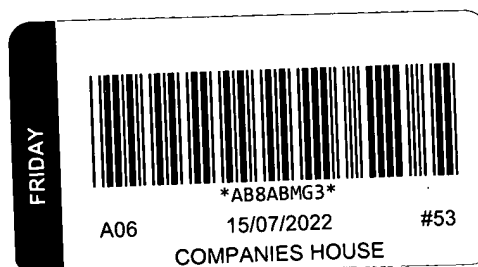


**Company Registration No. 05288859**

**Adlens Limited**

**Annual report and Financial Statements**

**For the year ended 31 December 2021**



# **Adlens Limited**

## **Annual Report and financial statements for the year ended 2021**

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## **Adlens Limited**

### **Officers and Professional Advisors**

#### **Directors**

J Y J Chen  
R Corlin  
JP Kennedy

#### **Registered Office**

Chilbrook House  
1 Oasis Park  
Stanton Harcourt Road  
Eynsham  
Oxfordshire  
United Kingdom  
OX29 4TP

#### **Bankers**

HSBC Bank Plc  
Botley  
Oxford  
OX2 0PL

#### **Auditor**

Grant Thornton UK LLP  
Statutory Auditor  
Seacourt Tower  
Botley  
Oxford  
OX2 0JJ

# Adlens Limited

## Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

### Principal activities

The Company is principally engaged in the development of lens technology for the glasses market. The company financial performance for the year and position at the year end are disclosed in the attached financial statements. The directors are unable to recommend the payment of a dividend.

### Review of the business

During the year the company made progress against its objectives as it developed new variable focus eyewear products.

As a result of the events of 2020, the cancellation of the development and licence agreement and the ongoing Covid-19 pandemic, in 2021 the company has continued the restructuring actions to reduce the cost run rate and to refocus its resources to product and market areas that offer attractive, addressable commercial opportunities. These opportunities are all in areas where the company has expertise, relationships and in a number of cases, a valuable IP portfolio. As a result work in 2021 has focussed on launching a new product, using the Alvarez glasses technology, this is scheduled for launch to market in 2022.

### Key performance indicators

The company currently considers turnover (2021:£512,168 2020:£3,540,708) and loss before taxation (2021: £8,183,564 2020: a loss of £6,667,088) of a period to be two key performance indicators along with customer satisfaction and new product development.

### Future developments

There are identifiable business opportunities which the company will pursue, but future outcomes will depend upon the successful execution of the new product launch, continued funding and any government measures limiting social contact as a result of the Covid-19 pandemic.

The company's revised plan is based upon existing product capabilities which the group believes will lead to profitable revenue streams. The board will continue to monitor progress during 2022 and depending on results it may modify the investments.

Additionally, management has entered into discussions with the principal funder to address the debt repayment obligations, noting also that the funder has provided assurances to the group that the loan will not be recalled for payment for at least 12 months from the date of approval of the financial statements.

### Principal risks and uncertainties

Given the new product is in its early stages of development it is not yet possible to predict, with a degree of certainty, the outcomes of the opportunity the group is now pursuing.

Execution risk is present, principally in the establishing of agreements with customers and partners in the target markets.

Additional risk pertains if any government measures limiting social contact as a result of the Covid-19 pandemic are implemented in the future.

The company has an inability to repay its borrowings from the group both in the current year and in future years where at present there is no visibility of specific identified revenue streams sufficient to repay the debt and is dependent on continued funding.

Approved by the Board of Directors  
and signed on behalf of the Board

J P Kennedy  
Director



27/6/2022

## Adlens Limited

### Directors' report

The directors present their directors' report and the audited financial statements for the year ended 31 December 2021.

#### Results for the year

The financial performance for the year and the position at the year end are disclosed in the attached financial statements. The company made a loss of £7,683,099 in the year (2020: £6,031,539)

#### Dividends

The directors do not recommend the payment of a dividend (2020: £nil).

#### Going concern

The company has refocused the organization and resources on its strategic priorities as a result of the fact that the company received notification from a third party, which contributed to a significant majority of the company's 2020 revenue, that they would not be continuing with their current agreement in March 2020.

