eunetworks


SINGAPORE
euNetworks Group Limited
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: +65 6230 9795
Fax: +65 6532 1633
Email: info@eunetworks.com
Directors Noel Meaney, Brady Reid Rafuse, Daniel Aegerter, Thomas P. Byrnes, Nicholas George, Lam Kwok Chong, William Gregory Mesch, Kai-Uwe Ricke, John Tyler Siegel Jr
Registered in Singapore Number 199905625E

UNITED KINGDOM
euNetworks Fiber UK Ltd
7th Floor
90 High Holborn
London WC1V 6XX
United Kingdom
Tel: +44 20 3178 8003
Fax: +44 20 3178 8004
Email: info@euNetworks.com
Directors Nicholas George, Brady Reid Rafuse
Registered in England Number 4840874
VAT Registration Number 877685941

IRELAND
euNetworks Ireland - Private Fiber Limited
Suite D16 (2nd floor M)
The Cubes Offices
Beacon South Quarter
Sandyford, Dublin 18
Ireland
Tel: +353 1 652 1200
Fax: +353 1 652 1201
Email: info@euNetworks.com
Directors Nicholas George, Brady Reid Rafuse
Registered in Ireland Number 314398
VAT Registration Number IE 6334398A

THE NETHERLANDS
euNetworks BV
Paul van Vlissingenstraat 16
1096BK Amsterdam
The Netherlands
Tel: +31 20 354 8080
Fax: +31 20 653 5791
Email: info@euNetworks.com
Directors Nicholas George, Brady Reid Rafuse
VAT Registration Number NL 8119.14.409.B.01
KvK 341 844 91

FRANCE
euNetworks SAS
Registered office
102 Avenue des champs Elysées
75008 Paris
France
Email: info@euNetworks.com
Président de la Société Nicholas George
Directeur Générale Brady Reid Rafuse
Registered in France Number 490505 773 RCS Paris
VAT Registration Number FR 4905 057 730 0013

BELGIUM
euNetworks BVBA
Blvd Louis Schmidtlaan 119
Bus 3, Brussels 1040
Belgium
Email: info@euNetworks.com
Zaakvoerder Nicholas George, Brady Reid Rafuse
Registered in Belgium Number 0887 348 674

GERMANY
euNetworks AG
Eschborner Landstraße 112
60489 Frankfurt
Deutschland
Tel: +49 69 90554 0
Fax: +49 69 90554 111
Email: info@euNetworks.com
Vorstand Noel Meaney
Vorsitzender des Aufsichtsrats Thomas P. Byrnes
Umsatz-ID-Nr DE 201 739 716
Steuernummer 04523251638
Amtsgericht Frankfurt am Main
Handelsregister Nummer 58594
Aufsichtsbehörde Bundesnetzagentur für Elektrizität, Gas, Telekommunikation, Post und Eisenbahnen; Tulpenfeld 4; 53113 Bonn

euNetworks Services GmbH
Eschborner Landstraße 112
60489 Frankfurt
Deutschland
Tel: +49 69 90554 0
Fax: +49 69 90554 111
Email: info@euNetworks.com
Geschäftsführer Albrecht W. Kraas
Umsatz-ID-Nr DE 188 444 657
Steuernummer 04522802149
Amtsgericht Frankfurt am Main
Handelsregister Nummer 48468

European Fiber Networks "GND" GmbH
Eschborner Landstraße 112
60489 Frankfurt
Deutschland
Tel: +49 69 90554 0
Fax: +49 69 90554 111
Email: info@euNetworks.com
Geschäftsführer Noel Meaney
Umsatz-ID-Nr DE 188 444 657
Steuernummer 04523251638
Amtsgericht Frankfurt am Main
Handelsregister Nummer 77008

European Fiber Networks Asset GmbH
Eschborner Landstraße 112
60489 Frankfurt
Deutschland
Tel: +49 69 90554 0
Fax: +49 69 90554 111
Email: info@euNetworks.com
Geschäftsführer Noel Meaney
Umsatz-ID-Nr DE 188 444 657
Steuernummer 04523251638
Amtsgericht Frankfurt am Main
Handelsregister Nummer 77116



