

Company Registration No. 05288859

Adlens Limited

Annual report and Financial Statements

For the year ended 31 December 2017

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Adlens Limited

Annual Report and financial statements for the year ended 2017

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Adlens Limited

Officers and Professional Advisors

Directors

J Y J Chen
H T Tang
R Corlin
JP Kennedy

Secretary

Neptune Secretaries Limited

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
3140 Rowan Place
John Smith Drive
Oxford Business Park South
Oxford
OX4 2WB

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, manufacture and sale of variable focus eyewear.

The company's 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.

The company continued to sell Adlens Adjustables™, a pair of durable, lightweight glasses with continuously adjustable lenses, which are now on sale in optical and general retailers.

During the year the group of which the company is a part announced and implemented a number of changes to rationalise the expenditure of the business. The rationalising of costs and redundancies are expected to have no negative bearing on the group to deliver its objectives in 2018 and beyond.

Key performance indicators

The company currently considers sales and the profit before taxation of a period to be two key performance indicators along with new product development.

Principal risks and uncertainties

The company operates in a highly competitive market. Delivering competitive products to the market remains a risk to the company. The company manages this risk by soliciting feedback from channel partners and customers in order to stay in touch with changing market conditions.

The company sells products worldwide so is therefore exposed to exchange rate risk, principally from the Japanese Yen and US Dollar.

Future developments

The directors expect the general level of activity to continue in the forthcoming year. The principal goal for the next 12 months and beyond is to concentrate its efforts on the success of the Alvarez technology based glasses and the development of partnerships with key players in the Augmented Reality (AR) and Virtual Reality (VR) fields.

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



J Y J Chen
Director

8 May 2018

Adlens Limited

Directors' report

The directors present their directors' report and the audited financial statements for the year ended 31 December 2017.

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 £12,544,006 in the year (2016: £25,135,030)

Dividends

The directors do not recommend the payment of a dividend (2016: £nil).

Going concern

The company will focus its efforts in two areas.

Firstly, the company will continue to build on the existing business of adjustable focus glasses that are based on the Alvarez technology. Older versions of these products have been sold in Japan, the US and other territories for a number of years. New models were launched in December 2017. Growing the sales of the new models will be a priority.

Secondly, the company will continue to seek long term relationships with key players in the AR and VR fields.

At this current time of product development and investment in the future, the business continues to be in a net cash outflow phase of its lifecycle and is therefore reliant on continued external funding. The Group of which this company is a part is currently loss making and is in a net liability and net current liability position as at 31 December 2017. Each month the Group and Company is reliant on uncommitted funds being made available in order to meet its liabilities as they fall due.

The majority shareholder of the ultimate parent company, J Y J Chen, has provided written assurances that he continues to be supportive of the Adlens Group and intends to provide available funding over the foreseeable future. J Y J Chen is fully informed of the cash flow requirements of the Adlens Group in his capacity as a director of Adlens Group Limited. The directors are in receipt of confirmation of this continued intention to support the Group and Company.

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 to both his willingness and ability to provide continued support. The financial statements do not include any adjustments that would result should the going concern basis of preparation be no longer acceptable.

Directors

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

J Y J Chen

H T Tang

R Corlin (appointed 1st February 2018)

JP Kennedy (appointed 1st February 2018)

Adlens Limited

Directors' report

Financial risk management objectives and risks

The group's activities expose it to a number of financial risks including price risk and cash flow risk.

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The risk is managed by receiving funding in the currency it will be spent as a large majority of risk is around the intergroup funding.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Price risk

The company is exposed to commodity price risk which is monitored against competitors on a regular basis and adjusted as the need arises.

Research and development

During 2017 the company spent £2,030,000 on research and development expenditure (2016: £3,624,787).

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 were appointed as auditors for the 2017 year end on 28 March 2018.