Notwithstanding the organization restructuring, the company remains in a position where it has yet to establish a proven, repeatable and profitable business model, though a trial and product launch of glasses using adjustable lens technology is planned for 2022. The company is currently loss making and is in a net liability and net current liability position with a material intercompany loan to the parent company, Adlens Group Limited as at 31 December 2021. In turn the group, Adlens Group Limited has material convertible loan notes and interest due to Birmingham International Limited. The board have approved a revised plan for the strategic direction of the company which includes a need for financial support, and which they believe will create revenue-generating opportunities to work towards repaying the debt and accrued interest.

The majority shareholder of the ultimate parent company, J Y J Chen, has provided written assurances to both the parent company and Adlens Limited that he continues to be financially supportive of the Adlens Group and the Company to enable it to meet its consolidated liabilities for the convertible loan notes and interest as they fall due and intends to provide available funding to meet any obligations as they fall due for the next twelve months from the date of this report and that the convertible loan notes will not be recalled for repayment within the same period. In the absence of a proven revenue generating business model or an agreed alternative arrangement with the loan note holders, there is doubt over the company's ability to generate sufficient free cash flows in order to repay the intercompany loan and associated interest, which as at 31 December 2021 were £103,492,627 and £39,401,040. This situation creates a material uncertainty that may cast significant doubt on the company's and company's ability to continue as a going concern.

J Y J Chen is fully informed of the cash flow requirements of Adlens Limited in his capacity as a director of Adlens Group Limited and Adlens Limited and has provided written assurances that based on the current forecast the following cash injections will be provided; £1,000,000 in Q2 of 2022, £1,000,000 in Q3 of 2022, £500,000 in Q1 of 2023 and £750,000 in Q2 of 2023 to the company to meet its obligations in the next 12 months from the date of signing the financial statements. The directors are in receipt of confirmation of this continued intention to support the company. This situation creates a material uncertainty that may cast significant doubt on the company's and company's ability to continue as a going concern.

As previously noted, the Board believes that its revised plan will lead to a Revenue and positive Earnings before Interest, Tax, Depreciation and Amortisation generating position for the company. Also as previously noted, the Group has entered into preliminary discussions with Birmingham International Limited to address the debt repayment obligations of the Group. The majority shareholder of Birmingham International Limited is J Y J Chen, therefore the convertible loan notes and interest within Adlens Group Limited is a related party arrangement.

The directors continue to adopt the going concern basis of preparing the financial statements as they believe that the strategy going forwards can be achieved and have received assurances from the majority shareholder as to both his willingness and ability to provide continued support and confirmation from Adlens Group Limited regarding the repayment of the existing intercompany loan and interest. Support can be withdrawn at any time, however the directors at this time see no reason why this would be the case. As noted above, these situations create material uncertainty that casts significant doubt on the company's ability to continue as a going concern. The financial statements do not include any adjustments that would result should the going concern basis of preparation be no longer appropriate.

## **Adlens Limited**

### **Directors' report**

#### **Directors**

The directors who served during the year and to the date of signing the financial statements were:

J Y J Chen  
R Corlin  
JP Kennedy

#### **Research and development**

During 2021 the company spent £1,585,372 on research and development expenditure (2020: £2,341,131).

#### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms 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 he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Grant Thornton UK LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

#### **Approval of reduced disclosures**

The company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The company also intend to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the company by Adlens Group Limited, as the immediate parent of the entity.

## Adlens Limited

### Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 and 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 judgements and accounting estimates that are reasonable and prudent; and
- 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 disclosure 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.

Approved by the Board of Directors  
and signed on behalf of the Board

J P Kennedy  
Director



27/6/2022

## **Independent auditor's report to the members of Adlens Limited**

### **Opinion**

We have audited the financial statements of Adlens Limited (the 'company') for the year ended 31 December 2021, which comprise the statement of comprehensive loss, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to note 1 in the financial statements, which describes the significant assumptions that management have made in preparing the financial statements on a going concern basis.