eunetworks
ANNUAL REPORT 2009


eunetworks

# ANNUAL REPORT 2009

# Contents



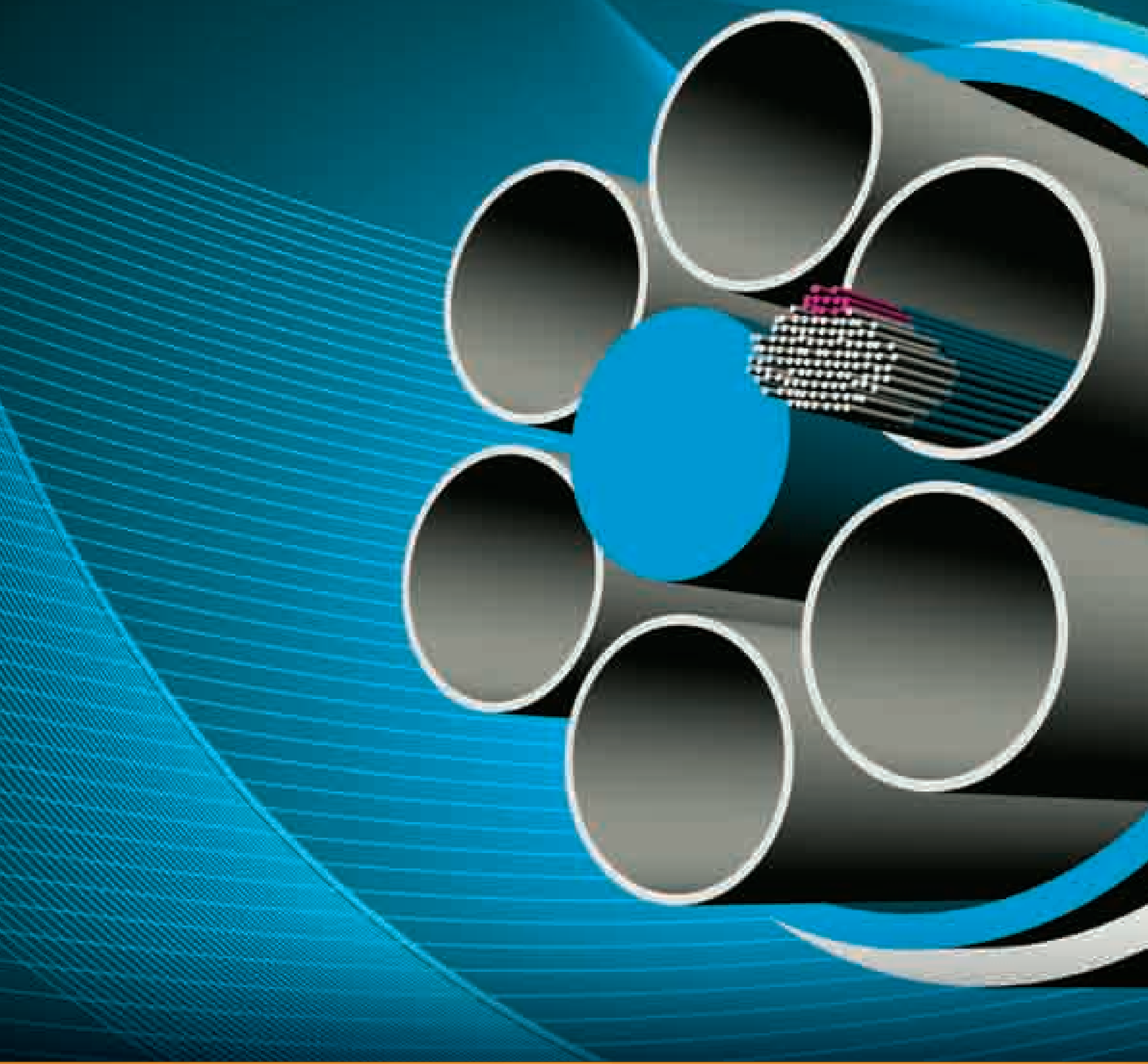
This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is:-
Jason Chian (Director, Corporate Finance)
CIMB Bank Berhad, Singapore Branch
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623

Telephone: (65) 6337 5115

euNetworks Group Limited
formerly known as
Global Voice Group Limited



euNetworks owns a network that contains up to 6 ducts in the metro with the capability to deploy 7,500 fibre pairs in most of our metropolitan networks. As an example, a 10Gbits fibre pair has the capacity equivalent to delivering 250,000 simultaneous high quality voice calls. Our high density cables contain 216 fibre pairs. On average there could be at least 6 cables in a duct, and 6 ducts in a trench. Our network has the capacity that is equivalent to delivering approximately 2 billion simultaneous high quality voice calls, or transport the entire contents of the British Library (14 million books) ten times per second over the network.

