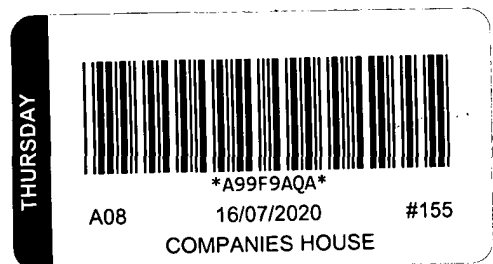


Registered number: 05755179

**Arbonne UK Limited**  
**Annual Report and Financial Statements**  
**For the Year Ended 31 December 2018**



---

**Arbonne UK Limited**

---

**Company Information**

---

<b>Directors</b>	V M Beckett B Chala J-D Schwartz A Van Ruymbeke
<b>Company secretary</b>	B Chala
<b>Registered number</b>	05755179
<b>Registered office</b>	Unit 16 Basset Court Loake Close Grange Park Northampton Northamptonshire NN4 5EZ
<b>Independent auditors</b>	Ernst and Young LLP 400 Capability Green Luton LU1 3LU
<b>Bankers</b>	Bank of America 2 King Edward Street London EC1A 1HQ

---

**Arbonne UK Limited**

---

**Contents**

---

	<b>Page</b>
<b>Group Strategic Report</b>	<b>1 - 2</b>
<b>Directors' Report</b>	<b>3 - 4</b>
<b>Directors' Responsibilities Statement</b>	<b>5</b>
<b>Independent Auditors' Report</b>	<b>6 - 8</b>
<b>Consolidated Statement of Comprehensive Income</b>	<b>9</b>
<b>Consolidated Balance Sheet</b>	<b>10</b>
<b>Company Balance Sheet</b>	<b>11</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>12</b>
<b>Company Statement of Changes in Equity</b>	<b>13</b>
<b>Consolidated Statement of Cash Flows</b>	<b>14</b>
<b>Notes to the Financial Statements</b>	<b>15 - 36</b>

---

## Arbonne UK Limited

---

### Group Strategic Report For the Year Ended 31 December 2018

---

The directors present the Strategic Report of Arbonne UK Limited (the 'Group') for the year ended 31 December 2018.

#### Business review

The Group's principal activities during the year continued to be the provision and distribution of cosmetics and nutritional products via our direct selling business model.

2018 has seen a slight decline in revenue, this is mainly caused by a decrease in sales of -10% in UK and -14% in Australia.

#### Business Strategy and Objectives

Arbonne UK Limited's strategy is to enhance sales whilst bringing in new customers and business builders.

The core objectives to meet this strategy are:

- Continuous review of our product line up and new product launches;
- Establish the Company as a brand leader in nutritional products;
- Incentivise business builders effectively and in a timely manner;
- Continuous review of internal and external processes and make improvements where necessary.

#### Financial key performance indicators

The following are the financial key performance indicators that the directors use to monitor the performance of the business.

The Balance Sheet on page 10 shows that the Group's net liabilities have increased.

The Group's cash levels have decreased by \$8.9mil to \$1.2mil at the end of the current financial year. This is due to the sale of distribution rights to Arbonne International as outlined in Future Development section below, and the settling of inter-company balances.

Stocks have decreased to \$0 as the company has no rights to the inventory being accumulated after the sale of the distribution rights.

Creditors due within one year have decreased by \$26.1mil to \$6.6mil at the end of the current financial year.

Revenue has decreased by 10% from the prior year. Changes in the incentive plan had an adverse impact in both the UK & Australia, on the behaviours of our business builders. In the UK another factor was also challenging market conditions with the advent of Brexit and the uncertainties that this has caused for businesses across our sector.

The Group's Profitability, as shown in the Consolidated Statement of Comprehensive Income on page 9, has decreased from a profit of \$70,417 in 2017 to a loss of \$3,141,901 in 2018.

One of the Company's key measurements of effectiveness of its operations is calculating the gross profit margin. The gross profit margin for the year was 68%; which is down from 72% in 2017. At a macro level, monthly promotions and incentives drive our margins on a monthly basis. As we incentivise sales to correspond with commercial promotions or consultant incentives, these subsequently increase our COGS or Overrides/Bonuses/Incentives each month. Additionally, the mix of our business continues to increase its nutritional mix, which have lower margins. Lastly, our annual Global Training Conference has a significant number of sales that occur across heavily discounted promotional bundles, and a similar pattern occurs through each country's National Training Conference which also impact margins.

---

## Arbonne UK Limited

---

### Group Strategic Report (continued) For the Year Ended 31 December 2018

---

#### Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management. Compliance with regulation, legal and ethical standards is a high priority for the Group and the compliance team and Group finance department take on an important oversight role in this regard. The Company's activities expose it to a significant financial risk being that of currency fluctuations with multiple currencies in operation including US Dollar, GB Pound and Euro.

