

# **Clearlab Europe Limited**

Company No 04721046

## **Financial Statements**

**For the year ended**

**31 December 2006**



# **Clearlab Europe Limited**

## **Contents**

Company Information	3
Report of the Directors for the year ended 31 December 2006	4
Statement of Directors' Responsibilities	6
Independent Auditors' report to the members of Clearlab Europe Limited	7
Profit and Loss Account for the year ended 31 December 2006	9
Balance Sheet as at 31 December 2006	10
Notes to the financial statements	11

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## **Clearlab Europe Limited**

### **Company Information**

#### **Directors**

B Bethers  
J Zeidner

#### **Secretary**

N Williams

#### **Registered Office**

Pinewood  
Chineham Business Park  
Crockford Lane  
Chineham  
Basingstoke  
RG24 8AL  
UK

#### **Auditors**

KPMG LLP  
Plym House  
3 Longbridge Road  
Plymouth  
Devon  
PL6 8LT  
UK

## **Clearlab Europe Limited**

### **Report of the Directors For the year ended 31 December 2006**

#### **Principal activities**

The principal activities of the Company throughout the year were that of sales and marketing of contact lenses and related products

#### **Fair review of business and results**

The results for the year are set out on page 9. The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

The Directors do not propose the payment of a dividend for the year (2005 nil)

#### **Future developments**

The Company will continue to sell and market contact lenses and related products

#### **Directors**

The following Directors have held office since 1 January 2006

G D Mullis (resigned 20 November 2006)

B Bethers

J Zeidner

None of the Directors held any shares in the Company according to the register of directors' interests during the year (2005 nil). The Directors' interests in 1-800 Contacts Inc are disclosed in the filings of 1-800 Contacts Inc.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the Company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

#### **Company Secretary**

The following have held office during the period

A P Smith (resigned 31 July 2006)

N Williams (appointed 31 July 2006)

#### **Auditors**

KPMG LLP have been appointed as auditors and have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed that they be re-appointed as auditors to the Company for the ensuing year.

#### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Clearlab Europe Limited**


**Report of the Directors**

**For the year ended 31 December 2006** *(continued)*

**Financial statements authorisation**

The financial statements were authorised for issue on <sup>25 JUNE</sup> 2007 by the Board

Pinewood, Chineham Business Park  
Crockford Lane, Chineham, Basingstoke  
RG24 8AL

  
On behalf of the Board  
N Williams, Secretary  
25 JUNE 2007

## **Clearlab Europe Limited**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 judgments and 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Clearlab Europe Limited**

### **Report of the Independent Auditors', KPMG LLP, to the Members of Clearlab Europe Limited**

We have audited the financial statements of Clearlab Europe Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Clearlab Europe Limited

### Report of the Independent Auditors', KPMG LLP, to the Members of Clearlab Europe Limited (*continued*)

#### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

*Plym House*  
*3 Longbridge Road*  
*Marsh Mills*  
*Plymouth*  
*PL6 8LT*

*KPMG LLP*

Date 31/7/07 KPMG LLP



## Clearlab Europe Limited

### Profit and Loss Account For the year ended 31 December 2006

	Note	31 December 2006 £	31 December 2005 £
Turnover	1	6,449,982	5,344,433
Cost of sales		<u>(7,625,920)</u>	<u>(4,104,696)</u>
<b>Gross (loss)/profit</b>		<b>(1,175,938)</b>	<b>1,239,737</b>
Administrative expenses		<b>(1,150,103)</b>	<b>(1,079,404)</b>
<b>Operating (loss)/profit</b>	2	<u><b>(2,326,041)</b></u>	<u><b>160,333</b></u>
Exchange differences		<b>(103,924)</b>	<b>(19,006)</b>
<b>(Loss)/profit on ordinary activities before taxation</b>		<u><b>(2,429,965)</b></u>	<u><b>141,327</b></u>
Tax on (loss)/ profit on ordinary activities	5	-	-
<b>(Loss)/ profit on ordinary activities after taxation</b>	10	<u><b>(2,429,965)</b></u>	<u><b>141,327</b></u>

There were no acquired or discontinued operations during 2006 (2005 nil)

There were no recognised gains or losses other than the loss for the year as stated above (2005 nil) and therefore no separate statement of total recognised gains and losses has been presented

A reconciliation of movements in reserves is given in note 10

A reconciliation of movements in shareholders funds is given in note 10

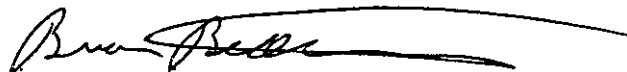
# Clearlab Europe Limited

## Balance Sheet As at 31 December 2006

	Note	31 December 2006 £	31 December 2005 £
<b>Current Assets</b>			
Stocks	6	414,410	184,385
Debtors	7	2,352,484	1,869,827
Cash at bank and in hand		33,479	-
		<u>2,800,373</u>	<u>2,054,212</u>
<b>Creditors: Amounts falling due within one year</b>	8	<u>(5,088,886)</u>	<u>(1,912,760)</u>
<b>Net (liabilities)/assets</b>		<u>(2,288,513)</u>	<u>141,452</u>
<b>Capital and reserves</b>			
Called up share capital	9	2	2
Profit and loss account	10	<u>(2,288,515)</u>	<u>141,450</u>
<b>Shareholders Funds</b>	10	<u>(2,288,513)</u>	<u>141,452</u>

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial reporting Standard for Smaller Entities (effective June 2002)

Approved by the Board on 25 JUNE 2007



B Bethers  
Director

## **Clearlab Europe Limited**

### **Notes to the financial statements For the year ended 31 December 2006**

#### **1 Accounting Policies and Estimation Techniques**

##### **a) Accounting basis and standards**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards and the Financial Reporting Standard for Smaller Entities (effective June 2002)

##### **b) Going Concern**

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future

##### **c) Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial period. All exchange differences are dealt with in the profit and loss account.