# Operational Overview

# Financial & Operational Highlights

## Financial Highlights

- Generated 25% year on year growth in recurring revenues.
- Total revenue increased by 26% to €30.1 million for the full year 2009.
- Reported a net loss of €9.9 million for the financial year compared to a net loss of €18.2 million a year ago. This reduction was mainly due to an exceptional gain arising on the repurchase of convertible bonds of €6.9 million and a resulting reduction in finance costs.
- Efforts to improve efficiencies and target long term recurring revenue contracts is underway.
- Exited 2009 with a monthly recurring revenue run rate of €2.6million.
- 74 new customers were signed in 2009, driving €21million in aggregate contract value.
- Growing shift towards the networking side of the business, with 75 % of new sales in 2009 from network based services, and 25% from colocation.
- Gross margin improved in the year following better management of direct costs associated with servicing new revenues. In 2009 gross margin was 45%, up from 43% in the previous year.
- EBITDA in 2009 was a loss of €4.2million, an improvement from 2008 EBITDA loss of €6.0 million, excluding exceptional items and non-operating income on the basis they are non-recurring.
- Selling, General and Administrative expenses increased by 11% in the year following establishment of the London office and its subsequent build out as the European headquarters and as a result of strengthening the management team. Financial strengthening of the business was undertaken through the year.
- In April 2009, we successfully completed a fund-raising exercise, raising S$92 million from a share subscription and rights issue. Subsequently the group used S$60.1 million to redeem 100% of the convertible bonds due for repayment in 2011 and to redeem €14.5 million of its convertible bond due in 2012, thus reducing the principal amount of the two bonds from €61.3 million to €17.5 million.
- In conjunction with this, the company entered into a subscription agreement with EUN Partners V, LLC, a controlled by Columbia Capital V, LLC subsidiary.
- On 6 April 2010, the Company completed a renounceable partially underwritten rights issue of approximately S$86.5 million in aggregate principal amount of zero coupon convertible bonds due 2013 in the denomination of S$1 on the basis of one convertible bond for every 100 existing ordinary shares at an issue price of S$0.97 for each convertible bond. The net proceeds raised will be used to repay the convertible bonds due in 2012 and to fund capital expenditure and working capital.

In April 2009, we successfully completed a fund-raising exercise, raising S$92 million from a share subscription and rights issue.

**26%** growth in year on year total revenue

**25%** in year on year recurring revenue

**74** new customers in the year

**106** employees at year end

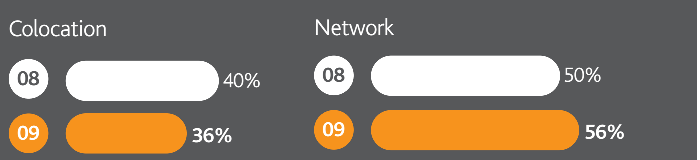
## Operational Highlights

- Appointment of Brady Rafuse to Chief Executive Officer in March 2009.
- Began transformation to a bandwidth infrastructure company.
- Changes in management team with the appointment of Richard Taylor to General Counsel, Uwe Nickl to Chief Marketing Officer and Claire Leake to Vice President Human Resources.
- Change of name of listed entity on the Singapore Stock Exchange from Global Voice Group Limited to euNetworks Group Limited. This consolidates the value of the brands inherent on both listed entity and European operating entities.
- Completed the first phase of the new London network build out and lit further fibre in the network.
- This network development contributed to growing success serving the financial services segment with high-performance and ultra-low latency networking solutions.
- The fastest growth segment was financial services in 2009, with strong demand for euNetworks' euTrade platform. The largest deal signed during the year was with Chi-X Global Technology BV (Chi-Tech).
- We saw growing demand from other segments and expect to see more from these in 2010.
- Full and final settlement was reached on 31 December 2009 in the litigation with Geo/FibreSpeed.
- The company exited 2009 with an employee headcount of 106.
- Changes made in the company operating structure in 2009, coupled with the management team in place, enables the company to move forward and implement the business plan for the future.

