

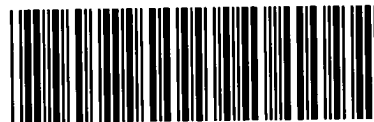
Cabi Experience, Ltd

UK Registered Number: 10091265

Report and Financial Statements

For the year ended 31 March 2018

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Cabi Experience, Ltd

Report and financial statements

Year ended 31 March 2018

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Cabi Experience, Ltd

Corporate information

UK Registered Number: 10091265

Directors

B L Ripperger
A K Pedersen
L C Meredith

Independent auditor

KPMG LLP
58 Clarendon Road
Watford
Hertfordshire
WD17 1DE

Registered Office

Highlands House
Basingstoke Road
Spencers Wood
Reading
RG7 1NT

Cabi Experience, Ltd

Directors' report

The directors present their annual report and the audited financial statements of Cabi Experience, Ltd (the "Company") for the year ended 31 March 2018.

Directors of the Company

The directors who served during the financial year, or since the financial year end, were as follows:

B L Ripperger
A K Pedersen
L C Meredith

Results

Turnover for the year was £1,264,790 (2017: £525,000). The loss after taxation was £327,920 (2017: £232,000). The audited financial statements for the period ended 31 March 2018 are set out on pages 8 to 17.

Dividends

The directors do not recommend the payment of a dividend in respect of the period ended 31 March 2018.

Introduction

The Company was incorporated in Great Britain on 30 March 2016 as a subsidiary of cabi Holdings Cooperatief U.A. in the Netherlands. The Company's principal activity was the sale of women's apparel, accessories, and related products which are sold directly to consumers through an independent sales force.

The Company has met the requirements of the Companies Act 2006 to obtain the exemption provided from the presentation of a strategic report.

Going concern

During the initial trading period, the directors have utilised inter-company borrowings from the ultimate parent group to provide working capital and cover initial costs incurred. The directors have received assurances from the parent group that adequate continued lending will be made available to the company to enable it to continue to trade in the UK market for the foreseeable future, and at least for the 12 months following the date of approval of these financial statements. Further details are in Note 1.

Key performance indicators

The directors used a number of performance measures to monitor and manage the business as set out below:

- Turnover growth
- Number of customers
- Number of United Kingdom Stylists
- Number of Shows
- Show personal qualifying volume (PQV)
- Show PQV per stylist
- Shows per stylist
- Show Average
- Orders per show
- Average order amount
- Units per order
- Weighted average price per unit
- Units per stylist

Cabi Experience, Ltd

Directors' report (continued)

Principal risks and uncertainties facing the business

The directors continually monitor the key risks facing the Company together with assessing the controls used for managing these risks.

The principal risks and uncertainties facing the Company are as follows:

Risk 1 – Continued Support from Ultimate Parent Company

The Company relies on debt finance advanced by its ultimate parent group, Cabi Holding Co., LLC. The Company's parent group has substantial financial resources and has indicated its intention to continue to support the Company financially to enable it to grow its UK operations.

Risk 2 – Competition in the UK market

Whilst the Company offers a unique and compelling proposition, it faces strong competition in the UK from a variety of competitors in the UK market, including a number of longstanding brands.

Risk 3 – Implementation of Long-term Growth Strategy in the UK Market

Our ability to successfully implement our long-term growth strategy, which entails evolving our product, marketing, and shopping experience to increase desirability and relevance.

Risk 4 – Exchange Rate Fluctuations

Our exposure to currency exchange rate fluctuations from both a transactional and translational perspective.

Risk 5 – United Kingdom's Decision to Exit the European Union

The impact to our business resulting from the United Kingdom's decision to exit the European Union and the uncertainty surrounding the terms and conditions of such a withdrawal, as well as the related impact to currency exchange rates.

Risk 6 – Cabi Brand

Our ability to continue to maintain our brand image and reputation and protect our trademarks.

Risk 7 – Natural or Man-Made Disasters

The potential impact on our operations and on our suppliers and customers resulting from natural disasters or man-made disasters.

Risk 8 – Key Personnel

The loss of key personnel or other changes in our executive and senior management team or to our operating structure, and our ability to effectively transfer knowledge during periods of transition.

Risk 9 – Fashion Trends

The impact to our business resulting from changes in consumers' ability or preferences to purchase products that we offer for sale and our ability to forecast consumer demand, which could result in either a build-up or shortage of inventory.

Risk 10 – Other Risks

A variety of legal, regulatory, tax, political, and economic risks, including risks related to the importation of products, tariffs, and other trade barriers which our operations are currently subject to, or may become subject to as a result of potential changes in legislation, and other risks associated with our international operations and the burdens of complying with a variety of foreign laws and regulations, including tax laws, trade and labour restrictions, and related laws that may reduce the flexibility of our business.

Cabi Experience, Ltd

Directors' report (*continued*)

Events since the balance sheet date

There have been no events since the balance sheet date up to the date of issuance of this report which the directors consider to be material to their report and the financial statements.

