leading to it being a less attractive investment for the Group compared to other locations. Reduced consumer spending due to high inflation and high energy costs may impact on demand for the Group's products, reducing its ability to invest in the Company.

##### *Failure to develop and bring new products to production*

A significant number of risks exist in being able to bring products to market in time and with broad market acceptance, and inability to deliver or delays in delivering could lead to significant loss in revenue, harming the financial performance of our business.

**AAC Technologies (Scotland) Limited**

**Strategic Report (Continued)**

**For the period ended 31 December 2021**

*Failure to protect intellectual property rights*

The Company seeks to protect intellectual property developed through obtaining patent protection, trade secrets and/or non-disclosure agreements. It cannot be guaranteed that competitors will not find ways to avoid these protections. Loss of competitive advantage, or litigation against the Company, could impair our normal operation.

On behalf of the board on 30 September 2022 ..... and signed on its behalf by:

*Alexis*

.....  
Mr Zhijiang WU, Director

## **AAC Technologies (Scotland) Limited**

### **Directors' Report**

#### **For the period ended 31 December 2021**

The directors present their report and the audited financial statements of the Company for the year from 1 January 2021 to 31 December 2021.

#### **Directors of the Company**

The directors who have served during the year were as follows:

Mr Zhijiang WU

Mr David Leroy PLEKENPOL

Mr Siu Tak Jonathan HO (Appointed 4 October 2021)

#### **Dividends**

No dividends were proposed or paid in the period ended 31 December 2021.

#### **Third party indemnity provisions**

A related undertaking within the Company's group maintains third party indemnity insurance for the benefit of all directors in the group, including the Company's directors.

#### **Financial instruments**

The Company's principal financial instruments comprise amounts due to related companies and trade payables. Amounts due to related companies are cash advances which are interest-free and are repayable on demand.

#### **Future developments**

The Company will continue its research and design activity in the coming years. It is not expected that the Company will undergo major change of its business model. The Company will keep relying on its self-generated funds to support its operational need.

#### **Research and development**

The Company designs micro-electro-mechanical-systems (MEMS) components for microphones, concentrating its research and development activity on new products including related intellectual property. During the period, the Company incurred expenditure related to these research and development activities of £762,858 (2020: £507,575).

#### **Branches outside the UK**

The Company is not a parent of any Company outside the UK

#### **Other matters**

This report should be read in conjunction with the Strategic Report.

## **AAC Technologies (Scotland) Limited**

### **Directors' Report (continued)**

**For the period ended 31 December 2021**

#### **Directors' responsibilities**

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.


The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Disclosure of information to the auditors**

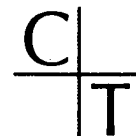
We, the directors of the Company who held office at the date of approval of these Financial Statements as set out above each confirm, so far as we are aware, that:

- there is no relevant audit information of which the Company's auditors are unaware; and
- we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on ...30 September 2022..... and signed on its behalf by:

  
.....  
Mr Zhijiang WU, Director

**INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS AND MEMBERS  
OF THE AAC TECHNOLOGIES (SCOTLAND) LIMITED**



**For the year ended 31 December 2021**

**Opinion**

We have audited the financial statements of AAC Technologies (Scotland) Limited (the 'Company') for the year ended 31 December 2021 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows 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 UK adopted International Financial Reporting Standards (IFRSs) as adopted.

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 period then ended;
- have been properly prepared in accordance with UK adopted International accounting standards; 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 director's 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.

**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.





**Opinions on other matters prescribed by the Companies Act 2006**

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

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

**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 and 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 set out 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**

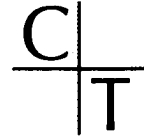
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Companies Act 2006 and Health and Safety Regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

**INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS AND MEMBERS  
OF THE AAC TECHNOLOGIES (SCOTLAND) LIMITED (Continued)**



We focused on laws and regulations that could give rise to a material misstatement in the Company's financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of key management personnel and the directors;
- review of legal correspondence or invoices, and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

A further description of our responsibilities is available on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](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.