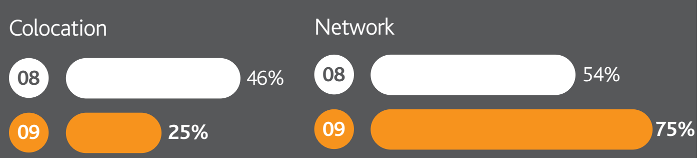
**Revenue Growth 2008:** 17%

**Revenue Growth 2009:** 26%

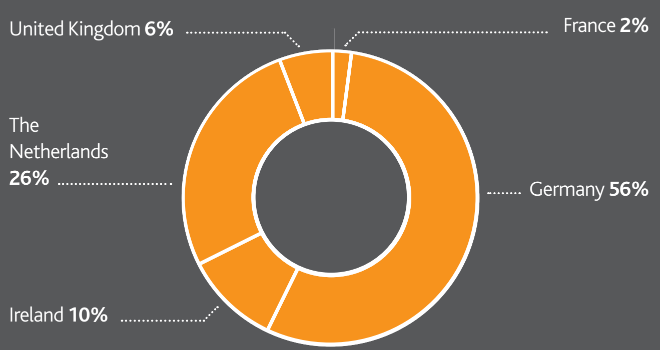
### Revenue Blend 2008-2009




### New Sales Blend 2008-2009




### Buildings On Net by Country



# Group Profile

euNetworks Group Limited is a facilities based provider of Ethernet and Internet Protocol (IP) services. We operate in a sub segment of the telecommunications industry defined as bandwidth infrastructure. Today we own 15 fibre based metropolitan networks across Europe, connected with a high capacity intercity backbone. Our unique inventory of fibre and duct assets are tailored to fulfil the high bandwidth needs of enterprises and carriers. euNetworks Group Limited is headquartered in London, United Kingdom and is publicly listed on the Singapore stock exchange (SGX: H23:SI).

As a bandwidth infrastructure provider, euNetworks operates in a segment characterised by a horizontally integrated business strategy, high barriers to entry and unique assets- namely deep metro assets, with infrastructure capable of provisioning up to 15,000 fibres in key cities. In today's market, replicating these assets would be incredibly complex and costly due to both capital and regulatory requirements. With growing demand for high capacity end-to-end connectivity for access to data management, storage and applications, euNetworks sees rapidly growing demand and the opportunity for growing and predictable recurring revenues. We require significant capital to operate at scale which leads to high operating leverage and ultimately, delivering high free cash flow.

euNetworks has high-density last mile fibre networks in 15 major European cities, with 13 of these operational today. These are Berlin, Hamburg, Düsseldorf, Cologne, Frankfurt, Stuttgart, Munich, Amsterdam, Rotterdam, The Hague, Paris, London and Dublin. These deep metropolitan networks are fundamental to the value we deliver to our customers. They are also the cornerstone for our development and our ability to scale in line with market and customer demand. These metropolitan networks are connected with our high capacity long haul intercity backbone linking the United Kingdom, Belgium, the Netherlands, France and Germany.

We serve large bandwidth consuming companies on or near our fibre. Carrier customers include telecom, cable, mobile and Internet service providers. Enterprise customers include web-centric businesses, financial services, media, healthcare, legal, and manufacturing entities. The euNetworks product portfolio includes dark fibre, dedicated fibre, wavelength, Ethernet and Internet services. Segment specific solutions such as euTrade ensure tailored bundling of the product set to meet specific vertical requirements.

Key to our growth and development are our company values.

- We are here for our customers. We understand that they put their trust in us and we never forget it.
- We speak one truth. Our truth.
- We respect and trust one another and all of our stakeholders.
- We demonstrate integrity in everything we do.
- We are in the game, not just at the game. As one team.


In 2009, we delivered total revenue of €30.1 million compared to €23.9 million in 2008, a 26% increase. After excluding one-off revenues of €0.8 million, recurring revenues in 2009 grew by 25% from 2008, to €29.3 million.

# Chairman's Statement

Macroeconomic conditions continue to create a challenging environment for telecommunications in Europe. Budget constraints evident in both enterprise and wholesale markets through 2009 slowed down and lengthened the sales cycle, and competition has generally become more intense. We have however been seeing growing demand for our bandwidth intensive networking solutions. We delivered total revenues of €30.1 million in 2009, compared to €23.9 million in 2008, with an increase of 25% in recurring revenue year-over-year after excluding one-offs. We targeted long-term recurring revenue contracts and gained 74 new customers over the course of the year. Improved control and management of direct costs associated with servicing new revenues led to further improvement in gross margin, reaching 45% in 2009.

The Group reported a net loss of €9.9 million for the financial year, compared with a net loss of €18.2 million a year ago. This reduction was mainly due to an exceptional gain arising on the repurchase of convertible bonds of €6.9 million and a resulting reduction in finance costs. Selling, General and Administrative expenses increased by 11% due to the establishment of the London office as our European headquarters, and the strengthening of the management team.