Statement of Directors' responsibilities in respect of the director's 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

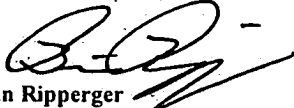
Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Appointment of auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board of directors on December 20, 2018 and signed on its behalf by:


Brian Ripperger
CFO

Highlands House
Basingstoke Road
Spencers Wood
Reading
RG7 1NT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Cabi Experience, Ltd

Opinion

We have audited the financial statements of Cabi Experience, Ltd ("the company") for the year ended 31 March 2018 which comprise the Statement of comprehensive income, Statement of financial position and Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements, and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Cabi Experience, Ltd
(continued)

Directors' responsibilities

As explained more fully in their statement set out 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 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.

B. J. Stapleton

Benjamin Stapleton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road
Watford
Hertfordshire
WD17 1DE

21 December 2018

Cabi Experience, Ltd

Statement of comprehensive income

for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	3	1,265	525
Cost of sales		(662)	(279)
Gross profit		603	246
Distribution costs		(732)	(380)
Administration expenses		(217)	(75)
Operating loss before interest and similar charges	4	(346)	(209)
Interest receivable / (payable) and similar charges	6	18	(23)
Loss before taxation		(328)	(232)
Tax on loss	7	-	-
Total comprehensive loss for the period		(328)	(232)

All amounts are derived from continuing operations.

Cabi Experience, Ltd

Statement of financial position

at 31 March 2018

	Note	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Current assets			
Debtors: amounts falling due within one year	8	96	21
Cash		<u>244</u>	<u>77</u>
Total current assets		340	98
Total assets		<u>340</u>	<u>98</u>
Current liabilities			
Loan due to related party	9	(665)	(184)
Creditors: amounts falling due within one year	10	(235)	(146)
Total current liabilities		<u>(900)</u>	<u>(330)</u>
Net liabilities		<u>(560)</u>	<u>(232)</u>
Capital and reserves			
Share capital	11	-	-
Profit and loss account		<u>(560)</u>	<u>(232)</u>
Total capital		(560)	<u>(232)</u>

The financial statements on pages 8 to 17 were approved and authorised for issue by the board of directors on December 20, 2018 and are signed on their behalf by:



Brian Ripperger
CFO

Company number: 10091265

Cabi Experience, Ltd

Statement of changes in equity

for the year ended 31 March 2018

	Called-up share capital £'000	Profit and loss account £'000	Total equity £'000
On incorporation at 30 March 2016	-	-	-
Total comprehensive loss for the year	-	(232)	(232)
At 31 March 2017	-	(232)	(232)
Total comprehensive loss for the year	-	(328)	(328)
At 31 March 2018	-	(560)	(560)

Cabi Experience, Ltd

Notes to the financial statements

for the year ended 31 March 2018

1. Accounting policies

Statement of compliance

Cabi Experience, Ltd (the "Company"), is a company incorporated in Great Britain on 30 March 2016 and registered in England and Wales, with registration number 10091265. The registered office is Highlands House, Basingstoke Road, Spencers Wood, Reading, RG7 1NT. The Company's principal activity was the sale of women's apparel, accessories, and related products which are sold directly to consumers through an independent sales force.

The Company's financial statements have been prepared in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") as it applies to the financial statements of the Company for the year ended 31 March 2018.

Basis of preparation

The financial statements of the Company were approved for issue by the board of directors on 20 December 2018. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000 unless otherwise stated. The Company's financial year ends on 31 March 2018.

Going concern

Notwithstanding net current liabilities of £560,000 as at 31 March 2018 and a loss for the year then ended of £328,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its immediate parent company, Cabi Holding Co., LLC to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Cabi Holding Co., LLC providing additional financial support during that period. Cabi Holding Co., LLC has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Reserve for Returns

The Company records a reserve for customer returns based on historical experience for the Parent company's operations in Canada and the United States. The company periodically reviews the reserve for returns against actual customer returns and adjusts the reserve accordingly.

Cabi Experience, Ltd

Notes to the financial statements

for the year ended 31 March 2018

1. Accounting policies (continued)

Inventory

Stocks are stated at the lower of cost or net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment of short-term debtors are recognised in the statement of comprehensive income in operating expenses.

Cash

Cash consists of cash at bank and in hand.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the lender (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment for amounts receivable. The effective interest rate amortisation is included in interest receivable / payable in the statement of comprehensive income.

Revenue recognition

The Company recognises revenue upon the shipment and delivery of merchandise to its customers. Product sales are recognised net of product returns and discounts referred to as "hostess allowances." Net sales include product sales and shipping and handling revenue. Shipping and handling costs paid by the Company are recorded as shipping expense.

The Company generally receives the net sales price in cash or through credit card payments at the point of sale. The Company includes value added taxes collected from customers and to be remitted to government agencies within sales tax payable.

Cabi Experience, Ltd

Notes to the financial statements

for the year ended 31 March 2018

1. Accounting policies (*continued*)

Operating lease agreements

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases, and are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term. The costs of operating leaseholds and improvements thereon are treated as tangible fixed assets and written off in equal annual amounts over the period of the lease.

Expenses

Expenses are accrued and recognised in the period to which they relate.

