

G. Reg

VUZIX (EUROPE) LIMITED

COMPANY NUMBER 6561455

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2015

KING LOOSE & CO
STATUTORY AUDITORS
ST JOHN'S HOUSE
5 SOUTH PARADE
SUMMERTOWN
OXFORD OX2 7JL



VUZIX (EUROPE) LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31ST DECEMBER 2015

Directors	D. R. Lock Esq. P. Travers Esq.
Secretary	S. Ward Esq.
Company number	6561455
Registered office	5 South Parade Summertown Oxford OX2 7JL
Auditors	King Loose & Co Statutory Auditors St John's House 5 South Parade Summertown Oxford OX2 7JL
Bankers	HSBC Bank plc Prima House Banbury Road Summertown Oxford OX2 7HY

VUZIX (EUROPE) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2015

CONTENTS

	Page
Balance sheet	1
Notes to the financial statements	2 - 9

VUZIX (EUROPE) LIMITED

BALANCE SHEET (COMPANY NUMBER 6561455)

AS AT 31ST DECEMBER 2015

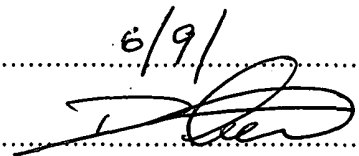
	Notes	<u>2015</u>		<u>2014</u>	
		£	£	£	£
Fixed Assets					
Tangible assets	4		6,508		1,435
Current Assets					
Stocks	5	48,561		32,563	
Debtors	6	35,729		30,903	
Cash at bank and in hand		28,256		10,993	
		<u>112,546</u>		<u>74,459</u>	
Creditors: amounts falling due within one year	7	<u>(207,029)</u>		<u>(146,684)</u>	
Net Current liabilities			<u>(94,483)</u>		<u>(72,225)</u>
Total Assets Less Current Liabilities			<u>(87,975)</u>		<u>(70,790)</u>
Capital and Reserves					
Called up share capital	8		100		100
Profit and loss account	9		<u>(88,075)</u>		<u>(70,890)</u>
Total Shareholders' Funds	10		<u>(87,975)</u>		<u>(70,790)</u>

The financial statements are prepared in accordance with the provisions of the Companies Act 2006 applicable to companies subject to the small companies regime.

No profit and loss account is presented in accordance with Section 444(5a) of the Companies Act 2006.

In accordance with S444(5B)(d) of Companies Act 2006, we are required to state that the auditor's report was unqualified, and signed by Heather C. Fanthome as Senior Statutory Auditor on behalf of King Loose & Co (Statutory Auditors).

The financial statements were approved by the board of directors on

..... 6/9/ 2016

..... D. R. Lock Esq.
..... Director

The notes on pages 2 to 9 form an integral part of these financial statements.

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2015

1. Company information

Vuzix (Europe) Limited ('the company') is a limited company incorporated in the United Kingdom. The address of the registered office is:

5 South Parade
Summertown
Oxford OX2 7JL

The principal activity of the company throughout the year was that of a sales agent for Vuzix personal entertainment systems.

These financial statements have been presented in sterling (£) as this is the currency of the primary economic environment in which the company reports.

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2015

2. Accounting policies

Basis of preparation

These financial statements have been prepared under the historical cost convention, in accordance with the accounting policies set out below, FRS 102 Section 1A - The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Companies Act 2006.

Transition to FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'

The financial statements for the year ended 31st December 2015 are the company's first financial statements that comply with FRS 102; the company's date of transition to FRS 102 is 1st January 2015.

In preparing the financial statements the directors have considered whether, in applying the accounting policies required by FRS 102, a restatement of comparative items was needed. No restatements were required.

Going concern

These financial statements have been prepared on a going concern basis.

The current economic conditions present increased risks for all businesses. In response to such conditions, the directors have carefully considered these risks, including an assessment of uncertainty on future trading projections for a period of at least 12 months from the date of signing the financial statements, and the extent to which they might affect the preparation of the financial statements on a going concern basis.

The directors considers that the going concern basis is appropriate to the presentation of the financial statements.

Revenue recognition

1. Sale of goods

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

- a. The company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c. the amount of revenue can be measured reliably;
- d. it is probable that the economic benefits associated with the transaction will flow to the company; and
- e. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is therefore recognised when the customer accepts delivery of the product and the product is installed.

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2015

2. Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably the company recognises revenue associated with the transaction by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:-

- a. the amount of revenue can be measured reliably;
- b. it is probable that the economic benefits associated with the transaction will flow to the entity;
- c. the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- d. the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue for support services is therefore recognised proportionally over the performance of the service contract.

3. Interest income

Interest income is recognised as interest accrues using the effective interest rate method.

Taxation

Tax expense for the period comprises current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, gives rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Foreign currencies

Foreign currency transactions are translated into Pounds Sterling using the exchange rate prevailing at the date the transactions took place. Where this is not possible to determine, income and expense items are translated using an average exchange rate for the period.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities are reported in profit and loss.