#### Currency fluctuations

The Company purchases all its products from the USA and therefore is exposed to movement in the US Dollar to GB Pound exchange rate. The Company minimises the risk of exchange rate fluctuations by operating individual currency bank accounts. The Company continuously monitors currency fluctuations on a daily basis.

#### Financial risk management

The Company purchases goods and services from overseas suppliers and from Group companies using foreign currencies and is consequently exposed to foreign exchange risk. As many of these transactions are with Group companies, no hedging activities are undertaken. Due to the nature of the business, customers pay upfront for purchases before they are dispatched, as a consequence the Company considers credit risk to be low. The Company finances its operations through Group borrowings which enables the Company and Group to meet their liabilities as they fall due.

#### Impact of Brexit

The UK formally left the European Union on 31 January 2020 and is in an agreed transition period. Negotiations between the UK and EU regarding new arrangements are in progress. During this period the UK is still bound by EU rules. The transition period is due to end on 31 December 2020 at which time the UK could still leave with no deal.

In advance of confirmed agreements with the EU, Arbonne has been making preparations particularly relating to the import of goods into the UK and into Poland. We have been working with our internal Arbonne partners including Tax and Legal, expeditors, 3PL warehouses to ensure that we have alternative processes and the relevant documentation required to import and export our goods for example an EU EORI number.

We will continue to monitor the situation according to BREXIT announcements from the UK Government.

#### Impact of COVID-19

Subsequent to year-end, the outbreak of the coronavirus disease ("COVID-19") has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilise economic conditions. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Company in future periods. As far as the short term impact, there is no impact of Covid-19 on the Company's financials as our current 2020 sales have been rising to higher levels from prior years.

This report was approved by the board on

13th July 2020

and signed on its behalf.

  
V M Beckett  
Director

---

## Arbonne UK Limited

---

### Directors' Report For the Year Ended 31 December 2018

---

The directors present their annual report and the consolidated financial statements for the year ended 31 December 2018.

#### Principal activity

The principal activity of the Group is the sale of cosmetic products. These products are sold directly to agents who will then sell the products on to a final customer. The Group trades internationally, including within UK, Australia, New Zealand, Poland, and Taiwan.

#### Results and dividends

The loss for the year, after taxation, amounted to \$3,127,723 (2017 - profit \$70,417).

The directors do not recommend the payment of a dividend (2017: \$Nil).

#### Directors

The directors who served during the year were:

V M Beckett  
B Chala (appointed 1 June 2018)  
C Okawa (appointed 1 June 2018, resigned 29 March 2019)  
J-D Schwartz (appointed 1 June 2018)  
A Van Ruymbeke (appointed 1 June 2018)  
A J Good (resigned 31 May 2018)  
G Price (resigned 30 April 2018)  
K S Zanotti (resigned 29 May 2018)

#### Future developments

Effective 31 December 2018, all distribution rights and related assets/liabilities owned previously by Arbonne UK Limited (AUK) were sold to Arbonne International (AIL).

From 1 January 2019, Arbonne UK Limited have entered a new arrangement with Arbonne International LLC (AIL) to provide services that are required by AIL related to the business of the parties. AUK will be compensated for providing such services with amounts that are determined by the parties on an arm's length basis in accordance with applicable Transfer pricing rules.

#### Going concern

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

The Directors have considered the following factors when assessing going concern: following the sale of distribution rights on 31 December 2018, Arbonne UK Limited has become a cost-plus entity generating margins of 10% ensuring it will be profitable and cash generating going forward. The Company also has continued financial support of the ultimate parent company LABORATOIRES DE BIOLOGIE VEGETALE YVES ROCHER SA. The parent company provides a formal loan facility to ensure the company has enough funds to enable it to continue as a going concern. The directors have received confirmation that LABORATOIRES DE BIOLOGIE VEGETALE YVES ROCHER SA intend to support the Company for the foreseeable future, being no less than 12 months from the signing of the financial statements.

After many enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

---

**Arbonne UK Limited**

---

**Directors' Report (continued)  
For the Year Ended 31 December 2018**

---

**Post balance sheet events**

The COVID-19 pandemic and the associated government restrictions have caused uncertainty, and people around the world are concerned both personally and professionally. But one thing management know for sure is that good nutrition and individual economic opportunity have never been more important. Given our growth performance in the first quarter of 2020, revised forecasts, and the backup support of our ultimate parent company, which has sufficient cash and liquidity to fund the Group and Company's operations as necessary, COVID-19 pandemic does not impact the Company's ability to continue as a going concern. Our employees are able to work effectively remotely and to date the impact of country lock-downs has not been significant on the activities of the business and is not expected to for the foreseeable future.

The valuation of assets held on the Balance Sheet at 31 December 2018 have been stress tested in light of the revised forecasts and no significant impact on the valuation of assets or liabilities have been identified.

**Qualifying third party indemnity provisions**

During the year the directors have not been provided with Directors' third-party indemnity insurance by Arbonne UK Limited.