The company took a number of steps to strengthen its financial position in 2009. We successfully completed a fund-raising exercise in April 2009, raising S$92 million from a share subscription and rights issue. In conjunction with this, the company announced it had entered into a subscription agreement in February 2009 with EUN Partners V, LLC – a controlled by subsidiary of Columbia Capital V, LLC. On 6 April 2010, the Company completed a renounceable partially underwritten rights issue of approximately S$86.5 million in aggregate principal amount of zero coupon convertible bonds due 2013 in the denomination of S$1 on the basis of one convertible bond for every 100 existing ordinary shares at an issue price of S$0.97 for each convertible bond. The net proceeds raised will be used to repay the convertible bonds due in 2012 and to fund capital expenditure and working capital.

The management team was significantly strengthened in 2009. Following my announcement that I would concentrate on my Executive Chairman role in March, we appointed Brady Rafuse as Chief Executive Officer. Since that time Brady has been developing his management team. We appointed Richard Taylor as our General Counsel, Uwe Nickl as Chief Marketing Officer and Claire Leake as Vice President of Human Resources. These appointments are important to the transformation underway and focus going forward. With this team now in place, I have taken the decision to step down from the position of Executive Chairman at the AGM.

After establishing London as our European headquarters, it was appropriate for the business to have our Chief Financial Officer function based in London. Our Finance Director, Brenda O'Keefe, chose not to relocate to London and left the business in February 2010. We thank her for her service and wish her well. James Brodie was appointed interim Chief Financial Officer and is ensuring a smooth day-to-day running of the business until a permanent candidate is identified.

We also experienced change in the Board of Directors in 2009. In April, David Dey and Peter Manning resigned as Independent Non-Executive Directors. Brady Rafuse was welcomed to the Board during the same month as an Executive Director. In May, we welcomed Nicholas George and Greg Mesch as Independent Non-Executive Directors. Nick will take on the role of Non-Executive Chairman following the AGM. John Siegel joined as a Non-Independent, Non-Executive Director in August 2009. I am also delighted to inform you that Daniel Aegerter joined the Board as a Non-Independent, Non-Executive Director on 12 April 2010 and Kai-Uwe Ricke has joined as an Independent, Non-Executive Director. I step down feeling confident that I leave the company in very capable hands.

Great opportunities lie ahead and I am optimistic about the future for euNetworks. There is a good deal to do, but changes made in 2009 and the business plan being implemented to leverage growth opportunities are setting the right path for the company. Thank you for your ongoing commitment, which is key to executing this plan.

I wish the team all the best for the year ahead.

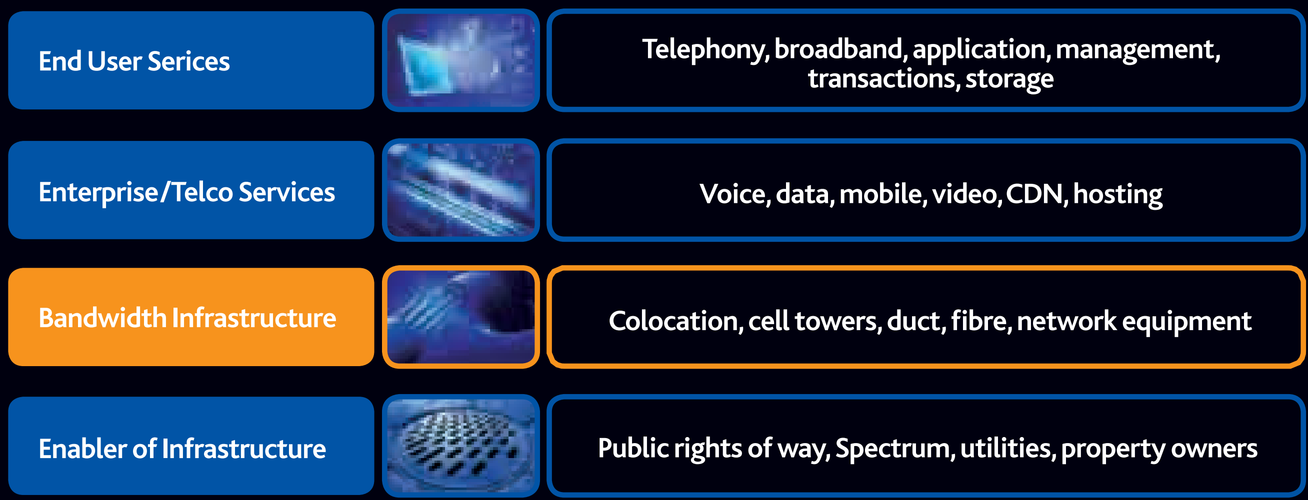
NOEL MEANEY
Executive Chairman

# Chief Executive's Message

2009 was the year that euNetworks began its transformation into a fully fledged network operating company, or telco. I thought it apposite to take a little time and explain what that means.

