

ACN Danmark A/S
CVR-nr 24 21 25 72

Annual Report

2022

The Annual General Meeting adopted the annual report on 10th of July, 2023

Chairman of the General Meeting:


David Richard Merriman

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To ensure the greatest possible applicability of the English version of the document, British English terminology has been used.

Management Statement on the Annual Report

The Board of Directors and the Executive Board have today presented the annual report of ACN Danmark A/S for the financial year 1. January to 31. December 2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2022 and of the company's results of its activities in the period from 1 January to 31 December 2022.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 10th of July 2023,

Executive Board



Charles Barker

**Bestyrelse
Supervisory Board**



Robert Stevanovski



David Richard Merriman
(Chairman)



Charles Barker

Independent Auditor's Report

To the shareholder of ACN Danmark A/S

Opinion

We have audited the annual accounts of ACN Danmark A/S for the financial year 1 January - 31 December 2022, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2022 and of the results of the company's operations for the financial year 1 January to 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibility for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibility for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

RSM Danmark 10th of July 2023
Statsautoriseret Revisionspartnerselskab
CVR-nr. 25 49 21 45



Martin Enderberg Lassen
State Authorised Public Accountant
mne 40044

Company Information

The Company	ACN Danmark A/S Nybrogade 12 1203 København K Denmark
Registered in	Copenhagen
Phone number	+ 31 20 346 38 00
Fax number	+ 31 20 346 39 40
CVR-nr.	24 21 25 72
Supervisory Board	Charles Barker Robert Stevanovski David Richard Merriman (Formand/chairman)
Executive Board	Charles Barker
Auditors	RSM Danmark Ved Vesterport 6, 5. 1612 København K Denmark
Parent company	ACN Europe B.V. Thomas R Malthusstraat 1-3 1066 JR Amsterdam The Netherlands

Management Review

Activity

The Company is part of the ACN group of companies. The Company is a direct wholly-owned subsidiary of ACN Europe, B.V., a Dutch company with its head office in Amsterdam, The Netherlands. ACN Europe B.V. is, in turn, an indirect wholly-owned subsidiary of LKN Global Holdings Inc., a Delaware (U.S.A.) company with its headquarters in North Carolina, U.S.A.

The Company sells telecommunications and essential home services to private and business customers, using network marketing principles as sales concept. The Danish Company has no employees, but has entered into agreements with independent sales representatives, through which contact is made with the Danish customers.

The Dutch and US parent company carry out all administrative functions. Likewise all economical and business risks are covered by the Dutch parent company.

Development in activities and finances

The net profit amounts to DKK 679,002. Compared to a profit of DKK 6,302 last year.

The total equity position at the end of year amounts to DKK 27,066,001.

Uncertainty relating to recognition and measurement

ACN Danmark A/S does not have any employees and therefore is not capable of performing any operational functions. The sole role of ACN Danmark A/S is that invoices to Danish customers and, commission/bonus payments to the Danish independent representatives are executed in name of the Danish Company.

Following the limited function of ACN Danmark A/S only a limited remuneration is justified for the Company's activities.

According to ACN's transfer pricing policy, the operating profit of ACN Danmark A/S will be used as a Profit Level Indicator which results in an arm's length remuneration/operating profit established at a mark-up computed from the bonus and commissions paid by ACN Danmark A/S to the independent sales representatives.

The transfer pricing policy was confirmed in a Bilateral Advance Pricing Agreement (BAPA) as concluded between the Dutch- and the Danish tax authorities for a period of five calendar years, starting 2009 up to and including 2013. The BAPA has not been renewed.

Events after the balance sheet date

The Board of Directors proposes an ordinary retained earnings distribution of DKK 26,000,000 to the mother company in 2023.

Accounting Policies

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying to class C enterprises.

The accounting policies applied for this annual report are consistent with those applied last year.

The annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of the value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the assets can be measured reliably.

Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Revenue recognition

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Income statement

As mentioned in the management's review all risk associated to the business is borne by the Dutch parent company.