The company has refocused the organization and resources on its strategic priorities as a result of the fact that the company received notification from a third party, which contributed to a significant majority of the company's 2020 revenue, that they would not be continuing with their current agreement in March 2020. Notwithstanding the organization restructuring, the company remains in a position where it has yet to establish a proven, repeatable and profitable business model. The company is currently loss making and is in a net liability and net current liability position with a material intercompany loan to the parent company, Adlens Group Limited as at 31 December 2021. In addition, the board have approved a revised plan for the strategic direction of the company which includes a need for financial support, and which they believe will create revenue-generating opportunities to work towards repaying the debt and accrued interest. This situation, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

### ***Our responsibilities***

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.



**Other information**

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

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

We have nothing to report in this regard.

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

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

- the information given in the strategic report and the 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.

**Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 for the financial statements**

As explained more fully in the directors' responsibilities statement, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

*Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and sector in which it operates through our commercial and sector experience; making enquiries of management and those charged with governance; and inspection of the company's relevant external correspondence. We corroborated our enquiries through inspection of board minutes and other information obtained during the course of the audit.
- Through the understanding that we obtained, we determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks including United Kingdom Accounting Standards including Financial Reporting Standard 102; the Companies Act 2006; and the relevant taxation regulations.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgemental areas with a risk of fraud including potential management bias, of revenue occurrence and through management override of controls.
- Our audit procedures included:
  - Gaining an understanding of the controls that management has in place to prevent and detect fraud;
  - Journal entry testing, with a focus on journals indicating large or unusual transactions or account combinations based on our understanding of the business;
  - Gaining an understanding of and testing significant identified related party transactions; and
  - Performing audit procedures to consider the compliance of disclosures in the financial statements with the applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - Knowledge of the industry in which the company operates;
  - Understanding of the relevant legal and regulatory frameworks specific to the company including: the provisions of the applicable legislation; the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules; and the applicable statutory provisions.
- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the estimated and judgemental areas with a risk of fraud, including potential management bias, of revenue occurrence, and through management override of controls in the preparation of the financial statements.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Grant Thornton UK LLP*

Paul Holland BSc BFP FCA  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Oxford  
27/6/2022

**Adlens Limited****Statement of Comprehensive Loss  
For the year ended 31 December 2021**

		<b>2021</b>	<b>2020</b>
	<b>Notes</b>	<b>£</b>	<b>Restated £</b>
<b>Turnover</b>	1,3	512,168	3,540,708
Other income- government grants		14,234	128,269
Cost of sales		(40,696)	(1,148,703)
<b>Gross Profit</b>		<b>485,706</b>	<b>2,520,274</b>
Administrative expenses		(3,462,064)	(4,098,135)
Impairment of investment	10	-	(12,657,440)
Movement on impairment of intercompany loan	4	-	13,097,681
<b>Total administrative expenses</b>		<b>(3,462,064)</b>	<b>(3,657,894)</b>
<b>Operating (loss)/profit</b>	4	<b>(2,976,358)</b>	<b>(1,137,620)</b>
Interest receivable and similar income		1,393	14,026
Interest payable and similar charges	7	(5,208,599)	(5,543,494)
<b>Loss on ordinary activities before taxation</b>		<b>(8,183,564)</b>	<b>(6,667,088)</b>
Tax on loss on ordinary activities	8	500,465	635,549
<b>Loss for the financial year attributable to the equity shareholders of the Company</b>		<b>(7,683,099)</b>	<b>(6,031,539)</b>

The restatement of 2020 is required due to an over impairment of Intercompany debt, see Note 19 for more detail.

The accounting policies and notes on pages 13 to 22 form part of these financial statements.