BARRY TRUSWELL CA (Senior Statutory Auditor)  
CHIENE + TAIT LLP  
Chartered Accountants and Statutory Auditor  
61 Dublin Street  
Edinburgh  
EH3 6NL

Date: 2022-9-30

**AAC Technologies (Scotland) Limited****Statement of Profit or Loss and Other Comprehensive Income****For the year ended 31 December 2021**

	Notes	Total 2021 £	Total 2020 £
<b>Continuing operations</b>			
<b>Revenue</b>	4	923,946	335,958
<b>Gross profit</b>		923,946	335,958
Other income, gains and losses		-	10,000
Administrative expenses		(61,120)	(69,279)
Research and development costs		(762,858)	(507,575)
<b>Operating profit/(loss)</b>		99,968	(230,896)
Finance expense	5	(6,528)	(3,703)
<b>Profit/(loss) before taxation</b>	6	93,441	(234,599)
Taxation		118,840	-
<b>Profit/(Loss) for the period</b>		212,281	(234,599)
<b>Total comprehensive income for the period</b>		212,281	(234,599)

The notes on pages 13 to 27 form part of these accounts.


**AAC Technologies (Scotland) Limited**

**Statement of Financial Position**

**For the year ended 31 December 2021**

	Notes	2021 £	2020 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	159,849	99,395
Intangible assets	11	161,642	180,271
Right of use assets	12	147,997	190,282
Total non-current assets		469,488	469,948
<b>Current assets</b>			
Trade and other receivables	13	45,627	23,941
Current tax receivable	14	121,129	-
Cash and cash equivalents	15	95,769	172,900
Total current assets		262,525	196,841
<b>Total assets</b>		<b>732,013</b>	<b>666,789</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	17	115,780	162,304
Deferred tax liabilities	18	2,289	-
Total non-current liabilities		118,069	162,304
<b>Current liabilities</b>			
Trade and other payables	19	82,642	91,103
Lease liabilities	17	46,394	44,800
Amounts due to related companies		7,226	103,181
Total current liabilities		136,262	239,084
<b>Total liabilities</b>		<b>254,331</b>	<b>401,388</b>
<b>Net Assets</b>		<b>477,682</b>	<b>265,401</b>
<b>Equity</b>			
Share capital	20	500,000	500,000
Reserves		(22,318)	(234,599)
		477,682	265,401

The financial statements were approved and authorised for issue by the Board on 30 September 2022 and signed on its behalf by:

  
 Mr Zhijiang WU  
 Director

**Company No. SC653646**

The notes on pages 13 to 27 form part of these accounts.

**AAC Technologies (Scotland) Limited****Statement of Changes in Equity****For the year ended 31 December 2021**

	<b>Share capital £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
<b>At 5 February 2020</b>	-	-	-
<b>Transactions with owners in their capacity as owners</b>			
Contributions of equity net of transaction costs	500,000	-	500,000
<b>Comprehensive income</b>			
Loss for the period	-	(234,599)	(234,599)
<b>Total comprehensive income for the period</b>	-	(234,599)	(234,599)
<b>Balance at 31 December 2020</b>	<b>500,000</b>	<b>(234,599)</b>	<b>265,401</b>
<b>Comprehensive income</b>			
Profit for the period	-	212,281	212,281
<b>Total comprehensive income for the period</b>	-	212,281	212,281
<b>Balance at 31 December 2021</b>	<b>500,000</b>	<b>(22,318)</b>	<b>477,682</b>

The notes on pages 13 to 27 form part of these accounts.

