

# **Annual Report 31 December 2009**

**ACN European Services Limited**  
**Registered number: 03650246**



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## Company Information

<b>Legal Name</b>	ACN European Services Limited
<b>Founded</b>	9 October 1998
<b>Registered Country</b>	United Kingdom
<b>Type of Business</b>	Telecommunications
<b>Legal Form</b>	Limited Company
<b>Jurisdiction</b>	United Kingdom
<b>Registration Number</b>	03650246
<b>VAT Number</b>	GB 726 3625 33
<b>Parent Company</b>	LKN Communications Inc
<b>Ownership</b>	100%
<b>Registered Address</b>	ACN European Services Limited Tower 42, 25 <sup>th</sup> Floor 25 Old Broad Street London EC2N 1HQ United Kingdom
<b>Board of Directors</b>	D Merriman (US) M Tribolet (US) C F Barker (US)
<b>Auditors</b>	Deloitte LLP Cambridge United Kingdom
<b>Solicitors</b>	Squire, Sanders & Dempsey Tower 42, 25 <sup>th</sup> Floor 25 Old Broad Street London EC2N 1HQ United Kingdom

## **Directors' Report**

The Directors present their report and the audited financial statements of ACN European Services Limited ("the Company") for the financial year ended 31 December 2009. This Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

### **Principal Activity, Business Review and Future Developments**

The Company is a 100% owned subsidiary of LKN Communications, Inc. The Company is a related company of ACN Europe B.V. ("ACN Europe"). ACN Europe is located in Amsterdam, the Netherlands. The Company, LKN Communications Inc. and ACN Europe are all under the common control of LKN Global Holdings Inc., a US company with its principal office in Concord, North Carolina, USA.

The Company is considered for business, accounting and control purposes as part of the ACN Europe group of companies, with the European head office in Amsterdam, The Netherlands.

The Company operates primarily in the telecommunications industry. The Company sells telecommunications and other home-based services to residential and business customers, using direct selling and network marketing principles as a sales concept. The Company has no employees, but it has entered into agreements with independent sales representatives, who market and promote the services and make contact with prospective UK customers. The Company signs the agreements with the customers.

ACN Europe carries out or manages all administrative functions relating to the Company's activities, mostly from Amsterdam, The Netherlands where it operates a shared service centre. Likewise all economic and business risks associated with the Company's activities are fully borne by ACN Europe. Under the terms of an inter-company services agreement between the Company and ACN Europe, all risks and rewards in respect of agreements concluded by the Company shall be borne by ACN Europe. ACN Europe reimburses the Company for all local expenses incurred. The Company is fully dependent for the continuation of operations on ACN Europe.

### *Results and Dividends*

The Company made a profit of £6,978 after taxation (2008: £820). The Directors do not recommend payment of a dividend (2008: £nil).

### *Future Developments*

The Directors do not anticipate any material changes in the Company's affairs in the coming year.

## **Directors**

The Directors who served during the year and at the date of this annual report were as follows

D Merriman  
M Tribolet (appointed 25 September 2009)  
C Barker

## **Creditors**

The company aims to make payment under agreed contract terms. During the year average payment was made after approximately 45 days (2008 - approximately 65 days)

## **Statement of directors' responsibilities**

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditors

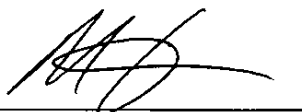
Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them as auditors will be proposed at the forthcoming Annual General Meeting

By Order of the Board



M Tribolet

Date 25/6/2010

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACN EUROPEAN SERVICES LIMITED**

We have audited the financial statements of ACN European Services Limited for the year ended 31 December 2009 which comprise profit and loss account, the balance sheet, the accounting policies and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACN EUROPEAN SERVICES LIMITED (continued)**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records 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 in preparing the directors' report



**Andrew Swarbrick BA FCA (Senior Statutory Auditor)**  
**For and on behalf of Deloitte LLP**  
Chartered Accountants and Statutory Auditors  
Cambridge, United Kingdom

9 July 2010



## Profit and Loss Account for the year ended 31 December 2009

	<i>Notes</i>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
Turnover	1	2,222,948	1 404 669
Cost of sales		(1,408,093)	(736,361)
<b>Gross Profit</b>		<b>814,855</b>	<b>668,308</b>
Administrative expenses	2	(807 665)	(661,727)
<b>Operating profit</b>		<b>7,190</b>	<b>6,581</b>
Interest payable and similar charges		(220)	(6,485)
Interest receivable and similar income		8	724
<b>Profit on ordinary activities before taxation</b>		<b>6,978</b>	<b>820</b>
Tax on profit on ordinary activities	3	-	-
<b>Profit on ordinary activities after taxation and for the financial year</b>	7	<b>6,978</b>	<b>820</b>

All operations are continuing. There are no recognised gains or losses for the current and preceding financial years other than those already dealt with in the profit and loss account. Hence no statement of recognised gains and losses is presented.

## Balance Sheet as at 31 December 2009

	Notes	2009	2008
		£	£
<b>Current assets</b>			
Debtors	4	247,968	253,679
Cash at bank and in hand		359,416	156 809
		607 384	410,488
<b>Creditors: amounts falling due within one year</b>	5	<b>(5,553,485)</b>	<b>(5,363,567)</b>
<b>Net current liabilities</b>		<b>(4,946,101)</b>	<b>(4,953,079)</b>
<b>Net liabilities</b>		<b>(4,946,101)</b>	<b>(4,953,079)</b>
<b>Capital and reserves</b>			
Called up share capital	6	1,000	1,000
Profit and loss account	7	(4,947,101)	(4,954,079)
<b>Shareholders' deficit</b>		<b>(4,946,101)</b>	<b>(4,953,079)</b>

The financial statements of ACN European Services Limited, registered number 03650246, set out herein were approved by the Board of Directors and were signed on behalf of the Board



M Tribolet  
Director

25 June 2010

## **Accounting Policies and Notes to the Financial Statements for the year ended 31 December 2009**

### **Accounting Policies**

#### **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and the Companies Act 2006. The accounting policies have been applied consistently in the current and preceding year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 4. The company meets its day to day working capital requirements through the transfer pricing agreement in place with other group companies. As disclosed in note 5 the company has a considerable creditor due to other group companies. The entities to whom the company is indebted have confirmed that, despite the loan balances having no fixed date for repayment, they will not call them for repayment for a period of at least 12 months from the date of approval of the financial statements.

