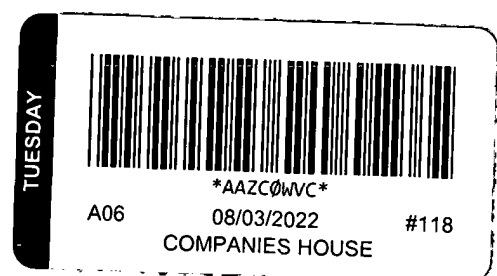


# **Annual Report and Financial Statements for the year ended 31 December 2020**

**ACN European Services Limited**

**Registered number: 03650246**



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## Company Information

|                                |  |
|--------------------------------|--|
| <b>Legal Name</b>              | ACN European Services Limited  |
| <b>Incorporated</b>            | 9 October 1998   |
| <b>Registered Country</b>      | England & Wales  |
| <b>Type of Business</b>        | Telecommunications   |
| <b>Legal Form</b>              | Private Limited Company  |
| <b>Jurisdiction</b>            | England & Wales  |
| <b>Registration Number</b>     | 03650246   |
| <b>Ultimate Parent Company</b> | LKN Global Holdings Inc.   |
| <b>Ownership</b>               | 100%   |
| <b>Registered Address</b>      | ACN European Services Limited<br>7 Albemarle Street<br>London<br>W1S 4HQ<br>United Kingdom   |
| <b>Board of Directors</b>      | D. R. Merriman<br>C. F. Barker   |
| <b>Auditor</b>                 | RSM UK Audit LLP<br>Rivermead House,<br>7 Lewis Court,<br>Grove Park,<br>Leicester,<br>Leicestershire,<br>LE19 1SD<br>United Kingdom |

## Directors' Report

The Board of Directors of ACN European Services Limited ("the Company") present their report and the financial statements of the Company for the year ended 31 December 2020.

### Principal Activity and Business Review

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 B.V. is located in Amsterdam, the Netherlands. The Company, LKN Communications Inc. and ACN Europe B.V. 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 no 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 B.V. 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 and also from shared service centre in Wroclaw, Poland. Likewise all economic and business risks associated with the Company's activities are fully borne by ACN Europe B.V. Under the terms of an inter-company services agreement between the Company and ACN Europe B.V., all risks and rewards in respect of agreements concluded by the Company shall be borne by ACN Europe B.V. ACN Europe B.V. reimburses the Company for all local expenses incurred. The Company is fully dependent for the continuation of operations on ACN Europe B.V.

In 2020 Company has maintained similar level of services and revenue as last year.

### Results and Dividends

The Company made a profit of £35,303 after taxation (2019: profit of £12,102). The Directors do not recommend payment of a dividend (2019: £ nil).

### Going Concern

At 31 December 2020, the company had net current liabilities and net liabilities of £4,266,456, including £3,753,213 of intra group debt with no scheduled repayment date.

Cash management of the group is done at the LKN Global Holdings Inc (ultimate parent company) level. As such, the company is dependent on continuing financial support from its ultimate parent company, LKN Global Holdings Inc. The Directors of LKN Global Holdings Inc have provided written confirmation of their intention to continue to provide the required financial support so the company is able to meet its liabilities as they fall due for the foreseeable future, being at least twelve months from the date of this report.

However, COVID-19 has had a significant impact on the wider LKN Global Holdings Inc Group. The lockdowns enforced by various governments led to a period of closure of certain of the group's operations, reducing turnover and profits. The ultimate parent is highly leveraged and highly reliant on its existing shareholders and financiers for continuing support, which is not guaranteed. As such, there is a risk that the ultimate

## **Directors' Report (continued)**

### **Going Concern (continued)**

parent company may be unwilling or unable to provide support if it is called upon and this condition represents a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Whilst noting the material uncertainty above, the directors of the company believe they have reasonable grounds to conclude that the company has adequate resources to continue in operational existence for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

### **Future Developments**

In 2020 COVID-19 affected the Company, especially in terms of its operating activity. The Company dealt with the COVID-19 pandemic by implementing a remote working environment for its' employees in addition to a remote selling environment to attract new Individual Business Owners. The Company's Management has taken further steps to minimize the financial risk brought on by COVID-19.

Company will continue its activity and do not expect much impact of Brexit and changing economic situation and due to sale only to local customers and transfer pricing agreement with ACN Europe B.V. they feel the risk has been mitigated against.

### **Directors**

The Directors who held office during the year and at the date of this annual report, unless otherwise stated, were as follows:

- David Richard Merriman
- Charles Frederick Barker

### **Directors' Responsibilities in the preparation of 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 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.

## Directors' Report (continued)

### Directors' Responsibilities in the preparation of Financial Statements (continued)

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explain in the financial statement, 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:

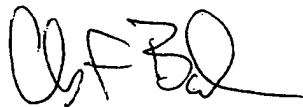
- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the necessary steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Auditor

Under section 487(2) of the Companies Act 2006, RSM UK Audit 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 provisions applicable to companies entitled to the small companies exemption.