**Adlens Limited****Balance sheet  
As at 31 December 2021**

	Notes	2021 £	2020 Restated £
<b>Fixed assets</b>			
Tangible assets	9	187,830	175,884
Investments	10	-	-
		<u>187,830</u>	<u>175,884</u>
<b>Current assets</b>			
Stocks		-	-
Debtors	11	678,109	963,704
Cash at bank		1,591,065	2,901,447
		<u>2,269,174</u>	<u>3,865,151</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(143,453,564)</u>	<u>(137,354,496)</u>
<b>Net current liabilities</b>		<u>(141,184,390)</u>	<u>(133,489,345)</u>
<b>Total assets less current liabilities</b>		<u>(140,996,560)</u>	<u>(133,313,461)</u>
<b>Net liabilities</b>		<u>(140,996,560)</u>	<u>(133,313,461)</u>
<b>Capital and reserves</b>			
Called up share capital	13	192	192
Share premium account		4,999,808	4,999,808
Capital contribution		48,544	48,544
Profit and loss account		<u>(146,045,104)</u>	<u>(138,362,005)</u>
<b>Shareholder's deficit</b>		<u>(140,996,560)</u>	<u>(133,313,461)</u>

The restatement of 2020 is required due to an over impairment of Intercompany debt, see Note 19 for more detail.

The accounting policies and notes on pages 13 to 22 form part of these financial statements.

The financial statements of Adlens Limited, registered number 05288859 were approved by the Board of Directors and authorised for issue on 27/6/2022

Signed on behalf of the Board of Directors



J P Kennedy  
Director

## Adlens Limited

### Statement of changes in equity For the year ended 31 December 2021

	<b>Called-up share capital £</b>	<b>Share premium account £</b>	<b>Capital contribution reserve £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
<b>At 1 January 2020</b>	192	4,999,808	43,404	(132,330,466)	(127,287,062)
Loss for the financial year	-	-	-	(6,244,473)	(6,244,473)
Contribution in year	-	-	5,140	-	5,140
<b>At 31 December 2020 as previously reported</b>	192	4,999,808	48,544	(138,574,939)	(133,526,395)
Movement in equity as a result of correcting 2020 over impairment on Investments (See Note 19)				212,934	212,934
<b>At 1 January 2021 Restated</b>	192	4,999,808	48,544	(138,362,005)	(133,313,461)
Loss for the financial year	-	-	-	(7,683,009)	(7,683,009)
Contribution in year	-	-	-	-	-
<b>At 31 December 2021</b>	192	4,999,808	48,544	(146,045,104)	(140,996,560)

# Adlens Limited

## Notes to the financial statements For the year ended 31 December 2021

### 1. Accounting policies

The company is a private company limited by shares and is incorporated in England. The address of the registered office is stated on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

#### Basis of preparation of financial statements

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year. Adlens Limited is a company incorporated in the United Kingdom under the Companies Act.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council applicable in the United Kingdom and Republic of Ireland. The functional currency of Adlens Limited is considered to be pound sterling because that is the currency of the primary economic environment in which the company operates.

Adlens Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The company's parent undertaking, Adlens Group Limited includes the company in its consolidated financial statements. The consolidated financial statements of Adlens Group Limited are prepared in accordance with FRS 102, are available to the public and may be obtained from the address in note 18. In preparing these financial statements, exemptions have been taken in these separate company financial statements in relation to reconciliation of the number of shares outstanding from the beginning to end of the period, basic financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

#### Going Concern

The company has refocused the organization and resources on its strategic priorities as a result of the fact that the company received notification from a third party, which contributed to a significant majority of the company's 2020 revenue, that they would not be continuing with their current agreement in March 2020.

Notwithstanding the organization restructuring, the company remains in a position where it has yet to establish a proven, repeatable and profitable business model, though a trial and product launch of glasses using adjustable lens technology is planned for 2022. The company is currently loss making and is in a net liability and net current liability position with a material intercompany loan to the parent company, Adlens Group Limited as at 31 December 2021. In turn the group, Adlens Group Limited has material convertible loan notes and interest due to Birmingham International Limited. The board have approved a revised plan for the strategic direction of the company which includes a need for financial support, and which they believe will create revenue-generating opportunities to work towards repaying the debt and accrued interest.