After making 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 annual report and accounts.

#### **Profit and loss account**

Turnover represents amounts billed to customers for services provided, excluding VAT and trade discounts. In the current year all revenues and costs are also reported in the financial statements of ACN Europe in accordance with the terms of the intercompany services agreement between the Company and ACN Europe. For clarification, the initial fees and yearly renewal fees paid by the Company's independent sales representatives to the Company act as a subscription for services that the independent sales representatives receive from the Company over a twelve month period, and so according to this principle, the Company spreads this distributor revenue over the period in which the services are supplied to the independent sales representatives. The independent sales representatives can also be customers of the Company. All turnover arose in the UK.

#### **Cash flow statement**

The Company has not prepared a cash flow statement following the revision of FRS 1 on the basis that ACN Europe produces consolidated accounts, which include a cash flow statement, into which the Company's accounts are fully consolidated.

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## **Accounting Policies (continued)**

### **Foreign exchange**

Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated at the rates prevailing on the dates of the transactions. Resulting differences on translation are charged or credited to the profit and loss account.

### **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

## Notes to the financial statements

### 1. Turnover

Turnover	2009	2008
	£	£
Telecom Revenue	1,812,818	1,312,067
Distributor Revenue	410,130	92,602
	2,222,948	1,404,669

### 2. Administrative expenses and operating profit

Administrative expenses	2009	2008
	£	£
Distribution and administrative	486,182	268,686
Group charges	323,964	415,304
Exchange gain	(2,481)	(22,263)
	807,665	661,727

During the financial year, group charges were allocated to the Company in respect of staff costs, billing and provisioning services, information technology services and general overhead expenditure. Remuneration to Deloitte LLP and affiliated companies for the audit in 2009 amounts to £8,900 excl VAT (2008 £8,934).

### 3. Tax on profit on ordinary activities

Tax on profit on ordinary activities	2009	2008
	£	£
Current tax Charge	-	-
Profit on ordinary activities before tax	6,978	820
Tax on profit on ordinary activities		
at standard UK corporation tax rate of 28 % (2008-28%)	1,954	230
Utilisation of tax losses	(1,954)	(230)
Current tax Charge	-	-

The tax assessed for the current financial year is equal to the standard rate of corporation tax (28%). The Company has trading losses available to carry forward against future taxable profits of £0.2m (2008 £4.92m). The associated deferred tax asset of £0.06m (2007 £1.38m) remains unrecognised due to the uncertainty over future suitable taxable profits. As a result of the fact that ACN Europe B.V. ("BV") is liable for all risks and rewards and thus is entitled to any profits and losses, the trade losses amounting to £4.7m as per December 31, 2003 have been recognised at the level of BV. The aforementioned has been accepted by the Dutch tax authorities and, by HM Revenue and Customs by letter of July 3, 2007.

#### 4. Debtors

Debtors (all due within one year)	2009	2008
	£	£
Trade debtors	247,968	253,455
Amounts owed by group undertaking	-	224
	247,968	253,679

#### 5. Creditors

Creditors	2009	2008
	£	£
Trade creditors	191,919	279,123
Amounts owed to group undertaking	5,101,740	4,867,608
Other taxation and social security	63,500	51,382
Accruals and deferred income	196,327	165,454
	5,553,485	5,363,567

#### 6. Share capital

Share capital	2009	2008
	£	£
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000

## 7. Reserves

Reserves	2009	2008
	£	£
Profit and loss account		
At 1 January	(4,954,079)	(4,954,899)
Profit for the year	6,978	820
At 31 December	(4,947,101)	(4,954,079)

## 8. Related party transactions

As a wholly owned subsidiary of ACN International Inc and indirectly LKN Global Holdings Inc the Company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by LKN Global Holdings Inc

There is an inter-company services agreement in place between the Company and ACN Europe, such that the risk of any liability incurred by the Company will be borne by ACN Europe. ACN Europe is liable for all risks related to the activities of the Company, which includes all existing and arising debt

## 9. Directors and employees

During the 2009 financial year, there were no employees of the Company (2008: nil). There was no remuneration paid by the Company to the Directors in neither the current and prior year

## 10. Ultimate parent undertaking and controlling party

The Directors consider the ultimate parent undertaking and the ultimate controlling party of the Company is LKN Global Holdings Inc, a company incorporated in Delaware, USA, which is the ultimate parent of all of the companies in the ACN global group of undertakings for which group accounts have been drawn up

ACN Europe B V, a company incorporated in The Netherlands, is part of that global group of undertakings and acts as the parent company of the ACN European operations and in doing so effectively exercises control over the operations of the Company and given that fact that it consolidates the accounts of the Company into its own consolidated accounts

Copies of the group financial statements for LKN Global Holdings Inc and ACN Europe BV are available from 1000 Progress Place, Concord, North Carolina 28025, USA and Adam Smith Building, Thomas R. Malthusstraat 1-3, 1066 JR Amsterdam, The Netherlands, respectively