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

**Auditors**

The auditors, Ernst and Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 13th July 2020 and signed on its behalf.



**V M Beckett**  
Director

---

**Arbonne UK Limited**

---

**Directors' Responsibilities Statement  
For the Year Ended 31 December 2018**

---

The directors are responsible for preparing the Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies, 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;
- 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 and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



---

## Arbonne UK Limited

---

### Independent Auditors' Report to the Members of Arbonne UK Limited

---

#### Opinion

We have audited the financial statements of Arbonne UK Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 28, 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 Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's 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 Auditors' responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

#### Emphasis of matter - Effects of COVID-19

We draw your attention to note 2.4 and 27 of the financial statements which describes the economic and social consequences the Group and Company are facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

#### 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 Group's or the parent 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.

---

## Arbonne UK Limited

---

### Independent Auditors' Report to the Members of Arbonne UK Limited (continued)

---

#### Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information. 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.

#### Opinion 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 have been prepared in accordance with applicable legal requirements.

#### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent 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.

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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

---

**Independent Auditors' Report to the Members of Arbonne UK Limited (continued)**

---

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' 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 Auditors' 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditors' Report.

**Use of our report**

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.

*Ernst & Young LLP*

Mandip Dosanjh (Senior Statutory Auditor)  
for and on behalf of Ernst and Young LLP, Statutory Auditor  
400 Capability Green  
Luton  
LU1 3LU  
Date:

*14 July 2020*

**Arbonne UK Limited**

**Consolidated Statement of Comprehensive Income  
For the Year Ended 31 December 2018**

	Note	2018 \$	2017 \$
Revenue	4	82,877,727	91,955,517
Cost of sales		(26,208,526)	(25,290,705)
<b>Gross profit</b>		<b>56,669,201</b>	<b>66,664,812</b>
Administrative expenses		(59,780,077)	(65,487,765)
<b>Operating (loss)/profit</b>	5	<b>(3,110,876)</b>	<b>1,177,047</b>
Interest receivable and similar income	9	405	387
Interest payable and expenses	10	(183,446)	(361,868)
<b>(Loss)/profit before taxation</b>		<b>(3,293,917)</b>	<b>815,566</b>
Tax on (loss)/profit	11	166,194	(745,149)
<b>(Loss)/profit for the financial year</b>		<b>(3,127,723)</b>	<b>70,417</b>
Currency translation differences		(14,178)	-
<b>Other comprehensive expense for the year</b>		<b>(14,178)</b>	<b>-</b>
<b>Total comprehensive (expense)/income for the year</b>		<b>(3,141,901)</b>	<b>70,417</b>

The notes on pages 15 to 36 form part of these financial statements.

**Arbonne UK Limited**  
Registered number: 05755179

**Consolidated Balance Sheet**  
As at 31 December 2018

	Note	2018 \$	2017 \$
<b>Fixed assets</b>			
Intangible assets	12	-	3,793,493
Tangible assets	13	291,900	705,621
		<u>291,900</u>	<u>4,499,114</u>
<b>Current assets</b>			
Stocks	15	-	13,187,575
Debtors: amounts falling due within one year	16	1,706,254	3,386,254
Cash at bank and in hand	17	1,173,431	10,026,603
		<u>2,879,685</u>	<u>26,600,432</u>
Creditors: amounts falling due within one year	18	(6,631,413)	(32,731,886)
<b>Net current liabilities</b>		<u>(3,751,728)</u>	<u>(6,131,454)</u>
<b>Total assets less current liabilities</b>		<u>(3,459,828)</u>	<u>(1,632,340)</u>
Creditors: amounts falling due after more than one year	19	(1,314,413)	-
<b>Net liabilities</b>		<u>(4,774,241)</u>	<u>(1,632,340)</u>
<b>Capital and reserves</b>			
Called up share capital	22	148	148
Other reserves	23	(102,422)	(2,590,716)
Profit and loss account	23	(4,671,967)	958,228
<b>Total shareholders' deficit</b>		<u>(4,774,241)</u>	<u>(1,632,340)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



**V M Beckett**  
Director

The notes on pages 15 to 36 form part of these financial statements.