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 of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 Y Chen
Director
8 May 2018

Independent auditor's report to the members of Adlens Ltd

Opinion

We have audited the financial statements of Adlens Ltd (the 'company') for the year ended 31 December 2017 which comprise the Profit and loss account, Balance sheet, 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 2017 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.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Directors' 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 has 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 set out in page 5, 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. This description forms part of our auditor's report.

Grant Thornton UK LLP

Andy Ka BA FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford Rowan Place

10 May 2018

Adlens Limited

Statement of Comprehensive Loss For the year ended 31 December 2017

	Notes	2017 £	2016 £
Turnover	1,3	932,322	4,125,283
Cost of sales		<u>(1,137,589)</u>	<u>(4,715,874)</u>
Gross Loss		<u>(205,267)</u>	<u>(590,591)</u>
Administrative expenses		(9,065,398)	(11,856,998)
Impairment of investment and intercompany loan	4	<u>900,845</u>	<u>(9,860,427)</u>
Total administrative expenses		<u>(8,164,553)</u>	<u>(21,717,425)</u>
Operating loss	4	<u>(8,369,820)</u>	<u>(22,308,016)</u>
Interest receivable and similar income		207,077	185,818
Interest payable and similar charges	7	<u>(5,320,608)</u>	<u>(4,712,832)</u>
Loss on ordinary activities before taxation		<u>(13,483,351)</u>	<u>(26,835,030)</u>
Tax on loss on ordinary activities	8	<u>939,345</u>	<u>1,700,000</u>
Loss for the financial year attributable to the equity shareholders of the Company		<u><u>(12,544,006)</u></u>	<u><u>(25,135,030)</u></u>

The accounting policies and notes on pages 11 to 19 form part of these financial statements.

Adlens Limited

Balance sheet As at 31 December 2017

	Notes	2017 £	2016 £
Fixed assets			
Tangible assets	9	237,474	1,341,080
Investments	10	-	-
		<u>237,474</u>	<u>1,341,080</u>
Current assets			
Stocks		21,239	-
Debtors	11	2,887,977	3,963,176
Cash at bank		2,274,685	2,564,207
		<u>5,183,901</u>	<u>6,527,383</u>
Creditors: amounts falling due within one year	12	<u>(119,620,680)</u>	<u>(109,383,693)</u>
Net current liabilities		<u>(114,436,779)</u>	<u>(102,856,310)</u>
Total assets less current liabilities		<u>(114,199,305)</u>	<u>(101,515,230)</u>
Creditors: amounts falling due after more than one year	13	<u>(147,478)</u>	<u>(287,547)</u>
Net liabilities		<u>(114,346,783)</u>	<u>(101,802,777)</u>
Capital and reserves			
Called up share capital	14	192	192
Share premium account		4,999,808	4,999,808
Profit and loss account		<u>(119,346,783)</u>	<u>(106,802,777)</u>
Shareholder's deficit		<u>(114,346,783)</u>	<u>(101,802,777)</u>

The accounting policies and notes on pages 11 to 20 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 8 May 2018

Signed on behalf of the Board of Directors



J Y J Chen
Director

Adlens Limited

Statement of changes in equity For the year ended 31 December 2017

	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2016	192	4,999,808	(81,667,747)	(76,667,747)
Loss for the financial year	-	-	(25,135,030)	(25,135,030)
At 31 December 2016	192	4,999,808	(106,802,777)	(101,802,777)
Loss for the financial year	-	-	(12,544,006)	(12,544,006)
At 31 December 2017	192	4,999,808	(119,346,783)	(114,346,783)

Adlens Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

1. Accounting policies

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 address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

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 will focus its efforts in two areas.

Firstly, the company will continue to build on the existing business of adjustable focus glasses that are based on the Alvarez technology. Older versions of these products have been sold in Japan, the US and other territories for a number of years. New models were launched in December 2017. Growing the sales of the new models will be a priority.

Secondly, the company will continue to seek long term relationships with key players in the AR and VR fields.