The majority shareholder of the ultimate parent company, J Y J Chen, has provided written assurances that he continues to be financially supportive of the Adlens Group Limited and the Company to enable it to meet its consolidated liabilities for the convertible loan notes and interest as they fall due and intends to provide available funding to meet any obligations as they fall due for the next twelve months from the date of this report and that the convertible loan notes will not be recalled for repayment within the same period. In the absence of a proven revenue generating business model or an agreed alternative arrangement with the loan note holders, there is doubt over the company's ability to generate sufficient free cash flows in order to repay the intercompany loan and associated interest, which as at 31 December 2021 were £103,492,627 and £39,401,040. This situation creates a material uncertainty that may cast significant doubt on the company's and company's ability to continue as a going concern.

J Y J Chen is fully informed of the cash flow requirements of Adlens Limited in his capacity as a director of Adlens Group Limited and Adlens Limited and has provided written assurances that based on the current forecast the following cash injections will be provided; £1,000,000 in Q2 of 2022, £1,000,000 in Q3 of 2022, £500,000 in Q1 of 2023 and £750,000 in Q2 of 2023 to the company to meet its obligations in the next 12 months from the date of signing the financial statements. The directors are in receipt of confirmation of this continued intention to support the company. This situation creates a material uncertainty that may cast significant doubt on the company's and company's ability to continue as a going concern.

**Adlens Limited**

**Notes to the financial statements  
For the year ended 31 December 2021**

As previously noted, the Board believes that its revised plan will lead to a Revenue and positive Earnings before Interest, Tax, Depreciation and Amortisation generating position for the company. Also as previously noted, the company has entered into preliminary discussions with Birmingham International to address the debt repayment obligations of the company. The majority shareholder of Birmingham International Limited is J Y J Chen, therefore the convertible loan notes and interest within Adlens Group Limited is a related party arrangement.

The directors continue to adopt the going concern basis of preparing the financial statements as they believe that the strategy going forwards can be achieved and have received assurances from the majority shareholder as to both his willingness and ability to provide continued support. Support can be withdrawn at any time, however the directors at this time see no reason why this would be the case. As noted above, these situations create material uncertainty that casts significant doubt on the company's ability to continue as a going concern. The financial statements do not include any adjustments that would result should the going concern basis of preparation be no longer appropriate.

**Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax. Revenue is recognised upon dispatch of goods or for service revenue and royalty revenue when the obligations of the company have been fulfilled.

**Research and development**

Research expenditure is written off to the Statement of Comprehensive Loss in the year in which it is incurred. Development expenditure is also written off, except where the directors are satisfied as the technical, commercial and financial viability of individual projects. In such cases the identifiable expenditure would be deferred and amortised over the period the company will gain benefit.

**Government grant**

The other income shown the profit and loss account represents government grants relating to the Coronavirus Job Retention Scheme. Grant income is recognised in the profit and loss account as the entity becomes entitled to the income.

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:  
Leasehold & Equipment - 20%-33% straight line

**Stocks**

Stocks which comprise of finished goods are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Investments**

Investments held as fixed assets are shown at cost less provision for impairment.

**Operating leases**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

**Pensions**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company.



# Adlens Limited

## Notes to the financial statements For the year ended 31 December 2021

### 1. Accounting policies (continued)

#### Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by balance sheet date.

#### Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating loss.

#### Research and development tax credits

Amounts receivable in respect of research and development tax credits are recognised in the financial statements in the year in which the related expenditure was incurred, provided there is sufficient evidence that these amounts are recoverable.

#### Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

## Adlens Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 1. Accounting policies (continued)

##### Financial instruments (continued)

- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

##### Cash at bank

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

#### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, 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 the revision and future periods if the revision affects both current and future periods.

##### *Critical judgements in applying the Company's accounting policies*

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

## Adlens Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 2 Critical accounting judgements and key sources of estimation uncertainty (continued)

##### Going concern

The critical judgement made with regard to going concern is disclosed fully on Page 13

##### Critical judgement

##### Research and Development Tax Credit

Determining the likely rebate from HMRC has been made in accordance with the accounting policy relating to Research and development tax credits outlined on Page 15 of these accounts. The key judgement concerns the eligibility of staff and their costs which have been and reviewed both internally by our competent professional and externally by an independent source.

