

Annual Report 31 December 2015

ACN European Services Limited
Registered number: 03650246

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Company Information

Legal Name	ACN European Services Limited
Incorporated	9 October 1998
Registered Country	England & Wales
Type of Business	Telecommunications
Legal Form	Private Limited Company
Jurisdiction	England & Wales
Registration Number	03650246
VAT Number	GB 726 3625 33
Ultimate Parent Company	LKN Global Holdings Inc.
Ownership	100%
Registered Address	ACN European Services Limited 7 Albemarle Street London W1S 4HQ United Kingdom
Board of Directors	D. Merriman (US) C. F. Barker (US)
Auditor	Grant Thornton UK LLP 1020 Eskdale Road IQ Winnersh, Wokingham Berkshire, United Kingdom RG41 5TS
Solicitors	Squire, Sanders & Dempsey Tower 42, 25 th 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 2015.

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 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 one employee, 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 £118,102 after taxation (2014: £246,178). The Directors do not recommend payment of a dividend (2014: £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, unless otherwise stated, were as follows:

David Richard Merriman

Charles Frederick Barker

Statement of directors' responsibilities

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 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.

Disclosure of information to auditor

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


- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- that 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.

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

By Order of the Board



C. Barker

Date 9-7-16

INDEPENDENT AUDITOR'S 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 2015, which comprise the Profit and loss account, the Balance sheet, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation are the applicable law and the Financial Reporting Standard for Smaller Entities, which is effective from January 2015 (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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.

Respective responsibilities of directors and auditor

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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; 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 AUDITOR'S 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Directors' report.

Grant Thornton UK LLP

Amrish Shah FCA Senior Statutory Auditor

For and on behalf of Grant Thornton UK LLP

Chartered Accountants, Senior Statutory Auditor

Reading, United Kingdom

Date: *26 September 2016*

Profit and Loss Account for the year ended 31 December 2015

	<i>Notes</i>	2015 £	2014 £
Turnover	1	18,484,052	11,442,528
Cost of sales		(4,926,307)	(13,805,843)
Gross Profit		13,557,745	(2,363,315)
Administrative expenses	2	(13,410,158)	2,671,037
Operating profit		147,587	307,722
Interest payable and similar charges		-	-
Interest receivable and similar income		-	-
Profit on ordinary activities before taxation		147,587	307,722
Tax on profit on ordinary activities	3	(29,485)	(61,544)
Profit on ordinary activities after taxation and for the financial year	7	118,102	246,178

All amounts relate to continuing operations. There were no recognised gains and losses for the current or prior periods other than those included in the Profit and loss account.

Balance Sheet as at 31 December 2015

	Notes	2015 £	2014 £
Current assets			
Debtors	4	1,052,190	10,204,336
Cash at bank and in hand		453,748	616,944
		1,505,938	10,821,280
Creditors: amounts falling due within one year	5	(5,969,698)	(15,403,142)
Net current liabilities		(4,463,760)	(4,581,862)
Net liabilities		(4,463,760)	(4,581,862)
Capital and reserves			
Called up share capital	6	1,000	(1,000)
Profit and loss account	7	(4,464,760)	(4,582,862)
Shareholders' deficit		(4,463,760)	(4,581,862)

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006, and in accordance with the Financial Reporting Standard for Smaller Entities (Effective January 2015).

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:



C. Barker
Director

Date: 9-7-16

Accounting Policies and Notes to the Financial Statements for the year ended 31 December 2015

Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (Effective January 2015) 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. In addition, the parent company has confirmed to the directors that it will continue to provide financial support to the company for a similar period of time.

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.

As with any company placing reliance on other group companies for financial support, the directors acknowledge that there can be no certainty that the support will continue, although as of the date of approval of these financial statements, they have no reason to believe that this support will not continue to be available.

Profit and loss account

Turnover represents amounts billed to customers for services provided, excluding VAT and trade discounts, and is recognised as services have been provided and obligations fulfilled. 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 was generated in the UK.

Accounting Policies (continued)

Cash flow statement

The Company has not prepared a cash flow statement on the basis that the ultimate parent undertaking produces consolidated accounts, which include a cash flow statement, into which the Company's accounts are fully consolidated.

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	2015 £	2014 £
Telecom Revenue	5,879,287	3,777,547
Distributor Revenue	12,604,765	7,664,981
Total	18,484,052	11,442,528

2. Administrative expenses and operating profit

Administrative expenses	2015 £	2014 £
Distribution and administrative	1,799,426	803,455
Group cross-charges in line with inter-company services agreement	11,610,732	(3,474,492)
Total	13,410,158	(2,671,037)

Auditor's remuneration for the year amounted to £10,000 (2014 £9,270).

3. Tax on profit on ordinary activities

	2015 £	2014 £
Tax charge		
Profit before tax	147,587	307,722
Losses utilised in the year	-	(120,760)
Taxable result	(147,587)	(186,962)
Current UK tax charge	(29,485)	(37,392)
Deferred tax - reversal of timing differences	-	(24,152)
Total tax charge	(29,485)	(61,544)
Deferred tax asset		
Deferred tax asset at January 1	-	24,152
Losses recognised	-	-
Losses utilised during the year	-	(24,152)
Deferred tax asset at December 31	-	-

The tax assessed for the current financial year is equal to the small companies' rate of corporation tax (20%). The Company has trading losses available to carry forward against future taxable profits of £nil (2014: £121k).

4. Debtors

Debtors (all due within one year)	2015 £	2014 £
Trade debtors	793,054	741,244
Prepayments and accrued income	22,919	41,417
Amounts due from group undertakings	-	9,421,675
VAT Receivable	236,217	-
Deferred tax asset (Note 3)	-	-
Total	1,052,190	10,204,336

Under the inter-company services agreement with ACN Europe B.V., the bad debt risk for the company is borne by ACN Europe B.V. and therefore the Directors consider that no provision is required.

5. Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	486,079	1,358,344
Amounts owed to group undertaking	3,990,147	6,778,100
Other taxation and social security	29,585	926,206
Accruals and deferred income	1,463,887	6,340,492
Total	5,969,698	15,403,142

6. Share capital

Share capital	2015 £	2014 £
Allotted, called up and fully paid 1,000 ordinary shares of £1 each	1,000	1,000

7. Reserves

Reserves	2015 £	2014 £
Profit and loss account		
At 1 January	(4,582,862)	(4,829,041)
Profit for the year	118,102	246,178
At 31 December	(4,464,760)	(4,582,862)

8. Related party transactions

As a wholly owned subsidiary of LKN Communications Inc. and indirectly LKN Global Holdings Inc. the Company is exempt from the requirements of 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 2015 financial year, the Company had one employee (2014: one). There was no remuneration paid by the Company to the Directors for services provided to the Company in either the current or 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 the all of the companies in the ACN global group of undertakings for which group accounts have been drawn up.

The immediate parent undertaking is LKN Communications Inc., a company incorporated in Michigan, USA.

ACN Europe B.V., a company incorporated in The Netherlands, is part of that global group of undertakings and directs the ACN European operations and in doing so effectively exercises control over the operations of the Company. Given that fact 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.