


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

**Annual Report**

**2019**

The Annual General Meeting adopted the annual report on 28 August, 2020

Chairman of the General Meeting:

A handwritten signature in black ink, appearing to read 'David Merriman', written over a horizontal dashed line.

David Richard Merriman

## Contents

Management Statement on the Annual Report.....	3
Independent auditor's reports.....	4
Company Information.....	7
Management's Commentary.....	8
Accounting Policies.....	9
Profit and Loss account.....	11
Balance Sheet – Assets.....	12
Balance Sheet - Liabilities and Shareholders Equity.....	13
Notes to the Annual Report.....	14

*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 2019.

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 2019 and of the company's results of its activities in the period from 1 January to 31 December 2019.


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

Copenhagen, 28 August 2020

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 2019, which comprise accounting policies used, profit and loss account, balance sheet 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 2019 and of the results of the company's operations for the financial year 1 January to 31 December 2019 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.



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.

**Copenhagen**, 28. August 2020

BRANDT  
Statsautoriseret Revisionspartnerselskab  
CVR-nr. 25 49 21 45

Peter Arent Benkjer  
State Authorised Public Accountant  
mne 35785



## Company Information

<b>The Company</b>	ACN Danmark A/S Holbergsgade 14, 2. tv. 1057 København K Denmark
<b>Registered in</b>	Copenhagen
<b>Phone number</b>	+ 31 20 346 38 00
<b>Fax number</b>	+ 31 20 346 39 40
<b>CVR-nr.</b>	24 21 25 72
<b>Supervisory Board</b>	Charles Barker Robert Stevanovski David Richard Merriman (Formand/chairman)
<b>Executive Board</b>	Charles Barker
<b>Auditors</b>	BRANDT, Statsautoriseret Revisionspartnerselskab Ved Vesterport 6, 5. 1612 København K Denmark
<b>Parent company</b>	ACN Europe B.V. Thomas R Malthusstraat 1-3 1066 JR Amsterdam The Netherlands



## **Management's commentary**

### **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 loss amounts to DKK (76,445). Compared to a profit of DKK 85,356 last year.

The total equity position at the end of year amounts to DKK 26,365,531.

### **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**

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

## **Accounting Policies**

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class B 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.

### **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 nad 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	2019 DKK	2018 DKK
<b>Gross profit</b>		12,717	17,203
<b>Profit before financial items</b>		<b>12,717</b>	<b>17,203</b>
Financial Income	1	12,756	92,227
Financial Expenses	2	(16,598)	-
<b>Profit before tax</b>		<b>8,875</b>	<b>109,430</b>
Tax on profit		(85,320)	(24,074)
<b>Net Earnings</b>		<b>(76,445)</b>	<b>85,356</b>
<b>Proposed distribution of profit</b>			
Dividends for the financial year		-	-
Retained earnings		<u>(76,445)</u>	85,356

## Balance Sheet – Assets

Assets	Note	2019 DKK	2018 DKK
Trade Receivables		1,003,551	1,735,879
Receivables from affiliated companies		63,059,329	59,670,881
Accrued Income		102,171	140,690
Receivable corporate tax		-	69,010
Other Receivables		776	27,062
<b>Receivables</b>		<b>64,165,827</b>	<b>61,643,522</b>
Cash in bank		83,339	751,069
<b>Current Assets</b>		<b>64,249,166</b>	<b>62,394,591</b>
<b>Assets</b>		<b>64,249,166</b>	<b>62,394,591</b>

## Balance Sheet - Liabilities and Shareholders Equity

Liabilities and Shareholder Equity	Note	2019 DKK	2018 DKK
Share Capital		500,200	500,200
Retained earnings		25,865,331	25,941,776
<b>Equity</b>	<b>3</b>	<b>26,365,531</b>	<b>26,441,976</b>
Trade Payables		4,054	39,508
Payables to affiliated companies		36,733,864	34,553,350
Deferred income		206,689	232,759
Other debts		939,028	1,126,998
<b>Current Liabilities</b>		<b>37,883,635</b>	<b>35,952,615</b>
<b>Total Liabilities and Shareholder Equity</b>		<b>64,249,166</b>	<b>62,394,591</b>

Related parties	4
Ownership	5
Consolidation	6

## Notes to the Annual Report

### Note 1

Other financial income	Note	2019 DKK	2018 DKK
Financial income, group enterprises		-	-
Other financial income		12,756	92,227
		<b>12,756</b>	<b>92,227</b>

### Note 2

Other financial costs	Note	2019 DKK	2018 DKK
Financial costs, group enterprises		-	-
Other financial costs		16,598	-
		<b>16,598</b>	<b>-</b>

### Note 3

Statement of Changes in Equity	Note	2019 DKK	2018 DKK
Share Capital 1/1		500,200	500,200
Retained earnings 1/1		25,941,776	25,856,420
Net Earnings		(76,445)	85,356
<b>Total equity</b>		<b>26,365,531</b>	<b>26,441,976</b>

The share capital consists of 5,002 shares of a nominal value of DKK 100. No shares carry any special rights.

There have been no movements in share capital during the past 5 years.

## Notes to the Annual Report

### Note 4

#### Related parties

The following related parties have a controlling interest in ACN Danmark A/S:

Controlling shareholder:

ACN Europe B.V., The Netherlands

Thomas R Malthusstraat 1-3, 1066JR Amsterdam

**Other related parties:**

Ultimate holding company:

LKN Global Holdings Inc, 1000 Progress Place,  
Concord, North Carolina 28025, USA

#### Related party transactions in the financial year

ACN Danmark A/S has had the following transactions with related parties in the financial year:

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.

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.

### Note 5

#### Ownership

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:

ACN Europe B.V., Thomas R Malthusstraat 1-3,  
1066JR AMSTERDAM, The Netherlands

The ultimate parent company is:

LKN Global Holdings Inc, 1000 Progress Place,  
Concord, North Carolina 28025, USA.

## Notes to the Annual Report

### Note 6

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