# AAC Technologies (Scotland) Limited

## Statement of Cash Flows

For the year ended 31 December 2021

	2021 £	2020 £
<b>Operating activities</b>		
Profit/(loss) for the year	212,281	(234,599)
Adjustments for:		
Finance costs	6,528	3,703
Taxation	(118,840)	-
Depreciation of property, plant and equipment	39,165	8,738
Depreciation of right of use assets	42,285	22,131
Amortization of intangible assets	43,281	23,809
<b>Operating cash flows before movements in working capital</b>	<b>224,700</b>	<b>(176,218)</b>
(Increase) in trade and other receivables	(21,686)	(23,941)
(Decrease)/increase in trade and other payables	(53,391)	298,207
(Decrease)/increase in amounts due to related companies	(95,955)	103,181
<b>Cash generated from operations</b>	<b>53,668</b>	<b>201,229</b>
Finance costs	(6,528)	(3,703)
<b>Net cash from operating activities</b>	<b>47,140</b>	<b>197,526</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(99,619)	(108,133)
Additions to intangible assets	(24,652)	(204,080)
Payment for right-of-use assets	-	(212,413)
<b>Net cash used in investing activities</b>	<b>(124,271)</b>	<b>(524,626)</b>
<b>Financing activities</b>		
Issue of shares	-	500,000
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>500,000</b>
<b>Cash and cash equivalents at 31 December 2021</b>		
Net (decrease)/increase in cash and cash equivalents	(77,131)	172,900
Cash and cash equivalents at 1 January 2021	172,900	-
	<b>95,769</b>	<b>172,900</b>
<b>Represented by:</b>		
Bank balances and cash deposits	95,769	172,900
<b>Cash and cash equivalents at 31 December 2021</b>	<b>95,769</b>	<b>172,900</b>

The notes on pages 13 to 27 form part of these accounts

## **AAC Technologies (Scotland) Limited**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2021**

#### **1 General**

AAC Technologies (Scotland) Limited is a private Company limited by shares incorporated in the United Kingdom and registered in Scotland. The address of the registered office is given in the Company information on page 1 of these financial statements. The nature of the Company's operations and principal activities are to develop MEMS microphone chips.

The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements are presented in pounds sterling (GBP) as that is the currency in which the company's transactions are denominated. Monetary amounts are rounded to the nearest £.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

#### **2 Application of new and amendments to International Financial Reporting Standards ("IFRSs")**

The Directors are aware of a number of amendments to IFRS standards that are effective in future periods. The Directors do not believe that these amendments will have a material impact on future financial statements

#### **3 Summary of significant accounting policies**

##### **Revenue**

The company provides services to other group companies at cost plus a defined margin. Revenue is recharged every month based on actual costs incurred for those services provided.

##### **Leases**

###### **Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

###### **Lessee**

###### ***Right-of-use assets***

Except for short-term leases and lease of low value assets, the Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Company.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

**3 Summary of significant accounting policies (continued)**

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

*Refundable rental deposits*

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

*Lease liabilities*

At the commencement date of a lease, the Company recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

**Property, plant and equipment**

Property, plant and equipment are initially recorded at cost of purchase cost less subsequent accumulated depreciation

Depreciation is recognised so as to write off the cost of assets other than freehold land and construction in progress less their residual values over their estimated useful lives, using the straight-line method over the following number of years:

Leasehold improvements - 5 years, or over the term of the lease, whichever is shorter

Computer equipment – 3 years straight line

Plant and machinery – 5 years straight line

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

**Leasehold land and building**

When the Company makes payments for a property interest which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" statement of financial position and is amortised over the lease term on a straight-line basis. When the consideration cannot be allocated reliably between non-lease building elements and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

**3 Summary of significant accounting policies (continued)**

**Financial instruments**

Financial assets and financial liabilities are recognised when a Company becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

*Subsequent measurement*

Financial assets are subsequently measured at amortised cost.

Financial liabilities, which consist of trade and other payables and amounts due to related companies are subsequently measured at amortised cost, using the effective interest method.

*Derecognition*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Intangible assets**

**Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

**Internally generated intangible assets – research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

**3 Summary of significant accounting policies (continued)**

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probably future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, an internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

**Impairment on property, plant and equipment, right-of-use assets and intangible assets**

At the end of the reporting period the directors reviews the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, and the asset is impaired accordingly.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year.