By Order of the Board



C. F. Barker

Director

Date: 3.3.2022

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

### **Opinion**

We have audited the financial statements of ACN European Services Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

### **Material uncertainty related to going concern**

We draw attention to the accounting policies in the financial statements, which indicates that the company has net current liabilities and net liabilities of £4,266,456, and is dependent on the continued financial support from its parent company, LKN Global Holdings Inc. The company's ability to continue as a going concern is dependent on the willingness and ability of the ultimate parent company to continue to support the company financially. As stated in the accounting policies, these events or conditions, along with the other matters as set forth in the accounting policies, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACN EUROPEAN SERVICES LIMITED (continued)**

### **Other information (continued)**

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

### **Opinions 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in 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, 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities 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, 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 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 company or to cease operations, or have no realistic alternative but to do so.



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

**Auditor's 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 auditor's 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.

**The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

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

**The extent to which the audit was considered capable of detecting irregularities, including fraud  
(continued)**

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to telecommunication and direct selling regulations. We performed audit procedures to inquire of management whether the company is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates applied in the recognition of revenue.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's 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 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.

*Mitul Raja*

Mitul Raja (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Rivermead House,  
7 Lewis Court,  
Grove Park,  
Leicester,  
Leicestershire,  
LE19 1SD  
Date: 4 March 2022

## Statement of comprehensive income for the year ended 31 December 2020

|   | <i>Notes</i> | <b>2020</b><br><b>£</b> | <b>2019</b><br><b>£</b> |
|---|--------------|-------------------------|-------------------------|
| Turnover  |              | 3,261,546               | 3,491,477               |
| Cost of sales                                       |              | (740,169)               | (1,348,507)             |
| <b>Gross Profit</b>                                 |              | <b>2,521,377</b>        | <b>2,142,970</b>        |
| Administrative expenses                             |              | (2,477,787)             | (2,089,434)             |
| <b>Operating Profit</b>                             |              | <b>43,590</b>           | <b>53,536</b>           |
| Interest payable and similar charges                |              | (5)                     | (240)                   |
| <b>Profit before taxation</b>                       | <b>2</b>     | <b>43,585</b>           | <b>53,296</b>           |
| Tax on profit                                       | <b>3</b>     | (8,282)                 | (41,194)                |
| <b>Profit after taxation for the financial year</b> |              | <b>35,303</b>           | <b>12,102</b>           |

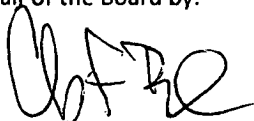
*All amounts relate to continuing operations.*

## Statement of financial position as at 31 December 2020

|   | Notes | 2020<br>£          | 2019<br>£          |
|---|-------|--------------------|--------------------|
| <b>Current assets</b>                                 |       |                    |                    |
| Debtors   | 4     | 182,325            | 223,988            |
| Cash at bank and in hand                              |       | 50,664             | 250,540            |
|   |       | <b>232,989</b>     | <b>474,528</b>     |
| <b>Creditors: amounts falling due within one year</b> | 5     | <b>(4,499,445)</b> | <b>(4,776,287)</b> |
| <b>Total assets less current liabilities</b>          |       | <b>(4,266,456)</b> | <b>(4,301,759)</b> |
| <b>Net liabilities</b>                                |       | <b>(4,266,456)</b> | <b>(4,301,759)</b> |
| <b>Capital and reserves</b>                           |       |                    |                    |
| Called up share capital                               |       | 1,000              | 1,000              |
| Profit and loss account                               | 6     | (4,267,456)        | (4,302,759)        |
| <b>Total equity</b>                                   |       | <b>(4,266,456)</b> | <b>(4,301,759)</b> |

The financial statements have been prepared in accordance with the provisions applicable to companies subject to small companies' regime.

The financial statements on pages 11 to 19 of ACN European Services Limited, registered number 03650246, were approved by the Board of Directors and authorised for issue on 3 March 2022 and are signed on behalf of the Board by:



C. F. Barker  
Director

## **Accounting Policies and Notes to the Financial Statements for the year ended 31 December 2020**

The significant accounting policies adopted by the Company are as follows:

### **Company information**

ACN European Services Limited is a private company limited by shares, which is registered and incorporated in England and Wales. The Company's registered office is at 7 Albemarle Street, London W1S 4HQ, United Kingdom.

### **Basis of preparation**

These financial statements have been prepared under the historical cost convention unless otherwise stated within these accounting policies, and in accordance with section 1A of Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with 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 management to exercise judgment in applying the Company's accounting policies (see note 1).

The financial statements are presented in British Pound (£), rounded to the nearest £.

The following principal accounting policies have been applied:

### **Going Concern**

At 31 December 2020, the company had net current liabilities and net liabilities of £4,266,456, including £3,753,213 of intra group debt with no scheduled repayment date.

Cash management of the group is done at the LKN Global Holdings Inc (ultimate parent company) level. As such, the company is dependent on continuing financial support from its ultimate parent company, LKN Global Holdings Inc. The Directors of LKN Global Holdings Inc have provided written confirmation of their intention to continue to provide the required financial support so the company is able to meet its liabilities as they fall due for the foreseeable future, being at least twelve months from the date of this report.