**Arbonne UK Limited**  
Registered number:05755179

**Company Balance Sheet**  
**As at 31 December 2018**

	Note	2018 \$	2017 \$
<b>Fixed assets</b>			
Intangible assets	12	-	3,793,493
Tangible assets	13	144,167	664,567
Investments	14	25,100	25,100
		<u>169,267</u>	<u>4,483,160</u>
<b>Current assets</b>			
Stocks	15	-	13,187,575
Debtors: amounts falling due within one year	16	1,440,779	3,709,731
Cash at bank and in hand	17	870,102	9,325,303
		<u>2,310,881</u>	<u>26,222,609</u>
Creditors: amounts falling due within one year	18	(5,472,071)	(32,337,515)
<b>Net current liabilities</b>		<u>(3,161,190)</u>	<u>(6,114,906)</u>
<b>Total assets less current liabilities</b>		<u>(2,991,923)</u>	<u>(1,631,746)</u>
Creditors: amounts falling due after more than one year	19	(1,314,413)	-
<b>Net liabilities</b>		<u><u>(4,306,336)</u></u>	<u><u>(1,631,746)</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	148	148
Other reserves	23	-	(2,488,294)
Profit and loss account brought forward		856,400	439,472
(Loss)/profit for the year		(2,674,571)	416,928
Other changes in the profit and loss account		(2,488,313)	-
<b>Profit and loss account carried forward</b>		<u><u>(4,306,484)</u></u>	<u><u>856,400</u></u>
		<u><u>(4,306,336)</u></u>	<u><u>(1,631,746)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



**V M Beckett**  
Director

The notes on pages 15 to 36 form part of these financial statements.

**Arbonne UK Limited**

**Consolidated Statement of Changes in Equity  
For the Year Ended 31 December 2018**

	Called up share capital \$	Other reserves \$	Profit and loss account \$	Total equity \$
<b>At 1 January 2017</b>	148	(2,590,716)	887,811	(1,702,757)
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	70,417	70,417
<b>Total comprehensive income for the year</b>	-	-	70,417	70,417
<b>At 31 December 2017 and 1 January 2018</b>	148	(2,590,716)	958,228	(1,632,340)
Loss for the year	-	-	(3,127,723)	(3,127,723)
Currency translation differences	-	-	(14,178)	(14,178)
<b>Other comprehensive expense for the year</b>	-	-	(14,178)	(14,178)
<b>Total comprehensive expense for the year</b>	-	-	(3,141,901)	(3,141,901)
Realisation of merger reserve on group reconstruction	-	2,488,294	(2,488,294)	-
<b>At 31 December 2018</b>	148	(102,422)	(4,671,967)	(4,774,241)

The notes on pages 15 to 36 form part of these financial statements.

**Arbonne UK Limited**

**Company Statement of Changes in Equity  
For the Year Ended 31 December 2018**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	\$	\$	\$	\$
<b>At 1 January 2017</b>	<b>148</b>	<b>(2,488,294)</b>	<b>439,472</b>	<b>(2,048,674)</b>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	416,928	416,928
<b>Total comprehensive income for the year</b>	-	-	416,928	416,928
<b>At 31 December 2017 and 1 January 2018</b>	<b>148</b>	<b>(2,488,294)</b>	<b>856,400</b>	<b>(1,631,746)</b>
<b>Comprehensive expense for the year</b>				
Loss for the year	-	-	(2,674,571)	(2,674,571)
Currency translation differences	-	-	(19)	(19)
<b>Other comprehensive expense for the year</b>	-	-	(19)	(19)
<b>Total comprehensive expense for the year</b>	-	-	(2,674,590)	(2,674,590)
Realisation of merger reserve on group reconstruction	-	2,488,294	(2,488,294)	-
<b>At 31 December 2018</b>	<b>148</b>	<b>-</b>	<b>(4,306,484)</b>	<b>(4,306,336)</b>

The notes on pages 15 to 36 form part of these financial statements.



Arbonne UK Limited

**Consolidated Statement of Cash Flows  
For the Year Ended 31 December 2018**

	Note	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
(Loss)/profit for the financial year		(3,127,723)	70,417
<b>Adjustments for:</b>			
Amortisation of intangible assets	12	1,269,591	1,269,591
Depreciation of tangible assets	13	353,870	399,781
Loss on disposal of tangible assets	5,13	205,209	1,051
Interest received	9	(405)	(387)
Interest paid	10	183,446	361,868
Taxation charge	11	(166,194)	745,149
Decrease in stocks	15	13,187,575	3,748,057
Decrease in debtors	16	1,251,853	1,243,762
(Decrease) in creditors	18	(26,781,003)	(9,749,738)
Corporation tax (paid)		(914,992)	(1,073,871)
<b>Net cash generated from operating activities</b>		<b>(14,538,773)</b>	<b>(2,984,320)</b>
<b>Cash flows from investing activities</b>			
Proceeds on transfer of trade and assets	12	6,014,000	-
Purchase of tangible fixed assets	13	(153,250)	(262,028)
Sale of tangible fixed assets	5,13	7,892	180
Interest received	9	405	387
<b>Net cash from investing activities</b>		<b>5,869,047</b>	<b>(261,461)</b>
<b>Cash flows from financing activities</b>			
Interest paid	10	(183,446)	(361,868)
<b>Net cash used in financing activities</b>		<b>(183,446)</b>	<b>(361,868)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(8,853,172)</b>	<b>(3,607,649)</b>
Cash and cash equivalents at beginning of year	17	10,026,603	13,634,252
<b>Cash and cash equivalents at the end of year</b>		<b>1,173,431</b>	<b>10,026,603</b>
<b>Cash and cash equivalents at the end of year comprise:</b>			
Cash at bank and in hand	17	1,173,431	10,026,603

The notes on pages 15 to 36 form part of these financial statements.