Deferred tax liabilities are recognised for taxable temporary differences. The carrying amount of deferred tax assets is reviewed at the end of the reporting period

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Company recognises the right-of-use assets and the related lease liabilities, the Company first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

## **AAC Technologies (Scotland) Limited**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

#### **3 Summary of significant accounting policies (continued)**

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Company applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised directly in equity, in which case, the current and deferred tax is also recognised in directly in equity.

#### **Government grants**

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

#### **Foreign currency translation**

In preparing the financial statements transactions in currencies other than the functional currency of the Company (foreign currencies) are recognised in its functional currency (i.e. the currency of the primary economic environment in which the entity operates – sterling ) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

#### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

#### **Employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid

The Company operates a defined contribution pension plan for the benefit of its employees. Contributions are expensed as they become payable.

**AAC Technologies (Scotland) Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****4 Revenue from contracts with customers**

An analysis of the Company's revenue for the year, for both continuing and discontinued operations, is as follows:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Continuing operations</b>		
Revenue from the rendering of services	923,946	335,958
	<u>923,946</u>	<u>335,958</u>
	<u>=====</u>	<u>=====</u>

**5 Finance costs**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Interest on lease liabilities	6,528	3,703
	<u>6,528</u>	<u>3,703</u>
	<u>=====</u>	<u>=====</u>

**6 Loss before tax**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Loss before tax has been arrived at after charging (crediting):		
Other staff's retirement benefits contributions	99,151	57,877
Other staff costs	376,596	376,596
	<u>475,747</u>	<u>434,483</u>
	<u>=====</u>	<u>=====</u>
Total staff costs		
Depreciation of property plant and equipment	21,810	8,738
Depreciation of right-of-use assets	42,285	22,131
Amortisation of intangible assets	43,281	23,809
Auditor's remuneration	12,500	12,500
Government grants	-	(10,000)
	<u>=====</u>	<u>=====</u>

# AAC Technologies (Scotland) Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

### 7 Staff costs

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

	2021 No	2020 No
Management and administration	6	5
	=====	=====

The aggregate payroll costs of these persons were as follows:

	2021 £	2020 £
Employees:		
- basic salaries and allowances	425,775	342,304
- social security	47,201	34,292
- retirement benefits scheme contributions	99,151	57,887
	=====	=====
	572,127	434,483
	=====	=====

### 8 Director's remuneration

	2021 £	2020 £
Aggregate remuneration (including benefits in kind)	24,472	-
Aggregate of company contributions to defined contribution pension schemes	2,835	-
Number of directors to whom retirement benefits accrue:		
Defined contribution schemes	1	-
	=====	=====

### 9 Taxation

	2021 £	2020 £
--	-----------	-----------

The current tax charge comprises:

Total taxation	(118,840)	-
	=====	=====

Tax on loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

Profit/(loss) before taxation	(93,441)	(234,599)
	=====	=====
Profit/(loss) by rate of tax	17,754	(44,574)
Effect of expenses not deductible for tax purposes	274	1,701
Effect of ineligible depreciation	(1,843)	1,660
Effect of unrecognised deferred tax	(27,926)	41,213
Adjustments to tax charge in respect of previous periods	(63,657)	-
Current period R&D claim	(57,472)	-
R&D expenditure credits	13,481	-
Movement In deferred tax balances for rate change	549	-
	=====	=====
Income tax expense recognised in profit or loss	(118,840)	-
	=====	=====

**AAC Technologies (Scotland) Limited**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

**10 Property, plant and equipment**

	<b>Leasehold improvement £</b>	<b>Other Equipment £</b>	<b>Total £</b>
<b>Cost</b>			
As at 5 February 2020	-	-	-
Additions	108,133	-	108,133
	-----	-----	-----
At 31 December 2020 and 1 January 2021	108,133	-	108,133
Additions	1,000	98,619	99,619
	-----	-----	-----
At 31 December 2021	<b>109,133</b>	<b>98,619</b>	<b>207,752</b>
	=====	=====	=====
<b>Accumulated depreciation</b>			
At 5 February 2020	-	-	-
Provided for the year	8,738	-	8,738
	-----	-----	-----
At 31 December 2020 and 1 January 2021	8,738	-	8,738
Provided for the year	21,810	17,355	39,165
	-----	-----	-----
At 31 December 2021	<b>30,548</b>	<b>17,355</b>	<b>47,903</b>
	=====	=====	=====
<b>Carrying values</b>			
Balance at 31 December 2021	<b>78,585</b>	<b>81,264</b>	<b>159,849</b>
	=====	=====	=====
Balance at 31 December 2020	99,395	-	99,395
	=====	=====	=====