However, COVID-19 has had a significant impact on the wider LKN Global Holdings Inc Group. The lockdowns enforced by various governments led to a period of closure of certain of the group's operations, reducing turnover and profits. The ultimate parent is highly leveraged and highly reliant on its existing shareholders and financiers for continuing support, which is not guaranteed. As such, there is a risk that the ultimate parent company may be unwilling or unable to provide support if it is called upon and this condition represents a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Whilst noting the material uncertainty above, the directors of the company believe they have reasonable grounds to conclude that the company has adequate resources to continue in operational existence for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

## Accounting Policies and Notes to the Financial Statements for the year ended 31 December 2020 (continued)

### Turnover

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.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Turnover 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 turnover is recognised:

#### Rendering of services

Turnover 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 Company 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.

Under the terms of the intercompany services agreement between the Company and ACN Europe B.V., all risks and rewards in respect of the Company's activities shall be borne by ACN Europe B.V., who also bear all other local expenses.

### Cash flow statement

The company is a wholly owned subsidiary of ACN Europe B.V. and is included in the consolidated financial statements of ACN Europe B.V., which are publically available. Consequently, the Company has taken advantage of the exemption from preparing a cashflow statement on the terms of Financial Reporting Standard 102 paragraph 1.12b.

Consolidated annual statement of the ultimate controlling company LKN Global Holdings, Inc., can be obtained from: 1000 Progress Place, Concord, North Carolina 28025-2449, USA. Consolidated annual statement of ACN Europe B.V. can be obtained from: Thomas R. Malthusstraat 1-3, 1066 JR Amsterdam, Netherland.

## **Accounting Policies and Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

### **Foreign exchange**

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 Statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

### **Debtors**

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

### **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.

### **Creditors**

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

### **Financial instruments**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

## Accounting Policies and Notes to the Financial Statements for the year ended 31 December 2020 (continued)

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 payables or receivables, 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 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 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.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position 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.

### 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 reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting 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 reporting 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 reporting date. Deferred tax is measured on a non-discounted basis.



## Notes to the financial statements for the year ended 31 December 2020

### 1. Judgments in applying accounting policies and key sources of estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

#### Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

#### *Customer Acquisition Bonus (CAB) and Commission Accrual*

Accrual will be calculated based on the Distributor's performance in the period and the current Compensation Plan officially published by the Company at the time. Compensation plans will be reviewed and updated periodically depending on the company performance, product portfolio review and update, market demand and economic environment and will be published at the Company website.

### 2. Profit before taxation

Auditor's remuneration for the year amounted to £30,000 (2019 £25,000).

### 3. Taxation

|  | 2020<br>£    | 2019<br>£     |
|--|--------------|---------------|
| UK corporation tax on profits for the current period | 8,282        | 10,941        |
| Adjustments in respect of previous periods           | -            | 30,253        |
| <b>Tax on profit</b>                                 | <b>8,282</b> | <b>41,194</b> |

### 4. Debtors

| Debtors amounts falling due within one year | 2020<br>£      | 2019<br>£      |
|---|----------------|----------------|
| Trade debtors                               | 24,195         | 190,463        |
| Amounts owed from related undertakings      | 98,049         | -              |
| Other debtors                               | 5,011          | 680            |
| Prepayments and accrued income              | 55,070         | 32,845         |
| <b>Total</b>                                | <b>182,325</b> | <b>223,988</b> |

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.

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 5. Creditors

| Creditors amounts falling due within one year | 2020<br>£        | 2019<br>£        |
|---|------------------|------------------|
| Trade creditors                               | 119,400          | 28,985           |
| Amounts owed to group undertaking             | 3,753,213        | 3,430,934        |
| Other taxation and social security            | 56,665           | 148,461          |
| Accruals and deferred income                  | 551,081          | 1,156,966        |
| Corporation tax                               | 19,086           | 10,941           |
| <b>Total</b>                                  | <b>4,499,445</b> | <b>4,776,287</b> |

### 6. Reserves

| Reserves                       | 2020<br>£          | 2019<br>£          |
|--------------------------------|--------------------|--------------------|
| <b>Profit and loss account</b> |                    |                    |
| At 1 January                   | (4,302,759)        | (4,314,861)        |
| Profit for the year            | 35,303             | 12,102             |
| <b>At 31 December</b>          | <b>(4,267,456)</b> | <b>(4,302,759)</b> |

### 7. Related party transactions

The company is a wholly owned subsidiary of LKN Communications Inc. and has taken advantage of the exemption available under Financial Reporting Standard 102 'Related Party Disclosures' not to disclose details of transactions with entities which are part of this group.

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

In 2020 amount owed from related undertakings which is Bluegreen Energy Services Ltd. is £98,049.

### 8. Directors and employees

During the 2020 financial year, the Company had no employees (2019: none). There was no remuneration paid by the Company to the Directors for services provided to the Company in either the current or prior year.

Costs of time spent are recharged from ACN Europe B.V. for time incurred by employees of ACN Europe B.V. on ACN European Services Limited activities.

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 9. 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 Amsterdam, The Netherlands, is part of that global group of undertakings and directs all of ACN's 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 B.V. 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.