Our company is founded in its deep metro networks. We have fifteen Western European city networks in Germany, the Netherlands, the United Kingdom and Ireland, of which thirteen are fully operational. In each of these cities we have a duct network of between one and six ducts, through which our fibre optic cables travel. This is a unique set of assets that we tailor to meet the high bandwidth demands of our customers.

There is increasing definition of a sub-segment in the communications market: the bandwidth infrastructure segment (source: Kaufman Brothers). The segment is an attractive one. Whereas the meltdown of telco markets in the late 90's and early 00's was characterised by oversupply and irrational expectations that supported poor balance sheets, the business today is different. We can see, particularly in the United States, horizontally integrated bandwidth infrastructure companies emerging. Suppliers are consolidating and demand is driven by continued exponential growth. What these companies have in common is high growth, high gross margins and high EBITDA margins. The bandwidth infrastructure segment has very similar characteristics to the colocation and cell tower segments. It is characterised as such:




- Horizontally Integrated
- High Barriers to Entry
- Rapidly Growing Demand
- Predictable Recurring Revenues
- Significant Capital to Operate at Scale
- Unique Assets
- High Free Cash Flow at Scale
- Primarily 3-5 year Recurring Revenue Contracts
- High Operating Leverage

We see ourselves very clearly in this space. We are a horizontally integrated bandwidth infrastructure company. Our focus is selling on-net fibre based recurring revenue services. We sell Ethernet and IP based data services. We don't have any legacy revenues from switched voice services or from low speed data. As demand continues to grow there may be a place for Voice over IP services within our portfolio, but our current focus is very clearly directed at the high bandwidth needs we see today: for example, low latency, security, compliance, storage area networking and data centre connectivity. We consider this precision important as it allows us to both serve our customers with a high quality service experience and build our company to generate a high degree of operating leverage as we scale.

Our metro networks are the heart of our company. Whilst we have thirteen networks now operational, we generate almost all of our significant revenues from just four of those, namely Frankfurt, Amsterdam, London and Dublin. 2010 will see us opening up the other networks and building our business across the network. We believe that there are key steps that need to be taken to ensure that we scale effectively.

Much value can be destroyed in businesses when revenue grows quickly, yet costs track that same growth path. We are careful to ensure that every Euro we invest in our business is exactly that: an investment, not an expense. Whilst we have a number of initiatives within our business, I want to focus upon the issue of scaling.

The companies within the bandwidth infrastructure segment in the United States see average EBITDA margins of between 37 and 42% (source: Kaufman Brothers). That is very much our goal, but we will only deliver on that if we scale our business effectively. Data is fundamental. However good your systems, processes and platforms, without good data your organisation will leave value behind. We are putting significant efforts into making sure that we do not make this mistake. Our physical and logical inventories are critical. We are working to be world class in process management. We define our processes, measure how we perform, baseline that performance and then work tirelessly to drive out variation. Our systems strategy is simple. We build it on our data and processes with a view to being as standard and 'out of the box' as we can be. And we then layer our

"The values we hold as a company are fundamental. However great our assets, our data, or our processes, without everyone in our company living and breathing the same core beliefs, we will never maximise the value we could create."

platforms on this firm foundation. We call this 'friction free.' Our relentless pursuit is to link good data to processes to systems to platforms in a way that is without friction. The net outcome is that we will scale effectively, but also deliver a fantastic customer experience.

Our approach to our business is not complex. We want to drive top line growth in networking products. But doing this for its own sake is somewhat mindless. We want to drive top line growth in high margin products: that means selling on-net. That means adding buildings to our network is a key metric for us. Selling off-net services is something that we only do if the core of the opportunity is on-net, or can become on-net. This drives our gross margins. Elsewhere in this report we explain that we have changed the way that we capture gross margin: precision here is incredibly important. Our cost of goods sold are those costs that relate to the provision of service directly related to a customer order. Our intent is for this figure to be as low as it possibly can be. If we are selling on-net Ethernet services, our cost of goods sold is minimal. Hence, our relentless drive to on-net services. Adding buildings to our network is not always easy. Whilst our network has great capillarity, meaning we pass close to a great many target buildings, the process of adding buildings is a complex one that goes far beyond the straight physical connection. But, that doesn't make it wrong. Our focus on this will, again, remain relentless.