**AAC Technologies (Scotland) Limited**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

**11 Intangible assets**

<b>Cost</b>	<b>Software £</b>	<b>Total £</b>
As at 5 February 2020	-	-
At 31 December 2020 and 1 January 2021	204,080	204,080
	-----	-----
Additions	24,652	24,652
	-----	-----
<b>Balance at 31 December 2021</b>	<b>228,732</b>	<b>228,732</b>
<b>Accumulated depreciation</b>		
As at February 2020	-	-
Provided for the year	23,809	23,809
	-----	-----
At 31 December 2020 and 1 January 2021	23,809	23,809
	-----	-----
Provided for the year	43,281	43,281
	-----	-----
<b>At 31 December 2021</b>	<b>161,642</b>	<b>161,642</b>
	=====	=====
<b>Carrying values</b>		
Balance at 31 December 2021	161,642	161,642
	=====	=====
Balance at 31 December 2020	180,271	180,271
	=====	=====

**AAC Technologies (Scotland) Limited**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

**12 Right-of-use assets**

The Company leases properties. The average lease term on the properties is 5 years. There are no options to purchase at the end of the lease lives. In all cases, the lease obligations are secured by the lessor's title to the leased assets.

The right-of-use assets included in the statement of financial position are as follows:

	<b>Properties</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>Net carrying amount</b>		
As at 5 February 2020	-	-
Additions	212,413	212,413
	-----	-----
At 31 December 2020 and 1 January 2021	212,413	212,413
Additions	-	-
	-----	-----
At 31 December 2021	212,413	212,413
	=====	=====
<b>Amortisation and impairment</b>		
As at 5 February 2020	-	-
Charge for the period	(22,131)	(22,131)
At 31 December and 1 January 2021	-----	-----
	(22,131)	(22,131)
Charge for the period	(42,285)	(42,285)
	-----	-----
At 31 December 2021	(64,416)	(64,416)
	-----	-----
Net carrying amount at 31 December 2021	<b>147,997</b>	<b>147,997</b>
	=====	=====
Net carrying amount at 31 December 2020	190,282	190,282
	=====	=====
	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Amounts recognised in profit and loss</b>		
Depreciation expense on right-of-use assets	42,285	22,131
Interest expense on lease liabilities	6,528	3,703
	=====	=====

None of the Company's property leases contain variable payment terms

**13 Trade and other receivables**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Prepayments	27,174	3,363
Value-added tax recoverable	17,353	19,478
Other receivables	1,100	1,100
	-----	-----
	<b>45,627</b>	<b>23,941</b>
	=====	=====



**AAC Technologies (Scotland) Limited**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

**14 Current tax receivable**

	<b>2021</b>	2020
	<b>£</b>	<b>£</b>
<b>Current tax assets</b>		
RDEC receivable in respect of current year	57,472	-
RDEC receivable in respect of prior year	63,657	-
	<u>121,129</u>	<u>-</u>
	=====	=====

**15 Amounts due to related parties**

Details of amounts due to related companies are stated as follows:

	<b>2021</b>	2020
	<b>£</b>	<b>£</b>
<b>Name of related Company</b>		
AAC Technologies Pte Ltd	7,226	103,181
	<u>7,226</u>	<u>103,181</u>
	=====	=====

AAC Technologies PTE Ltd is a sister Company within the AAC Technologies Holdings group.