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

---

**1. General information**

Arbonne UK Limited (the "Company" and "Group") is a private limited company, incorporated in United Kingdom, registered number 05755179. The address of its principal place of business is Unit 16 Basset Court, Loake Close, Grange Park, Northampton, Northamptonshire, NN4 5EZ.

The principal activity of the group is the sale of cosmetic products. These products are sold directly to agents who will then sell the products on to a final customer. The group trades internationally, including within UK, Australia, New Zealand, Poland and Taiwan.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis, under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

**2.2 Basis of consolidation**

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the merger accounting method. In the consolidated Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

**2.3 Exemptions for qualifying entities under FRS 102**

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

---

**2. Accounting policies (continued)**

**2.4 Going concern**

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

The directors have considered the following factors when assessing going concern; First, the company generated enough cash to reduce its net current liabilities from \$6.1mil in 2017 to \$4.1mil as of December 31, 2018. Second, following the sale of distribution rights on 31 December 2018, Arbonne UK Limited has become a cost-plus entity reporting margins of 10% ensuring it will be profitable and cash generating going forward. Third, the continued financial support of the ultimate parent company LABORATOIRES DE BIOLOGIE VEGETALE YVES ROCHER SA. For this purpose, the parent company provides a formal loan facility to ensure the company has enough funds to enable it to continue as a going concern. The directors have received confirmation that LABORATOIRES DE BIOLOGIE VEGETALE YVES ROCHER SA intend to support the Company for the foreseeable future, being no less than 12 months from the signing of the financial statements.

**Post balance sheet events**

The COVID-19 pandemic and the associated government restrictions have caused uncertainty, and people around the world are concerned both personally and professionally. But one thing management know for sure is that good nutrition and individual economic opportunity have never been more important. Given our growth performance in the first quarter of 2020, revised forecasts, and the backup support of our ultimate parent company, which has sufficient cash and liquidity to fund the Group and Company's operations as necessary, COVID-19 pandemic does not impact the Company's ability to continue as a going concern. Our employees are able to work effectively remotely and to date the impact of country lock-downs has not been significant on the activities of the business and is not expected to for the foreseeable future. The valuation of assets held on the Balance Sheet at 31 December 2018 have been subject to stress tests in light of revised forecasts and no significant impact on the valuation of assets or liabilities have been identified.

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

---

**2. Accounting policies (continued)**

**2.5 Foreign currency translation**

**Functional and presentation currency**

The Group financial statements are presented in USD and rounded to the nearest dollar. The Company's functional and presentational currency is USD.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when recognised in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'interest receivable or payable'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income.

On consolidation, the results of overseas operations are translated into Dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

---

**2. Accounting policies (continued)**

**2.6 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

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

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**2.7 Operating leases: the Group as lessee**

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

**2.8 Interest income**

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

**2.9 Finance costs**

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

---

**2. Accounting policies (continued)**

**2.10 Pensions**

**Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

**2.11 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**2.12 Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives. In 2018, all distribution rights with a carrying amount of \$2,523,902 were transferred by Arbonne UK Limited (AUK) to Arbonne International (AIL) along with related assets and liabilities for a consideration of \$6,014,000.

Amortisation is included in administrative expenses in the Consolidated Statement of Comprehensive income.

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

---

**2. Accounting policies (continued)**

**2.13 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold property	- Straight line over the life of the lease
Plant and machinery	- 20 - 25% Straight line
Fixtures and fittings	- 20 - 25% Straight line
Computer equipment	- 33% Straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

**2.14 Investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**2.15 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**2.16 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

---

**2. Accounting policies (continued)**

**2.17 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.18 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**2.19 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.



**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

---

**2. Accounting policies (continued)**

**2.20 Financial instruments**

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**2.21 Called up share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2.22 Related party transactions**

The Group discloses transactions with related parties which are not wholly owned within the same Group.

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

---

**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

In the application of the group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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.

**Stock provisioning**

The Company sells cosmetic products and is subject to changing customer demands and trends. As a result, it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of the products. See Note 15 for the net carrying amount of the stock and associated provision.

**Impairment of intangible assets**

The Company considers whether intangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the value of cash flows from the cash generating units (CGUs) and also selection of appropriate discount rates in order to calculate the net present value of those cashflows.