I also wanted to touch briefly on demand. There is today extensive demand for the services we provide. But there remains a tipping point: our services really come into their own at the Gigabit level. A number of our enterprise customers have embraced this, but for many enterprise organisations that may seem a step too far for core networking services. However, experience suggests that the European telecom market for the most part lags the US market by 18-24 months. In the US, bandwidth infrastructure companies have seen the transition from 100Mb services to Gigabit services, and we see this transition moving towards us. That creates a wave of demand for fibre based services from segments that we currently do little or no business with. We see this as creating a significant dual demand: more customers growing into our sweet spot combined with increased demand from our existing customers.

Finally, the values we hold as a company are fundamental. However great our assets, our data, or our processes, without everyone in our company living and breathing the same core beliefs, we will never maximise the value we could create. Our values are these:

We are here for our customers.

We understand that they put their trust in us and we never forget it.

We speak one truth. Our truth.

We respect and trust one another and all of our stakeholders.

We demonstrate integrity in everything we do.

We are in the game, not just at the game. As one team.

I consider that we have made a great deal of progress in 2009 laying down the firm foundations upon which to build a great business for our shareholders, our people and the communities in which we operate. That work will continue and accelerate in 2010. We all thank you for your support.

BRADY RAFUSE
Chief Executive Officer

2009

# Operational Review & 2010 Outlook

euNetworks is early in its development. Our strengths today lie in our deep European metropolitan networks and leadership team. During 2009, euNetworks began its transformation to become a fully fledged network operating company, positioned in the sub-segment of the telecommunications industry defined as bandwidth infrastructure. Key to this transformation was the continued growth in the customer base, network development, and in parallel, focusing on strengthening our position both financially and through our management team. As we enter 2010, there is much more to do but our current position is encouraging as we implement our business plan for the future.

## Financial Highlights

**In 2009, we delivered total revenue of €30.1 million compared to €23.9 million in 2008, a 26% increase. After excluding one-off revenues of €0.8 million, recurring revenues in 2009 grew by 25% from 2008, to €29.3 million.**

The company reported a net loss of €9.9 million for the financial year, compared to a net loss of €18.2 million in 2008. This reduction in net loss is mainly due to an exceptional gain arising on the repurchase of convertible bonds of €6.9 million, and a resulting reduction in finance costs.

Selling, General and Administrative expenses increased by 11% in the year due to the establishment of the London office and its subsequent build out as European headquarters along with strengthening of the management team.

### Growth in New Long Term Customer Contracts

euNetworks continued to grow its customer base in the year, with 363 new recurring revenue contracts signed. The company completed agreements with 74 new customers, delivering a total contract value of over €21 million. We also gained further growth in our existing customer base. The fastest growth segments targeted by euNetworks through 2009 were the financial services and trading sectors. They demand mission-critical, high performance and ultra low-latency network solutions, an area that euNetworks is well positioned to serve.

We started to see a fundamental shift in our sales profile, with a significant portion of new sales falling into the networking side of our business in 2009. Colocation sales in 2008 accounted for 46% of new recurring sales. In 2009, this had dropped to 25%, with 75% Networking related sales, up from 54% in 2008. Overall we have seen a year on year drop in Colocation sales of 36% and a rise in year on year Networking sales of 68%. This trend is indicative of our business focus going forward,

With greater control and management of direct costs associated with servicing new revenues, gross margin continued to improve, reaching 45% in 2009, up from 43% in 2008.

Currently euNetworks presents and reviews gross profit as revenues, excluding non-operating income, less purchase costs. However a significant proportion of what constitutes purchases are costs which are largely fixed in nature, and which relate to general

In 2009, financial services was a key growth segment for euNetworks. We have also seen growing demand from other segments and expect to see more growth from these in 2010.

operation and maintenance of the company's network and network related assets as a whole. The management team believe that gross profit determined in this manner is not fully reflective of the profitability of the customer contract base, considered from the position of the direct costs required to service customer revenues. Therefore, from the beginning of the 2010 financial year, euNetworks plan to present gross profit, determined as revenues less expenses directly related to revenues, or 'Direct Network Expense'. The management team believes that gross profit determined in this manner is in line with telecom industry norms, and will provide a clearer picture to key stakeholders and other interested parties of the profitability of current and future customer revenues.

### Rights Issue and Investment

The company took steps to strengthen its financial position in 2009. In April, we successfully completed a fund-raising exercise, raising S$92 million from a share subscription and rights issue. Subsequently the company used S$60.1 million to redeem 100% of the convertible bond due for repayment in 2011, and to redeem €14.5 million of its 2012 bond, thus reducing the principal amount of the two bonds from €61.3 million to €17.5 million.

In conjunction with the successful rights issue, the company entered into a subscription agreement with EUN Partners V, LLC, a controlled by subsidiary of Columbia Capital V, LLC. With this new investor and continued support from other shareholders, euNetworks is now positioned to commence implementation of the business plan.