**16 Bank balances and cash and pledged bank deposits**

The bank balances and cash and pledged bank deposits which are denominated in currencies other than the functional currencies of the Company are set out below:

	<b>2021</b>	2020
	<b>£</b>	<b>£</b>
<b>Name of related Company</b>		
USD	3	3
EUR	8	8
	<u>-----</u>	<u>-----</u>

**17 Lease liabilities**

	<b>2021</b>	2020
	<b>£</b>	<b>£</b>
Within one year	46,394	44,800
Within a period of more than one year but no more than two years	48,044	46,394
Within a period of more than two years but no more than five years	67,736	115,910
Within a period of more than five years	-	-
	<u>162,174</u>	<u>207,104</u>
	=====	=====
Less: Amounts due for settlement within 12 months shown under current liabilities	<u>(46,394)</u>	<u>(44,800)</u>
	-----	-----
Amounts due for settlement after 12 months shown under non-current liabilities	115,780	162,304
	=====	=====

**AAC Technologies (Scotland) Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****17 Lease liabilities (continued)**

The lease agreements did not contain any contingent rent for the lessee.

No extension options are included in all lease agreements entered by the Company. The incremental borrowing rates applied is 3.5%. These lease liabilities were measured at the present value of the lease payments that are not yet paid.

The Company does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

**18 Deferred tax balances**

	2021 £	2020 £
Deferred tax assets	67,248	-
Deferred tax liabilities	(69,537)	-
<b>Net deferred tax liability</b>	<b>(2,289)</b>	<b>-</b>
	=====	=====

The net deferred tax liability consists of the following:

**Deferred tax assets**

Short term temporary differences	3,897	-
Assessed losses and other deductions	63,351	-
	<b>67,248</b>	<b>-</b>
	=====	=====

**Deferred tax liabilities**

Fixed asset timing differences	69,537	-
	<b>69,537</b>	<b>-</b>
	=====	=====

**AAC Technologies (Scotland) Limited**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

**19 Trade and other payables**

	<b>2021</b>	2020
	<b>£</b>	<b>£</b>
Trade payables	6,800	16,720
Payroll and welfare payables	46,911	45,738
Other payables and accruals	28,931	28,645
	-----	-----
	<b>82,642</b>	<b>91,103</b>
	=====	=====

Other payables are unsecured, interest-free and have no fixed repayment terms.

An aged analysis of trade and other payables, presented based on the invoice date, is as follows:

	<b>2021</b>	2020
	<b>£</b>	<b>£</b>
0 – 90 days	1,214	16,720
91 – 180 days	5,586	-
Over 180 days	-	-
	-----	-----
	<b>6,800</b>	<b>16,720</b>
	=====	=====

**20 Share capital**

	<b>Number of shares</b>	<b>£</b>
<b>Issued and fully paid:</b>		
Ordinary shares of par value of £1 each		
As at 5 February 2020	500,000	500,000
	-----	-----
As at 31 December 2020 and 31 December 2021	500,000	500,000
	=====	=====

**21 Financial instruments**

Categories of financial instruments

	<b>2021</b>	2020
	<b>£</b>	<b>£</b>
<u><b>Financial Assets</b></u>		
Financial assets measured at amortised cost:		
Trade and other receivables	1,100	1,100
Cash and cash equivalents	95,769	172,900
	-----	-----
	<b>96,869</b>	<b>174,000</b>
	=====	=====
<u><b>Financial Liabilities</b></u>		
Financial liabilities measured at amortised cost:		
Trade and other payables	82,642	99,103
Lease liabilities	162,174	207,104
Amounts due to related parties	7,226	103,181
	-----	-----
	<b>252,042</b>	<b>409,388</b>
	=====	=====

## **AAC Technologies (Scotland) Limited**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

#### **21 Financial instruments (continued)**

##### **Financial risk management objectives and policies**

The company's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, lease liabilities and amounts due to related entities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in an effective manner.

##### **Market risk**

###### *Currency risk*

The company primarily transacts in pounds sterling, GBP, and all sales are denominated in GBP. Some expenditure may be denominated in Euros, EUR, or US Dollars, USD, and the company has bank accounts for all three currencies.