---

Arbonne UK Limited

---

Notes to the Financial Statements  
For the Year Ended 31 December 2018

---

4. Revenue

An analysis of revenue by class of business is as follows:

	2018 \$	2017 \$
Sales	80,724,260	89,828,252
Other Events	2,153,467	2,127,265
	<u>82,877,727</u>	<u>91,955,517</u>

An analysis of revenue by country of destination:

	2018 \$	2017 \$
United Kingdom	30,572,281	33,890,859
Australia	40,262,087	46,942,415
Europe	3,221,257	2,977,971
Rest of the World	8,822,102	8,144,272
	<u>82,877,727</u>	<u>91,955,517</u>

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2018 \$	2017 \$
Depreciation of tangible assets	353,870	399,781
Impairment of stock	1,001,515	507,748
Amortisation of intangible assets	1,269,591	1,269,591
Exchange differences	130,755	1,141,324
Operating lease charges	382,409	337,900
Loss on disposal of tangible assets	<u>205,209</u>	<u>1,051</u>

---

Arbonne UK Limited

---

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

---

**6. Auditors' remuneration**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<b>57,640</b>	<b>133,000</b>
Fees payable to the Group's auditors for the audit of the subsidiaries' annual financial statements	<b>22,360</b>	<b>88,250</b>
	<b>80,000</b>	<b>221,250</b>
<b>Fees payable to the Group's auditors in respect of:</b>		
Other services relating to taxation	<b>-</b>	<b>188,819</b>
All other services	<b>3,500</b>	<b>-</b>

**Arbonne UK Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

**7. Employees**

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

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>	<b>Company 2018 \$</b>	<b>Company 2017 \$</b>
Wages and salaries	4,425,198	4,244,200	2,749,455	2,487,778
Social security costs	291,698	211,992	237,333	141,404
Cost of defined contribution scheme	185,983	217,824	58,608	79,483
	<b>4,902,879</b>	<b>4,674,016</b>	<b>3,045,396</b>	<b>2,708,665</b>

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

	<b>Group 2018 No.</b>	<b>Group 2017 No.</b>	<b>Company 2018 No.</b>	<b>Company 2017 No.</b>
United Kingdom	32	34	33	34
Australia	21	26	-	-
Poland	2	2	2	2
Taiwan	-	13	-	13
	<b>55</b>	<b>75</b>	<b>35</b>	<b>49</b>

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

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>	<b>Company 2018 \$</b>	<b>Company 2017 \$</b>
Executive	4	7	1	3
Accounting	5	8	3	5
Operations	4	4	4	4
Marketing	19	23	14	17
Customer Service	23	33	13	20
	<b>55</b>	<b>75</b>	<b>35</b>	<b>49</b>

---

**Arbonne UK Limited**

---

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

---

**8. Directors' remuneration**

Directors' remuneration paid by the group is \$1,171,836 (2017: \$362,135) and this remuneration relates to one director (2017: one director).

Key management personnel received total remuneration of \$Nil (2017: \$Nil).

**9. Interest receivable and similar income**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Other interest receivable	<b>405</b>	<b>387</b>

**10. Interest payable and similar expenses**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Bank interest payable	-	2,238
Interest expense from group undertakings	<b>183,446</b>	<b>359,630</b>
	<b>183,446</b>	<b>361,868</b>

**Arbonne UK Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

**11. Taxation**

	2018 \$	2017 \$
<b>Corporation tax</b>		
Current tax on profits for the year	-	512,497
Adjustments in respect of previous periods	(563,144)	177,029
	<u>(563,144)</u>	<u>689,526</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	(31,197)	517,511
<b>Total current tax</b>	<u>(594,341)</u>	<u>1,207,037</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(56,150)	(1,200)
Changes to tax rates	5,911	140
Adjustment in respect of previous years	478,386	(460,828)
<b>Total deferred tax</b>	<u>428,147</u>	<u>(461,888)</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(166,194)</u>	<u>745,149</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 \$	2017 \$
(Loss)/profit on ordinary activities before tax	<u>(3,293,917)</u>	<u>815,566</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(625,844)	156,996
<b>Effects of:</b>		
Expenses not deductible for tax purposes	453,329	627,459
Tax rate changes	5,911	140
Adjustments in respect of prior years	(84,758)	(283,799)
Deferred tax not provided	85,168	244,353
<b>Total tax charge for the year</b>	<u>(166,194)</u>	<u>745,149</u>

---

Arbonne UK Limited

---

Notes to the Financial Statements  
For the Year Ended 31 December 2018

---

11. Taxation (continued)

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the Balance Sheet date have been measured using this enacted tax rate and reflected in these financial statements.

12. Intangible assets

Group and Company

	Customer contracts and logistics agreements \$
Cost	
At 1 January 2018	6,347,955
Disposals	(6,347,955)
At 31 December 2018	-
Accumulated amortisation	
At 1 January 2018	2,554,462
Charge for the year	1,269,591
On disposals	(3,824,053)
At 31 December 2018	-
Net book value	
At 31 December 2018	-
At 31 December 2017	3,793,493

On 31 December 2018, Arbonne UK Limited has transferred the distribution rights to Arbonne International LLC, (AIL) along with related assets and liabilities for the sum of \$6,014,000 exclusive of VAT. Amortisation of this asset, prior to the sale was \$3,824,053.