##### **d) Basis of preparation**

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As 100% of the Company's voting rights are controlled within the group headed by 1-800 Contacts, Inc., the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of 1-800 Contacts, Inc., within which this Company is included, can be obtained from the address given in note 12.

##### **e) Stock**

Stock is stated at the lower of cost and net realisable value.

##### **f) Taxation**

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

##### **g) Turnover**

Turnover represents the amounts (excluding valued added tax) derived from the provision of goods to customers and is accounted for on the accruals basis. Revenue is recognised as services are provided. Revenue in respect of goods invoiced in advance is deferred and recognised on the provision of those goods.

## Clearlab Europe Limited

### Notes to the financial statements For the year ended 31 December 2006 *(continued)*

#### 2 Operating (loss)/profit

	2006 £	2005 £
Operating (loss)/profit is stated after charging		
Auditors remuneration	-	-
Audit work	-	-
Non audit work	-	-
Directors emoluments	<b>273,614</b>	153,774

The Company operates a stakeholder pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £23,208 (2005 £17,804).

Auditor's remuneration is paid by Clearlab UK Limited and disclosed in the financial statements of that Company.

#### 3 Staff Costs

The average number of persons employed by the Company (including Directors) during the year was

	2006 No.	2005 No.
<b>Selling, General &amp; Administration (Total)</b>	<b>13</b>	5

The aggregate payroll costs in 2006 of those persons were as follows

	2006 £	2005 £
<b>Selling, General &amp; Admin:</b>		
Wages & salaries	515,827	476,139
Social Security Costs	98,560	56,794
Pension costs	12,172	17,804
Other Benefits	154,907	11,019
<b>Total</b>	<b>781,466</b>	561,756

#### 4 Directors' remuneration

Amounts receivable by Directors in respect of qualifying services

	2006 £	2005 £
Directors' emoluments	261,026	145,426
Company contributions to stakeholder pension schemes	12,588	8,348
Compensation for loss of office	tbc	tbc
	<b>273,614</b>	<b>153,774</b>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £261,026 (2005 £145,426), and Company pension contributions of £12,588 (2005 £8,348) were made to a stakeholder pension scheme on his behalf

	2006 No.	2005 No
Retirement benefits are accruing to the following number of Directors under		
Stakeholder pension schemes	<b>1</b>	<b>1</b>

#### 5 Taxation

	2006 £	2005 £
UK Corporation Tax		
Current tax on income for the period	<b>-</b>	<b>-</b>

The current tax charge for the year is higher (2005 lower) than the standard rate of corporation tax in the UK (30%, 2005 30%), the differences are explained below

	2006 £	2005 £
<b>Current tax reconciliation</b>		
Loss on ordinary activities before tax	<b>(2,429,965)</b>	<b>141,327</b>
Corporation tax at 30% (2005 30%)	<b>(728,990)</b>	<b>42,398</b>
Effects of		
Expenses not deductible for tax purposes (primarily entertaining)	<b>5,848</b>	<b>7,500</b>
Group relief surrendered to parent company	<b>175,655</b>	<b>-</b>
Group relief surrendered to associated company	<b>306,348</b>	<b>-</b>
Group relief obtained from parent company	<b>-</b>	<b>(49,898)</b>
Creation of tax losses	<b>241,139</b>	<b>-</b>
<b>Total current tax charge (see above)</b>	<b>-</b>	<b>-</b>

#### 6 Stocks

	2006 £	2005 £
Finished goods and goods for resale	<b>414,410</b>	<b>184,385</b>

## Clearlab Europe Limited

### 7 Debtors

	2006 £	2005 £
Trade Debtors	1,590,024	1,603,389
Amounts owed by group undertakings	246,753	-
VAT receivable	496,247	-
Prepayments and accrued income	19,460	266,438
	<u>2,352,484</u>	<u>1,869,827</u>

### 8 Creditors: amounts falling due within one year

	2006 £	2005 £
Trade Creditors	235,718	129,997
Amounts owed to group undertakings	4,639,293	1,735,657
Taxation and social security	26,785	13,514
Accruals and deferred income	187,090	33,592
	<u>5,088,886</u>	<u>1,912,760</u>

### 9 Called Up Share Capital

	2006 £	2005 £
<b>Authorised</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Called up, allotted and fully paid</b>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

### 10 Reconciliation of Shareholders' funds

	Called up share capital £	Profit and loss account £	Total £
Balance at 1 January 2006	2	141,450	141,452
Retained loss for the year	-	(2,429,965)	(2,429,965)
<b>Balance at 31 December 2006</b>	<u>2</u>	<u>(2,288,515)</u>	<u>(2,288,513)</u>

### 11 Immediate parent undertaking

The immediate parent undertaking is Clearlab International Pte Limited, 139 Joo Seng Road, Singapore 368362, incorporated in Singapore

### 12 Ultimate parent undertaking

The ultimate parent undertaking and controlling party is 1-800 Contacts, Inc, incorporated in the USA. A copy of the annual report may be obtained from 1-800 Contacts, Inc, 66 East Wadsworth Park Drive, Draper Utah 84020 USA