The EUR and USD bank account balances are disclosed in Note 14 and management are of the view that these balances and any EUR or USD transactions are of such low nature that the company's exposure to risks of movements in foreign exchange translation rates are negligible.

All other financial instruments are denominated in GBP.

###### *Interest rate risk*

The company has no financial instruments that are subject to interest.

Information on the unwinding of lease liabilities is given in Note 16.

##### **Credit risk**

The company has limited exposure to credit risk and, as at the year end, trade and other receivables amounted to £64,757. Management regularly reviews financial assets and consider recoverability. They have noted that all financial assets have been recovered after the period end.

##### **Liquidity risk**

The company has had loans advanced from a related undertaking as disclosed in Note 14. In addition to this, the company has an agreement to recharge services at cost plus margin to a related undertaking as disclosed in Note 21.

The company has had confirmation from AAC Technologies Pte Ltd that they will not recall the loan disclosed in Note 14 and will continue to provide additional funding should it be required for a period of at least twelve months from the date of approval of these accounts.

Management is content that the company has sufficient capital to continue to trade in line with the company's business plan and have access to additional funding in the unlikely event that it should be required. As such, management believe the risks associated with liquidity are low.

**AAC Technologies (Scotland) Limited**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

**22 Related party transactions**

The group is controlled by the following entities:

<b>Name</b>	<b>Type</b>	<b>Place of incorporation</b>	<b>Ownership Interest 2021</b>
AAC Technologies Solutions (Singapore) Pte. Ltd	Immediate parent	Singapore	100%
AAC Technologies Holdings Inc	Ultimate parent entity and controlling party	Cayman Islands	100%

Transactions with related parties:

	<b>2021 £</b>	<b>2020 £</b>
Sales of services to parent	923,946 =====	335,958 =====

Key management personnel compensation:

	<b>2021 £</b>	<b>2020 £</b>
Short-term employee benefits	122,696	89,447
Post-employment benefits	25,768 =====	16,624 =====

**23 Retirement benefit scheme**

The Company operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the plans are held separately from those of the Company in funds under the control of trustees. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

**AAC Technologies (Scotland) Limited**

**DETAILED INCOME STATEMENT**

**For the year ended 31 December 2021**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Revenue</b>		
Group recharges	923,946	335,958
<b>Gross profit</b>	<b>923,946</b>	<b>335,958</b>
<b>Other income</b>		
Government grants	-	10,000
<b>Administrative Expenses</b>		
Audit & Accountancy fees	(40,007)	(38,012)
Cleaning	(1,180)	-
Fines and penalties	(1,442)	-
General expenses	(41)	-
Electricity	(327)	(106)
Insurance	(881)	(600)
Legal Expenses	(1,998)	(13,077)
Printing & Stationery	(21)	(35)
Professional expenses	(137)	(7,099)
Rent	-	(6,835)
Repairs & Maintenance	(283)	(292)
Service Charge	(13,641)	(2,688)
Staff Training	-	(252)
Bank Fees	(1,161)	(280)
Exchange gains (loss)	(1)	(3)
	<b>(61,120)</b>	<b>(69,279)</b>
<b>Research and development costs</b>		
Salaries	(425,775)	(342,304)
Employers National Insurance	(47,201)	(34,292)
Employers Pensions Costs	(99,151)	(57,887)
Medical Insurance	(3,511)	(1,898)
Employee Welfare	-	(400)
Amortisation Expense	(85,566)	(45,941)
Depreciation Expense	(39,165)	(8,738)
IT Software and Consumables	(29,333)	(7,492)
Postage, Freight & Courier	(11)	(321)
Rates	(27,520)	(493)
Telephone & Internet	(4,097)	(1,511)
Travel - International	-	(6,298)
Water charges	(1,528)	-
	<b>(762,858)</b>	<b>(507,575)</b>
<b>Finance expense</b>		
Finance costs	(6,528)	(3,703)
<b>Profit/(Loss) before taxation</b>	<b>93,441</b>	<b>(234,599)</b>