**Arbonne UK Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

**13. Tangible fixed assets**

**Group**

	<b>Leasehold property \$</b>	<b>Plant and machinery \$</b>	<b>Fixtures and fittings \$</b>	<b>Computer equipment \$</b>	<b>Total \$</b>
<b>Cost or valuation</b>					
At 1 January 2018	703,937	2,787	227,233	1,082,963	2,016,920
Additions	136,513	1,315	-	15,422	153,250
Disposals	(344,499)	-	(42,217)	(290,566)	(677,282)
At 31 December 2018	495,951	4,102	185,016	807,819	1,492,888
<b>Depreciation</b>					
At 1 January 2018	481,478	-	164,818	665,003	1,311,299
Charge for the year	117,083	764	28,876	207,147	353,870
Disposals	(239,177)	-	(29,310)	(195,694)	(464,181)
At 31 December 2018	359,384	764	164,384	676,456	1,200,988
<b>Net book value</b>					
At 31 December 2018	136,567	3,338	20,632	131,363	291,900
At 31 December 2017	222,459	2,787	62,415	417,960	705,621

Arbonne UK Limited

Notes to the Financial Statements  
For the Year Ended 31 December 2018

13. Tangible fixed assets (continued)

Company

	Leasehold property \$	Fixtures and fittings \$	Computer equipment \$	Total \$
<b>Cost or valuation</b>				
At 1 January 2018	638,898	158,778	887,290	1,684,966
Additions	7,290	-	1,772	9,062
Disposals	(344,499)	(42,217)	(290,566)	(677,282)
At 31 December 2018	301,689	116,561	598,496	1,016,746
<b>Depreciation</b>				
At 1 January 2018	420,311	120,115	479,973	1,020,399
Charge for the year	113,888	16,871	185,602	316,361
Disposals	(239,177)	(29,310)	(195,694)	(464,181)
At 31 December 2018	295,022	107,676	469,881	872,579
<b>Net book value</b>				
At 31 December 2018	6,667	8,885	128,615	144,167
At 31 December 2017	218,587	38,663	407,317	664,567

---

**Arbonne UK Limited**

---

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

---

**14. Investments**

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
Arbonne Australia PTY LTD	Ordinary	100 %	Wholesale of perfume and cosmetics
Arbonne Germany GMBH	Ordinary	100 %	Wholesale of perfume and cosmetics

<b>Name</b>	<b>Registered office</b>
Arbonne Australia PTY LTD	1 Wonderland Dr, Eastern Creek. NSW 2766, Australia
Arbonne Germany GMBH	Ottostr. 4, c/o Langwieser Rechtsanwälte Partnerschaft, 80333 Munchen, Germany

**Company**

	<b>Investments in subsidiaries \$</b>
<b>Cost or valuation</b>	
At 1 January 2018	25,100
At 31 December 2018	25,100
<b>Net book value</b>	
At 31 December 2018	25,100
At 31 December 2017	25,100

**Arbonne UK Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

**15. Stocks**

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>	<b>Company 2018 \$</b>	<b>Company 2017 \$</b>
Finished goods and goods for resale	-	13,187,575	-	13,187,575

Stocks recognised in cost of sales during the year as an expenses was \$18,716,961 (2017: \$20,045,128).

Group stocks are stated after provisions for impairment of \$nil (2017: \$591,518).

Company stocks are stated after provisions for impairment of \$nil (2017: £591,518).

There is no significant difference between the replacement cost of the inventory and its carrying amount.

**16. Debtors**

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>	<b>Company 2018 \$</b>	<b>Company 2017 \$</b>
Trade debtors	22	3,966	22	3,966
Amounts owed by group undertakings	-	2,361,089	-	2,846,716
Other debtors	632,497	25,100	574,245	-
Prepayments and accrued income	457,196	559,635	283,125	422,585
Tax recoverable	608,222	-	575,070	-
Deferred taxation	8,317	436,464	8,317	436,464
	<b>1,706,254</b>	<b>3,386,254</b>	<b>1,440,779</b>	<b>3,709,731</b>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Group and company trade debtors are stated after provisions for impairment of \$nil (2017: \$nil).

**17. Cash and cash equivalents**

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>	<b>Company 2018 \$</b>	<b>Company 2017 \$</b>
Cash at bank and in hand	1,173,431	10,026,603	870,102	9,325,303

**Arbonne UK Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

**18. Creditors: Amounts falling due within one year**

	<b>Group 2018</b>	<i>Group 2017</i>	<b>Company 2018</b>	<i>Company 2017</i>
	\$	\$	\$	\$
Trade creditors	120,843	1,182,846	70,150	1,094,649
Amounts owed to group undertakings	3,723,862	22,455,518	3,848,582	23,373,992
Corporation tax	-	835,993	-	860,289
Other taxation and social security	-	608,019	-	637,162
Accruals and deferred income	2,786,708	7,649,510	1,553,339	6,371,423
	<u>6,631,413</u>	<u>32,731,886</u>	<u>5,472,071</u>	<u>32,337,515</u>

Included in amounts owed to group undertakings at 31 December 2017 is an unsecured intercompany loan to Arbonne Europe GmbH of £4,275,000 at an interest rate of 3% per annum with maturity date of 31 December 2018. The loan was settled during the year.