#### 3. Turnover

Any disclosure of turnover information would be seriously prejudicial to the interests of the company.

#### 4. Operating loss

The operating loss is stated after charging:

	2021	2020
	£	£
Depreciation of tangible fixed assets	62,397	58,024
Auditor's remuneration- audit fees	42,000	48,034
Auditor's remuneration- non audit fees	26,610	24,250
Operating lease rentals	46,857	198,013
Impairment (credit)/charge on intercompany	-	(440,241)
Research & development spend	1,585,372	2,341,131
	<u>1,585,372</u>	<u>2,341,131</u>

Depreciation of tangible assets is recorded in administrative expenses.

Auditors remuneration – audit fees is the combined fee for the Group Audit and not just the company, management have decided not to apportion this cost.

#### 5. Information regarding directors and employees

	2021	2020
	£	£
Aggregate emoluments	<u>256,628</u>	<u>298,981</u>

The highest paid director received £231,628 in the year (2020: £270,231)

2 directors received pension contributions in the year totalling £12,831 (2020: £11,577)

See note 6 for further information on staff costs and headcount.

## Adlens Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 6. Staff costs

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

	2021 £	2020 £
Wages and salaries	1,589,435	2,340,765
Social security costs	169,370	280,464
Other pension costs	81,047	125,996
	<u>1,839,852</u>	<u>2,747,225</u>

In 2021 £72,352 of severance payments were paid to staff not included above (2020 £183,172).

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

	2021 No	2020 No
	<u>23</u>	<u>37</u>

#### 7. Interest payable

	2021 £	2020 £
On amounts owing to group undertakings	<u>5,208,599</u>	<u>5,543,494</u>

#### 8. Taxation

	2021 £	2020 £
Total current year credit	(500,000)	(598,000)
Adjustment in respect of prior year	(465)	(37,549)
Total Tax credit in profit and loss account	<u>(500,465)</u>	<u>(635,549)</u>

The company has significant tax losses available for offset against future operating profits, subject to Her Majesty's Revenue and Customs approval. The company has not recognised any deferred tax asset in respect of these losses due to there being insufficient certainty regarding its recovery.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. The tax rate for current year is the same as the prior year at 19%.

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows :

## Adlens Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 8. Taxation (continued)

	2021 £	2020 £
<b>Loss on ordinary activities before tax</b>	<b>(8,183,564)</b>	<b>(6,880,022)</b>
Loss on ordinary activities at standard UK corporation tax rate of 19% (2020: 19%)	(1,554,877)	(1,307,204)
Effects of:		
Expenses not deductible	46,154	3,169,553
Additional deductions for R&D expenditure	(374,910)	(385,722)
Movement in deferred tax not recognised	3,862,915	1,025,278
Group relief surrendered	989,552	1,053,280
Adjustment in respect of prior year	12,648	(4,380)
Adjustments due to changes in tax rates	(3,638,218)	(1,115,758)
Surrender of tax losses for R&D tax credit SME 2021	663,303	161,628
Income not taxable for tax purposes	(506,205)	(77,662)
R&D expenditure credits	(1,816)	(3,172,985)
Fixed assets differences	989	18,217
	206	
<b>Tax credit for the year</b>	<b>(500,465)</b>	<b>(635,549)</b>

#### 9. Tangible fixed assets

	Leasehold and equipment £
<b>Cost</b>	
At 1 January 2021	3,665,488
Additions	74,343
Disposals	(3,437,496)
31 December 2021	302,335
<b>Depreciation</b>	
At 1 January 2021	3,489,604
Charge for the year	62,397
Disposals	(3,437,496)
31 December 2021	114,505
<b>Net book value</b>	
At 31 December 2021	187,830
At 31 December 2020	175,884

The significant disposals as a result of the discontinued operations have an overall net book value of £Nil.