At this current time of product development and investment in the future, the business continues to be in a net cash outflow phase of its lifecycle and is therefore reliant on continued external funding. The Group of which this company is a part is currently loss making and is in a net liability and net current liability position as at 31 December 2017. Each month the Group and Company is reliant on uncommitted funds being made available in order to meet its liabilities as they fall due.

The majority shareholder of the ultimate parent company, J Y J Chen, has provided written assurances that he continues to be supportive of the Adlens Group and intends to provide available funding over the foreseeable future. J Y J Chen is fully informed of the cash flow requirements of the Adlens Group in his capacity as a director of Adlens Group Limited. The directors are in receipt of confirmation of this continued intention to support the Group and Company.

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 to both his willingness and ability to provide continued support. The financial statements do not include any adjustments that would result should the going concern basis of preparation be no longer acceptable.

Adlens Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

1. Accounting policies (continued)

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax. Invoices are raised upon dispatch of goods, when the obligations of the company have been fulfilled.

Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is also written off, except where the directors are satisfied as to 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.

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, work in progress and raw materials 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.

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.

Adlens Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

1. Accounting policies (continued)

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.
- (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.

Adlens Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

1. Accounting policies (continued)

Financial instruments (continued)

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.

Joint Ventures

In respect of jointly controlled operations, the following is recognised in the financial statements

- (i) the assets controlled and liabilities incurred by the group; and
- (ii) the expenses incurred by the group and the share of the income earned from the sale of goods or services by the joint venture.

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.

Going concern

The critical judgement made with regard to going concern is disclosed fully on page 11.

Key source of estimation uncertainty

Impairment of intercompany receivable balances

Determining whether intercompany asset balances are impaired requires an estimation of their value to the Company. The calculation requires the entity to estimate the future cash flows expected to arise from the entity with the debt with a suitable discount rate in order to calculate the present value.

Adlens Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

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

Critical judgement

Impairment of fixed assets

Determining the carrying value of the tangible fixed assets is a critical judgement for the company. The company is required to estimate the future cash flows expected to arise from the assets.

In 2017 the directors pursued a change in strategy away from VPO eyewear production. As a result, the directors felt it was appropriate to write off the net book value of £840,000 relating to the tangible fixed assets which comprised of machinery used in the production of this specific product line.

3. Turnover

A significant proportion of the company's turnover is to subsidiaries and related companies in the US, Japan and Mexico. Any further disclosure of turnover information would be seriously prejudicial to the interests of the company.

4. Operating loss

The operating loss is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets	327,938	871,142
Auditor's remuneration- audit	33,000	53,700
Auditor's remuneration- non audit	19,850	114,011
Operating lease rentals	178,528	182,751
Impairment (credit)/charge on intercompany	(900,845)	9,860,427
Research & development spend	2,030,000	3,624,787

Depreciation of tangible assets is recorded in administrative expenses.

5. Information regarding directors and employees

	2017	2016
	£	£
Aggregate emoluments	-	-

No pension contributions were made in respect of any of the directors during the year. In 2017 all of the directors are remunerated through other group companies, the allocation of remuneration to this company is £nil. See note 6 for further information on staff costs and headcount.

Adlens Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

6. Staff costs

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

	2017 £	2016 £
Wages and salaries	2,874,027	3,887,398
Social security costs	226,975	373,626
Other pension costs	104,790	175,199
	<u>3,205,792</u>	<u>4,436,223</u>

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

	2017 No	2016 No
	<u>38</u>	<u>84</u>

7. Interest payable

	2017 £	2016 £
On amounts owing to group undertakings	<u>5,320,608</u>	<u>4,712,832</u>

8. Taxation

	2017 £	2016 £
Total current year credit	(600,349)	(1,004,000)
Adjustment in respect of prior year	(338,996)	(696,000)
	<u>(939,345)</u>	<u>(1,700,000)</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.