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2015

Tangible fixed assets

Tangible fixed assets held for the company's own use are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives at the following rates:

Computer equipment	-	33% reducing balance basis
Fixtures and fittings	-	15% reducing balance basis
Website	-	33% reducing balance basis

Assets held under finance leases are depreciated in the same way as owned assets.

At each balance sheet date the company reviews the carrying amount of its tangible fixed assets to determine whether there is any indication that any items have suffered an impairment loss. If such an indication exists the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of the asset the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation will be required to be settled, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are discounted when the time value of money is material.

Financial instruments

Financial assets and liabilities are recognised when the company becomes party to the contractual provisions of the financial instrument. The company holds basic financial instruments, which comprise cash and cash equivalents, trade and other receivables, equity investments, trade and other payables, and loans and borrowings. The company has chosen to apply the provisions of Section 11 Basic Financial Instruments in full.

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2015

Financial assets - classified as basic financial instruments

- i) Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held with banks, and other short term highly liquid investments with original maturities of three months or less.

- ii) Trade and other receivables
Trade and other receivables that are receivable within one year are measured at the undiscounted amount of the cash expected to be received, net of any impairment.

At the end of each reporting period, the company assesses whether there is objective evidence that any receivable amount may be impaired. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in profit and loss.

- iii) Trade and other payables and loans and borrowings
Trade and other payables that are payable within one year are measured at the undiscounted amount of the cash expected to be paid.

Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred.

Critical accounting judgements and key sources of estimation uncertainty

In applying the company's accounting policies, the directors are required to make judgments, estimates and assumptions in determining the carrying amount of assets and liabilities. The estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

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.

3. Staff Costs

Other than the directors, who are not remunerated, the company employs no personnel and therefore no payroll costs are incurred

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2015

4. Tangible assets	<u>Computer equipment</u>	<u>Fixtures and fittings</u>	<u>Website</u>	<u>Total</u>
	£	£	£	£
Cost				
At 1st January 2015	2,732	1,473	-	4,205
Additions	1,200	-	5,500	6,700
At 31st December 2015	<u>3,932</u>	<u>1,473</u>	<u>5,500</u>	<u>10,905</u>
Depreciation				
At 1st January 2015	2,181	589	-	2,770
Charge for the year	578	133	916	1,627
At 31st December 2015	<u>2,759</u>	<u>722</u>	<u>916</u>	<u>4,397</u>
Net book value				
At 31st December 2015	<u>1,173</u>	<u>751</u>	<u>4,584</u>	<u>6,508</u>
At 31st December 2014	<u>551</u>	<u>884</u>	<u>-</u>	<u>1,435</u>
5. Stocks			<u>2015</u>	<u>2014</u>
			£	£
Finished goods and goods for resale			<u>48,561</u>	<u>32,563</u>
6. Debtors			<u>2015</u>	<u>2014</u>
			£	£
Trade debtors			12,660	17,707
Value Added Tax recoverable			22,195	12,274
Prepayments and accrued income			874	922
			<u>35,729</u>	<u>30,903</u>
7. Creditors: amounts falling due within one year			<u>2015</u>	<u>2014</u>
			£	£
Trade creditors			17,566	14,363
Amounts owed to group undertaking			183,143	119,172
Accruals and deferred income			6,320	13,149
			<u>207,029</u>	<u>146,684</u>

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2015

8. Share capital	<u>2015</u>	<u>2014</u>
	£	£
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Issued and fully paid		
100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
9. Equity Reserves	<u>Profit</u>	
	<u>and loss</u>	
	<u>account</u>	<u>Total</u>
	£	£
At 1st January 2015	(70,890)	(70,890)
(Loss) for the year	(17,185)	(17,185)
	<u> </u>	<u> </u>
At 31st December 2015	(88,075)	(88,075)
	<u> </u>	<u> </u>
10. Reconciliation of movements in shareholders' funds	<u>2015</u>	<u>2014</u>
	£	£
(Loss)/profit for the year	(17,185)	30,696
	<u> </u>	<u> </u>
Net (deduction from)/addition to shareholders' funds	(17,185)	30,696
Opening shareholders' (deficit)	(70,790)	(101,486)
	<u> </u>	<u> </u>
Closing shareholders' (deficit)	(87,975)	(70,790)
	<u> </u>	<u> </u>

11. Going concern

The company meets its day to day working capital requirements through support from its parent company, Vuzix Corporation. Vuzix Corporation has confirmed it will continue to provide such support as is necessary to enable the company to meet its ongoing working capital requirements for a period of not less than 12 months from the date of approval of the financial statements.

As a result of the above, the directors consider it appropriate to prepare financial statements on the going concern basis.

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2015

12. Related party transactions

During the year, the company undertook transactions with its holding company, Vuzix Corporation, as follows:-

	£
Purchases from Vuzix Corporation	<u>293,242</u>
Cost recharges to Vuzix Corporation	<u>55,462</u>
Amounts due to Vuzix Corporation at 31st December 2015	<u>183,143</u>

All transactions with the holding company are on an arm's length basis.