**19. Creditors: Amounts falling due after more than one year**

	<b>Group 2018</b>	<i>Group 2017</i>	<b>Company 2018</b>	<i>Company 2017</i>
	\$	\$	\$	\$
Amounts owed to group undertakings	<u>1,314,413</u>	<u>-</u>	<u>1,314,413</u>	<u>-</u>

Amounts owed to group undertakings relate to an unsecured intercompany loan to Arbonne International LLC at an interest rate of 3% per annum with maturity date of 31 December 2021.

**20. Financial instruments**

	<b>Group 2018</b>	<i>Group 2017</i>	<b>Company 2018</b>	<i>Company 2017</i>
	\$	\$	\$	\$
<b>Financial assets</b>				
Financial assets that are debt instruments measured at amortised cost	<u>632,519</u>	<u>2,390,155</u>	<u>574,267</u>	<u>2,850,682</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<u>(7,924,685)</u>	<u>(28,684,542)</u>	<u>(6,765,343)</u>	<u>(28,236,733)</u>

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise of other loans, trade creditors, amounts owed to group undertakings, other creditors and accruals, but does not include deferred revenue.

**Arbonne UK Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

**21. Deferred taxation**

Group and Company

	<b>2018</b>
	<b>\$</b>
At beginning of year	436,464
Charged to profit or loss	50,239
Adjustment for prior years	(478,386)
<b>At end of year</b>	<b>8,317</b>

The deferred tax asset is made up as follows:

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>	<b>Company 2018 \$</b>	<b>Company 2017 \$</b>
Fixed asset timing differences	4,270	(47,695)	4,270	(47,695)
Tax losses carried forward	1,027	3,020	1,027	3,020
Short term timing difference	3,020	481,139	3,020	481,139
	<b>8,317</b>	<b>436,464</b>	<b>8,317</b>	<b>436,464</b>

**22. Called up share capital**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Allotted, called up and fully paid</b>		
100 (2017 - 100) Ordinary shares of \$1.48 each	<b>148</b>	<b>148</b>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

**23. Reserves**

**Other reserves**

Other reserves represent merger reserves following group restructuring.

**Profit and loss account**

The profit and loss account represents the cumulative profits and losses of the group less any distributions made to the owners of the group.

---

**Arbonne UK Limited**

---

**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

---

**24. Pension commitments**

The group operates a defined contribution scheme. The assets of the scheme are held separately from those of the group. Contribution payable of \$185,983 (2017: \$217,824) were charged to the statement of comprehensive income during the year.

**25. Commitments under operating leases**

At 31 December 2018 the Group and the Company had future cancellable operating leases as follows:

	<b>Group 2018 \$</b>	<b>Group 2017 \$</b>	<b>Company 2018 \$</b>	<b>Company 2017 \$</b>
Not later than 1 year	<b>381,310</b>	<b>362,897</b>	<b>210,449</b>	<b>245,751</b>
Later than 1 year and not later than 5 years	<b>705,451</b>	<b>111,843</b>	<b>2,711</b>	<b>106,809</b>
	<b><u>1,086,761</u></b>	<b><u>474,740</u></b>	<b><u>213,160</u></b>	<b><u>352,560</u></b>

**26. Related party transactions**

The Company has taken exemption under FRS 102 from disclosing related party transactions with entities that are part of a group.

**27. Post balance sheet events**

The COVID-19 pandemic and the associated government restrictions have caused uncertainty, and people around the world are concerned both personally and professionally. But one thing management know for sure is that good nutrition and individual economic opportunity have never been more important. Given our growth performance in the first quarter of 2020, revised forecasts, and the backup support of our ultimate parent company, which has sufficient cash and liquidity to fund the Group and Company's operations as necessary, COVID-19 pandemic does not impact the Company's ability to continue as a going concern. Our employees are able to work effectively remotely and to date the impact of country lock-downs has not been significant on the activities of the business and is not expected to for the foreseeable future. The valuation of assets held on the Balance Sheet at 31 December 2018 have been subject to stress tests in light of revised forecasts and no significant impact on the valuation of assets or liabilities have been identified.

**28. Controlling party**

The immediate parent company is Arbonne Global Holdings Inc. a company incorporated in the Cayman Islands. LABORATOIRES DE BIOLOGIE VEGETALE YVES ROCHER SA was the ultimate parent company as at the balance sheet date of 31 December 2018. The address of its registered office is 7 Chemin de Bretagne, 92 130 Issy-les-Moulineaux Cedex, France.

The smallest group for which group financial statements are prepared is Arbonne UK Limited and the largest group for which group financial statements are prepared is LABORATOIRES DE BIOLOGIE VEGETALE YVES ROCHER SA.