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 (continued) For the year ended 31 December 2017

8. Taxation (continued)

	2017 £	2016 £
Loss on ordinary activities before tax	(13,483,351)	(26,835,030)
Loss on ordinary activities at standard UK corporation tax rate of 19.25% (2016: 20%)	(2,595,160)	(5,367,006)
Effects of:		
Expenses not deductible	167,244	3,121,902
Additional deductions for R&D expenditure	(496,314)	(1,004,000)
Movement in deferred tax not recognised	1,238,292	1,302,504
Group relief surrendered	1,012,291	942,600
Adjustment in respect of prior year	(338,996)	(696,000)
Adjustments due to changes in tax rates	139,292	-
Surrender of tax losses for R&D tax credit	216,555	-
Income not taxable for tax purposes	(288,861)	-
Fixed assets differences	6,312	-
Tax credit for the year	(939,345)	(1,700,000)

9. Tangible fixed assets

	Leasehold and equipment £
Cost	
At 1 January 2017	5,393,902
Additions	67,618
31 December 2017	5,461,520
Depreciation	
At 1 January 2017	4,052,822
Charge for the year	327,938
Impairment	843,286
31 December 2017	5,224,046
Net book value	
At 31 December 2017	237,474
At 31 December 2016	1,341,080

The Company has sold and leased back equipment on leases which are considered to meet the definition of finance leases and are accounted for accordingly. The net book value of the leased assets as at 31 December 2017 was £Nil (2016: £454,019).

Adlens Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

10. Investments

At 31 December 2017, the company held ordinary share capital of the following companies which all distribute eyewear:

- Adlens Japan KK, 100% of shares owned, which is registered in Japan.
- Adlens USA Inc., 100% of shares owned, which is registered in the state of Delaware in the United States of America.
- Adlens Beacon Inc., 24.3% of shares owned, which is registered in the state of Delaware in the United States of America.

The Company also has a 50% interest in a joint ventures based in Mexico (Adlens Latin America S.de R.L. De C.V.) and the UK (Adlens Europe LLP).

No value is attributed to the investments held in the company as at 31 December 2017 (31 December 2016: Nil).

11. Debtors

	2017 £	2016 £
Due within one year		
Trade debtors	7,560	3,699
Amounts owed by group undertakings	2,027,911	1,978,594
Other debtors	252,248	976,364
Tax recoverable	600,258	1,004,519
	<u>2,887,977</u>	<u>3,963,176</u>

12. Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	455,780	2,833,417
Amounts owed to group undertakings	117,914,591	105,437,898
Social security and other taxes	51,102	6,572
Other creditors	16,807	-
Accruals and deferred income	1,182,400	1,105,806
	<u>119,620,680</u>	<u>109,383,693</u>

Adlens Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

13. Creditors: amounts falling due after more than one year

	2017 £	2016 £
Obligations under finance leases	<u>147,478</u>	<u>287,547</u>
Present Value of minimum lease payments	<u>147,478</u>	<u>287,547</u>

None of the finance lease obligations are due after five years.

14. Called-up share capital and reserves

	2017 £	2016 £
Allotted, called up and fully paid 19,200 Ordinary shares of £0.01 each	<u>192</u>	<u>192</u>

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

15. Contingent liabilities

The company had no contingent liabilities at 31 December 2017 or 31 December 2016.

16. Future commitments

The company had a capital commitment of £nil at 31 December 2017 (2016: £nil).

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

	2017		2016	
	Land and buildings £	Other £	Land and buildings £	Other £
- within one year	224,766	-	224,953	-
- between one and five years	454,766	-	679,719	-
- after five years	-	-	-	-
	<u>679,719</u>	<u>-</u>	<u>904,672</u>	<u>-</u>

17. 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 £104,790 (2016: £175,199). Contributions totalling £11,862 (2016: £19,638) were payable to the fund at the balance sheet date and are included in creditors.

Adlens Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

18. Related party transactions

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

Other related party transactions

The investments to Joint Ventures are disclosed in Note 9 of these financial statements. The company made sales in the year to Adlens Latin America of £Nil (2016: £65,193).

19. 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.