

VUZIX (EUROPE) LIMITED

COMPANY NUMBER 6561455

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2021

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 2021

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

VUZIX (EUROPE) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

CONTENTS

	Page
Balance sheet	1
Notes to the financial statements	2 - 8

VUZIX (EUROPE) LIMITED

BALANCE SHEET (COMPANY NUMBER 6561455)

AS AT 31ST DECEMBER 2021

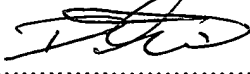
		<u>2021</u>		<u>2020</u>	
	Notes	£	£	£	£
Fixed Assets					
Tangible assets	4		1,145		1,534
Current Assets					
Stocks	5	452,530		320,011	
Debtors	6	799,136		384,096	
Cash at bank and in hand		215,336		98,421	
		<u>1,467,002</u>		<u>802,528</u>	
Creditors: amounts falling due within one year	7	<u>(1,202,254)</u>		<u>(797,724)</u>	
Net Current assets			<u>264,748</u>		<u>4,804</u>
Total Assets Less Current Liabilities			<u>265,893</u>		<u>6,338</u>
Capital and Reserves					
Called up share capital	8		100		100
Profit and loss account	9		265,793		6,238
Total Shareholders' Funds			<u>265,893</u>		<u>6,338</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.

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).

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

The financial statements were approved by the board of directors on 10/10/2022

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

The notes on pages 2 to 8 form an integral part of these financial statements.

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2021

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 operates.

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2021

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.

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.

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.

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2021

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.

Operating leases

Payments made under operating lease arrangements are charged to profit or loss on a straight-line basis over the lease term. Benefits receivable as operating lease incentives are recognised within profit or loss on a straight-line basis over the lease term.

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.

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.

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2021

Stock

Stock is stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method and consists of the purchase price, transport and handling costs and conversion costs less trade discounts and rebates. The costs of conversion include costs directly related to the units of production as well as an allocation of fixed and variable production overheads.

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, trade and other payables, and loans and borrowings. The company has chosen to apply the provisions of Section 11 Basic Financial Instruments in full.

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.

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2021

Critical accounting judgements and key sources of estimation uncertainty

In applying the company's accounting policies, the directors are required to make judgements, 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.

Research and development

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

3.	Employees	<u>2021</u>	<u>2020</u>
		<u>Number</u>	<u>Number</u>
	Number of employees		
	The average monthly numbers of employees (including the directors) during the year were:	2	2
		<hr/>	<hr/>
4.	Tangible assets	<u>Fixtures and fittings</u>	
		<u>Computer equipment</u>	<u>Website</u>
		<u>£</u>	<u>£</u>
	Cost		
	At 1st January 2021	4,671	12,268
	At 31st December 2021	4,671	12,268
	Depreciation		
	At 1st January 2021	4,413	10,734
	Charge for the year	85	389
	At 31st December 2021	4,498	11,123
	Net book value		
	At 31st December 2021	173	1,145
	At 31st December 2020	258	1,534

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2021

5. Stocks	<u>2021</u> £	<u>2020</u> £
Stocks	452,530	320,011
6. Debtors	<u>2021</u> £	<u>2020</u> £
Trade debtors	612,670	328,735
VAT recoverable	167,036	54,439
Prepayments and accrued income	19,430	922
	799,136	384,096
7. Creditors: amounts falling due within one year	<u>2021</u> £	<u>2020</u> £
Trade creditors	70,322	39,753
Amounts owed to holding company	1,053,767	739,666
Corporation tax	61,000	1,425
Accruals and deferred income	17,165	16,880
	1,202,254	797,724
8. Share capital	<u>2021</u> £	<u>2020</u> £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Issued and fully paid		
100 ordinary shares of £1 each	100	100
9. Equity Reserves	<u>Profit and loss account</u> £	<u>Total</u> £
At 1st January 2021	6,238	6,238
Profit for the year	259,555	259,555
At 31st December 2021	265,793	265,793

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2021

10. Operating lease commitments

The company has an ongoing commitment in respect of premises rent, equivalent to one month's cost of £541.

11. Controlling party

Vuzix (Europe) Limited is a wholly owned subsidiary of Vuzix Corporation, which company is registered in New York State, United States of America. Vuzix Corporation is listed on the NASDAQ Stock Exchange.

12. Related party transactions

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

	<u>2021</u> £	<u>2020</u> £
Purchases and expenses recharges from Vuzix Corporation	3,124,275	2,590,388
Cost recharges to Vuzix Corporation	42,933	35,321
Amounts due to Vuzix Corporation at 31st December 2021	1,053,767	739,666