However, the Company has chosen to show the portion of income and costs that can be referred to the activity in Denmark, based on group policies.

Gross profit

The gross profit comprises the net turnover, direct expenses related to net turnover, work performed for own purposes and capitalised, other operating income, and external costs.

Direct expenses

Direct expenses comprise the telecom fee charged by ACN Europe B.V. as part of the cost plus transfer pricing structure as well as administration charges paid to group companies and expenses regarding independent sales representatives.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for year and recognised directly on equity by the portion attributable to entries directly on equity.

Receivables

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Available funds

Available funds comprise cash at bank.

Corporate tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as calculated tax of the taxable income of the year adjusted for tax of previous years' taxable income and for tax paid on account.

Liabilities

Liabilities concerning debts to suppliers, subsidiaries, and associated enterprises and other debts are measured at amortised cost which usually corresponds to the nominal value.

Profit and Loss account

Profit and Loss	Note	2022 DKK	2021 DKK
Gross profit		606	2,394
Profit before financial items		606	2,394
Financial Income	1	870,226	8,814
Financial Expenses		-	-
Profit before tax		870,832	11,208
Tax on profit		(191,830)	(4,906)
Net Earnings		679,002	6,302
Proposed distribution of profit			
Dividends for the financial year		-	-
Retained earnings		<u>679,002</u>	6,302

Balance Sheet – Assets

Assets	Note	2022 DKK	2021 DKK
Trade Receivables		494,486	716,502
Receivables from affiliated companies		26,846,515	32,155,971
Accrued Income		16,641	27,458
Receivable corporate tax		-	60,650
Other Receivables		-	-
Receivables		27,357,642	32,960,581
Cash in bank		281,841	33,991
Current Assets		27,639,483	32,994,572
Assets		27,639,483	32,994,572

Balance Sheet - Liabilities and Shareholders Equity

Liabilities and Shareholder Equity	Note	2022 DKK	2021 DKK
Share Capital		500,200	500,200
Retained earnings		26,565,801	25,886,800
Equity		27,066,001	26,387,000
Trade Payables		114,440	323
Payables to affiliated companies		-	6,165,651
Deferred income		48,611	141,287
Payable corporate tax		177,830	-
Other debts		232,601	300,311
Current Liabilities		573,482	6,607,572
Total Liabilities and Shareholder Equity		27,639,483	32,994,572

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Notes to the Annual Report

Note 1

Other financial income	Note	2022 DKK	2021 DKK
Financial income, group enterprises		868,965	-
Other financial income		1,261	8,814
		870,226	8,814

Note 2

Related parties
<p>The following related parties have a controlling interest in ACN Danmark A/S:</p> <p>Controlling shareholder: ACN Europe B.V., The Netherlands Thomas R Malthusstraat 1-3, 1066JR Amsterdam</p> <p>Other related parties:</p> <p>Ultimate holding company: LKN Global Holdings Inc, 1000 Progress Place, Concord, North Carolina 28025, USA</p> <p>Related party transactions in the financial year</p> <p>ACN Danmark A/S has had the following transactions with related parties in the financial year:</p> <p>The parent company - ACN Europe B.V. takes care of all operational activities on behalf of the Company as well as handling all administrative tasks. The Company does not have any employees.</p> <p>All contracts concerning purchase of telecommunication services are entered into by the parent company - ACN Europe B.V. that in turn invoices the Company's share of the cost.</p>

Note 3

Ownership
<p>The Company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:</p> <p>ACN Europe B.V., Thomas R Malthusstraat 1-3, 1066JR AMSTERDAM, The Netherlands</p> <p>The ultimate parent company is: LKN Global Holdings Inc, 1000 Progress Place, Concord, North Carolina 28025, USA.</p>

Note 4

Consolidation
<p>ACN Danmark A/S is included in the consolidated financial statements of ACN Europe B.V. and LKN Global Holdings Inc.</p>

Note 5

Staff costs	Note	2022	2021
Average number of employees during the year		-	-