## Adlens Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 10. Investments

At 31 December 2021, the company held ordinary share capital of the following companies which all distribute eyewear:

- Adlens Beacon Inc., 24.3% of shares owned, which is registered in the state of Delaware in the United States of America.

In addition, the Group has control over Adaptive Eyewear Limited, an entity Limited by Guarantee

The opening balance and closing balance of investments in the current year was Nil (Prior year: Nil).

Additions in the prior year were the reclassification of the US debt to investments £12,657,440, and subsequently in the same year, an impairment of £12,657,440 was also recorded.

#### 11. Debtors

	2021 £	2020 £
Due within one year		
Trade debtors	10,916	-
Other debtors	129,236	316,050
Tax recoverable	537,957	647,654
	<u>678,109</u>	<u>963,704</u>

Previously the full amount of intercompany debtors with Japan and the USA intragroup entities were provided for. In a previous financial year there was a full intercompany loan waiver of the Japanese debt resulting in the reclassification of the debt to investment and subsequent release of the impairment, £9,416,758. In the prior financial year there was a full intercompany loan waiver of the US debt resulting in the reclassification of the debt to investment and subsequent release of the impairment, £16,259,679.

#### 12. Creditors: amounts falling due within one year

	2021 £	2020 Restated £
Trade creditors	95,685	102,651
Amounts owed to group undertakings	142,893,666	136,685,068
Social security and other taxes	112,460	92,126
Accruals and deferred income	351,753	474,651
	<u>143,453,564</u>	<u>137,354,496</u>

Interest is charged on the Amount owed to Group undertakings at a rate of 3 Month LIBOR +5%, which is reviewed quarterly. Amount owed is repayable on demand.

## Adlens Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 13. Called-up share capital and reserves

	2021 £	2020 £
<b>Allotted, called up and fully paid</b>		
19,200 Ordinary shares of £0.01 each	192	192

The Company has one class of ordinary shares which carry no right to fixed income.

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The capital contribution reserve constitutes contributions made to other group undertakings.

The profit and loss reserve represents cumulative losses, including other adjustments.

#### 14. Contingent liabilities

The company had no contingent liabilities at 31 December 2021 or 31 December 2020.

#### 15. Future commitments

The company had a capital commitment of £Nil at 31 December 2021 (2020: £Nil).

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2021		2020	
	Land and buildings £	Other £	Land and buildings £	Other £
- within one year	46,857	-	198,013	
- between one and five years	-	-	-	
- after five years	-	-	-	-
	46,857	-	198,013	-

#### 16. Employee benefits

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 £81,047 (2020: £125,996). Contributions totalling £32,058 (2020: £22,058) were payable to the fund at the balance sheet date and are included in creditors.

#### 17. Related party transactions

As a wholly-owned subsidiary, the company is exempt from disclosure of transactions with other members of the Group.

#### 18. Ultimate parent undertaking and controlling related party

The directors consider that the controlling party of this company is Adlens Group Limited, a company incorporated in England and Wales, by virtue of the fact that it holds 100% of the issued share capital in Adlens Limited. The consolidated financial statement of this group are available to the public and may be obtained from Adlens Group Limited, Chilbrook House, 1 Oasis Park, Stanton Harcourt Road, Eynsham, Oxfordshire, United Kingdom, OX29 4TP. The ultimate controlling party is Onprime Developments Limited, a company registered in the British Virgin Islands, by virtue of its majority shareholding in Adlens Group Limited

## Adlens Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 19. Restatement of comparative figures

During the year, management undertook a review the company's InterCompany impairments and discovered an over impairment at the end of 2020. The overall impact of this was £212,934 to the brought forward profit and loss account as at 1 January 2021, the table below shows all lines of the Financial Statements affected by the restatement:

	Amount as Originally stated	Impact of adjustment	Amount as restated
Administrative Expense	(4,311,069)	212,934	(4,098,135)
Accruals and Deferred Income	687,515	(212,934)	474,581
Net liabilities	(133,526,395)	212,934	(133,313,461)
Operating Loss	(1,350,554)	212,934	(1,137,620)
Loss for the financial year	(6,244,473)	212,934	(6,031,539)