

VUZIX (EUROPE) LIMITED

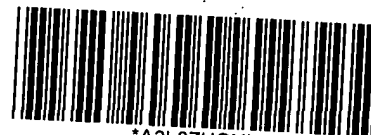
COMPANY NUMBER 6561455

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2013

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

THURSDAY



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20/11/2014

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COMPANIES HOUSE

VUZIX (EUROPE) LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31ST DECEMBER 2013

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 2013

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VUZIX (EUROPE) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2013

The directors present their report and the financial statements for the year ended 31st December 2013.

Principal activity

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

Future developments

The Directors do not foresee any significant future developments in the company's activities, nor any changes in its current method of operations.

Dividends

The directors do not recommend payment of a dividend for the year.

Political and charitable contributions

There were no charitable or political contributions made by the company during the period.

Directors and their interests

The directors who served during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	<u>Ordinary shares of £1 each</u>	
	<u>31/12/13</u>	<u>01/01/13</u>
D. R. Lock Esq.		Shown in the accounts
P. Travers Esq.		of the parent company
	<u> </u>	<u> </u>

Statement of directors' responsibilities

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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VUZIX (EUROPE) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2013

Statement of directors' responsibilities continued

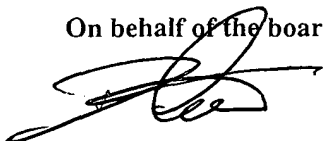
In so far as the directors are aware:

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

King Loose & Co have agreed to offer themselves for reappointment as auditors of the company.

On behalf of the board



D. R. Lock Esq.
Director

10/11/..... 2014

VUZIX (EUROPE) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

VUZIX (EUROPE) LIMITED

We have audited the financial statements of Vuzix (Europe) Limited for the year ended 31st December 2013 on pages 4 to 9. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

Respective responsibilities of directors and the auditors

As explained more fully in the directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with The Auditing Practices Board (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we became aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2013 and of its profit for the year then ended
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Practice
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 or 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Report of the Directors.

Heather C. Fanthome

Mrs Heather C. Fanthome FCA (Senior Statutory Auditor) for and on behalf of

King Loose & Co

Accountants and Statutory Auditors

St John's House

5 South Parade

Summertown

Oxford OX2 7JL

10th November 2014

VUZIX (EUROPE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2013

	Notes	<u>2013</u> £	<u>2012</u> £
Turnover	2	352,850	549,106
Cost of sales		(180,448)	(387,203)
Gross profit		172,402	161,903
Administrative expenses		(149,036)	(181,688)
Profit/(loss) on ordinary activities before taxation		23,366	(19,785)
Tax on profit/(loss) on ordinary activities		-	-
Profit/(loss) for the year		23,366	(19,785)
Accumulated (loss) brought forward		(124,952)	(105,167)
Accumulated (loss) carried forward		(101,586)	(124,952)

There are no recognised gains or losses other than the profit or loss for the above two financial years.

None of the company's activities were acquired or discontinued during the above two financial years.

The notes on pages 6 to 9 form an integral part of these financial statements.

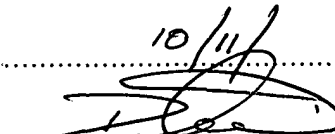
VUZIX (EUROPE) LIMITED

BALANCE SHEET (COMPANY NUMBER 6561455)

AS AT 31ST DECEMBER 2013

		<u>2013</u>	<u>2012</u>
	Notes	£	£
Fixed Assets			
Tangible assets	5	1,597	2,138
Current Assets			
Stocks	6	27,991	128,263
Debtors	7	18,454	53,584
Cash at bank and in hand		53,089	21,532
		<u>99,534</u>	<u>203,379</u>
Creditors: amounts falling due within one year	8	<u>(202,617)</u>	<u>(330,369)</u>
Net Current liabilities		<u>(103,083)</u>	<u>(126,990)</u>
Total Assets Less Current Liabilities		<u>(101,486)</u>	<u>(124,852)</u>
Capital and Reserves			
Called up share capital	9	100	100
Profit and loss account		<u>(101,586)</u>	<u>(124,952)</u>
Total Shareholders' Funds	10	<u>(101,486)</u>	<u>(124,852)</u>

The financial statements were approved by the board of directors on

10/11/14

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2014

D. R. Lock Esq.
Director

The notes on pages 6 to 9 form an integral part of these financial statements.

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2013

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 on the grounds that it is a wholly owned subsidiary of Vuzix Corporation, which company includes it in its consolidated accounts.

1.2. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

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

1.3. Leasing

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

1.4. Stock

Stock and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.5. Deferred taxation

The charge for taxation takes into account taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. However, deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred taxation is measured on a non-discounted basis at the rates that are expected to apply in the periods in which the timing differences reverse, based on the tax rates and the law enacted or substantively enacted at the balance sheet date.

2. Turnover

Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary activities, which are continuing, and stated net of Value Added Tax. Exports accounted for 89.8% (2012: 77.2%) of total turnover for the year.

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 2013

4. Operating profit/(loss)	<u>2013</u>	<u>2012</u>
	£	£
Operating profit/(loss) is stated after charging:		
Directors' remuneration	-	-
Depreciation and other amounts written off tangible assets	541	767
Auditors' remuneration		
-for audit	1,300	1,250
-for other services	2,317	3,267
Operating lease rentals		
-premises rent	5,844	5,813
	<u>5,844</u>	<u>5,813</u>
5. Tangible fixed assets		
	<u>Computer</u>	<u>Fixtures</u>
	<u>equipment</u>	<u>and</u>
	£	<u>fittings</u>
	£	<u>Total</u>
	£	£
Cost		
At 1st January 2013	2,732	1,209
At 31st December 2013	2,732	1,209
Depreciation		
At 1st January 2013	1,506	297
Charge for the year	405	136
At 31st December 2013	1,911	433
Net book value		
At 31st December 2013	821	776
At 31st December 2012	1,226	912
	<u>1,226</u>	<u>912</u>
	<u>1,226</u>	<u>912</u>
6. Stocks	<u>2013</u>	<u>2012</u>
	£	£
Finished goods and goods for resale	27,991	128,263
	<u>27,991</u>	<u>128,263</u>
7. Debtors	<u>2013</u>	<u>2012</u>
	£	£
Trade debtors	12,103	34,643
Value Added Tax recoverable	5,362	17,828
Prepayments and accrued income	989	1,113
	18,454	53,584
	<u>18,454</u>	<u>53,584</u>

VUZIX (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2013

8. Creditors: amounts falling due within one year	<u>2013</u> £	<u>2012</u> £
Trade creditors	12,764	17,209
Amounts owed to group undertaking	182,383	306,960
Accruals and deferred income	7,470	6,200
	<u>202,617</u>	<u>330,369</u>
9. Share capital	<u>2013</u> £	<u>2012</u> £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
10. Reconciliation of movements in shareholders' funds	<u>2013</u> £	<u>2012</u> £
Profit/(loss) for the year	23,366	(19,785)
Net addition to/(deduction from) shareholders' funds	23,366	(19,785)
Opening shareholders' (deficit)	(124,852)	(105,067)
Closing shareholders' (deficit)	<u>(101,486)</u>	<u>(124,852)</u>
11. Operating lease commitments		
The company has an ongoing commitment for premises rent, equivalent to one month's cost of £487.		
12. Controlling interest		
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 Toronto Stock Exchange.		
13. 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 2013

14. Related party transactions

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

	£
Purchases from Vuzix Corporation	83,614
Cost recharges to Vuzix Corporation	39,290
Amounts owed to Vuzix Corporation at year end	182,383

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