Taxation

The Company is subject to UK corporate tax at 19% (2017: 20%). The taxation charge is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets are recognised only to the extent that it is more likely than not that they will be relieved against suitable taxable profits in the future.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Disclosure exemptions

The Company's parent undertaking, Cabi Holding Co., LLC includes the Company in its consolidated financial statements. The consolidated financial statements of Cabi Holding Co., LLC are prepared in accordance with US GAAP and are available to the public and may be obtained from 21750 Arnold Center Road, Carson, California 90810. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Cabi Holding Co., LLC include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Cabi Experience, Ltd

Notes to the financial statements

for the year ended 31 March 2018

2. Disclosure exemptions (continued)

The company has taken advantage of the exemptions conferred by Financial Reporting Standard 102 section 33 and consequently has not disclosed details of transactions with fellow subsidiary entities.

3. Segmental analysis

The Company's turnover and loss before tax were attributable to its one principal activity, which is the sale of women's apparel, accessories, and related products, which are sold directly to consumers through an independent sales force.

The Company's turnover arose wholly within the United Kingdom and related to operations that were commenced within the prior period.

4. Operating loss on ordinary activities before interest and similar charges

	2018 £'000	2017 £'000
This is stated after charging:		
Operating lease rentals - land and buildings	-	-
- other	-	-
Auditor's remuneration for audit services	32	36

5. Staff costs

	2018 £'000	2017 £'000
Wages and salaries	-	-
Social security costs	-	-
Other pension costs	-	-

The average monthly number of employees during the period was made up as follows:

	2018 No.	2017 No.
Sales	-	-
Administration	-	-

No emoluments were paid to any director of the Company during the period, and no benefits accrued to any director under Company pension schemes.

Cabi Experience, Ltd**Notes to the financial statements****for the year ended 31 March 2018****6. Interest receivable / (payable) and similar charges**

	2018 £'000	2017 £'000
Net foreign exchange gain / (loss)	18	(23)
	<u>18</u>	<u>(23)</u>

7. Tax on loss on ordinary activities

The Company is subject to corporate tax at 19% (2017: 20%) per annum for the purposes of taxation in the United Kingdom. The tax charge for the period is made up as follows:

	2018 £'000	2017 £'000
a) Current tax		
Loss on ordinary activities before tax	(328)	(232)
UK – 19% (2017: 20%)	<u>(62)</u>	<u>(46)</u>
Effect of:		
Fixed asset differences	-	-
Deferred tax asset not recognised	62	46
Group relief surrendered/(claimed)	-	-
Income not taxable	-	-
Expenses not deductible	-	-
Total tax	<u>-</u>	<u>-</u>
b) Deferred tax	-	-
Tax charge / (credit)	<u>-</u>	<u>-</u>

c) Factors that may affect future tax changes

Net deferred tax assets of £108,000 (2017:£46,000) have not been recognised due to a lack of visibility of future profits against which such losses might be relieved.

8. Debtors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade debtors	79	-
Prepayments and accrued income	17	21
	<u>96</u>	<u>21</u>

Cabi Experience, Ltd

Notes to the financial statements for the year ended 31 March 2018

9. Loan due to related party

	2018 £'000	2017 £'000
Owed to Cabi LLC	665	184
	<u>665</u>	<u>184</u>

The Company has a loan with Cabi LLC, a related party, which accrued interest of 0% (2017: 0%) per annum. Loan interest of £Nil (2017: £Nil) has been recognised in the Statement of Comprehensive Income for the period ended 31 March 2018. This loan does not carry fixed terms of repayment, but the parent group company has indicated its intention to provide the necessary financial resources to enable the Company to continue to meet its liabilities for the foreseeable future.

10. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Accruals and deferred income	171	83
Other creditors	64	63
	<u>235</u>	<u>146</u>

11. Share capital

	2018 £	2017 £
Issued and fully paid Ordinary shares of £1 each	100	100

The Company was incorporated on 30 March 2016 and 100 ordinary shares of £1 were subscribed and issued to Cabi Holdings Cooperatief U.A.

12. Obligations under leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2018 £'000	2017 £'000
Within one year	-	-
In two to five years	-	-
In over five years	-	-
	<u>-</u>	<u>-</u>

Cabi Experience, Ltd

Notes to the financial statements

for the year ended 31 March 2018

13. Financial commitments

As at the period end the Company had no capital commitments contracted for or provided for.

14. Guarantee

As at the period end the Company had no guarantees.

15. Financial instruments

All of the company's financial assets and liabilities are due in less than one year and in the absence of any impairment, are held at their original cost.

16. Events after the reporting period

There have been no events since the balance sheet date up to the date of issuance of this report which the directors consider to be material to their report and the financial statements.

17. Ultimate parent company and controlling party

Cabi Holdings Cooperatief U.A., a company incorporated in the Netherlands, is the immediate parent company. Cabi Holding Co., LLC is the parent company of the smallest and largest group of which the Company is a member and for which group financial statements are drawn up. Copies of the consolidated group financial statements are available from 21750 Arnold Center Road, Carson, California 90810.