On 6 April 2010, the Company completed a renounceable partially underwritten rights issue of approximately S$86.5 million in aggregate principal amount of zero coupon convertible bonds due 2013 in the denomination of S$1 on the basis of one convertible bond for every 100 existing ordinary shares at an issue price of S$0.97 for each convertible bond. The net proceeds raised will be used to repay the convertible bonds due in 2012 and to fund capital expenditure and working capital.

## Operational Highlights

**We are investing in network development to maximise return on invested capital. Our challenge is to generate revenue across our footprint at the right financial return and deliver solutions that meet the requirements of key growth verticals. Our operational model must be able to scale in line with demand and we must consistently deliver an outstanding service to our customers. 2009 has focused on transforming the business and implementing an operational model that will be able to deliver for the future.**

### Developing Market Opportunity

2009 was a challenging macroeconomic year for most. We saw a continuation of the growth in demand for high capacity connections as companies looked to reduce costs by consolidating offices, sharing applications and nurturing 'home-working'. Constrained budgets drove cost cutting measures, with businesses increasingly adopting cloud computing for real-time application sharing. The financial sector is facing an era of heavily enforced data and process regulation while media companies continue to face consumer demand for high definition content. These market trends continue to drive the importance of telecommunication solutions, being as vital to an economy and company's survival as transport and utilities infrastructure. Increasing bandwidth demand and the focus on the reduction of network costs by large bandwidth consuming enterprises, opens up opportunities for euNetworks as an alternative provider to the incumbent carriers.

### Leveraging our Network Assets

These trends are particularly evident in metropolitan areas with growing demand for high capacity end to end connectivity for access to data management, storage and applications. euNetworks is well positioned to support this growth with high-density 'last-mile' fibre networks operational in 13 major European cities, namely Berlin, Hamburg, Düsseldorf, Cologne, Frankfurt, Stuttgart, Munich, Amsterdam, Rotterdam, The Hague, Paris, London and Dublin. During 2009 euNetworks completed a significant portion of the London network and further expanded its high performance Ethernet platform which now connects over 100 data centres across Europe. We will continue to leverage our connectivity in these data centres to support the growing demand from corporates.

# Operational Review & 2010 Outlook continued

## Positioning for Segment Growth

euNetworks has enjoyed success with the Mulitilateral Trading Facilities (MTFs) - the systems established under the Markets in Financial Instruments Directive (MiFID) that bring together buyers and sellers of financial instruments - by positioning itself as a low latency solutions provider delivering Ethernet-based financial extranet solutions to exchanges and trading platforms. This market continues to grow and demand for faster solutions are critical in providing MTFs with a competitive edge. As a result, euNetworks won a significant contract with Chi-X Global Technology BV (Chi-tech), where it designed, implemented and is now managing an ultra-low latency dedicated network, delivering over 100 Gbps of connectivity to power Chi-Tech's MarketPrizm's business. This was a significant network win for euNetworks and we are pleased with how our organisation delivered this large and complex network project.

Content and media continues to drive demand for higher bandwidth as consumers employ a multiplicity of devices, such as television, computers and mobile devices, all requiring converged fibre and Internet protocol based services. Entertainment and social networking continues to dominate as the computer usurps television and radio as the primary entertainment medium of the household, evidenced by the continued growth of the Internet, driven by video content.

In 2009, financial services was a key growth segment for euNetworks. We have also seen growing demand from other segments and expect to see more growth from these in 2010.

## Driving Transformation with Management Appointments

In March 2009, founder and Chief Executive Officer Noel Meaney announced his intention to concentrate on his role as Executive Chairman. Noel handed over the operations and development of euNetworks to Brady Rafuse who has since that time, been developing and transforming the operational model of the company. As part of that process, the management team has changed significantly through the year. Following the appointment of Brady Rafuse to Chief Executive Officer, Richard Taylor, Uwe Nickl and Claire Leake joined the team. Richard Taylor is our General Counsel and specialises in technology and the telecoms sector. Uwe Nickl took on the role of Chief Marketing Officer, with his responsibility covering strategy, business development, product delivery, marketing and indirect and direct sales. Claire Leake has taken on the Human Resources responsibility for the company, aligning HR requirements to the business strategy and managing the process of bringing new talent to the business. These are key positions in the company as we implement the business plan for the future.

In February 2010 we announced the cessation as Executive Chairman of Noel Meaney, who will be stepping down at the AGM to pursue his many other business interests. Nicholas George is Chairman of the Audit Committee and has been named Non-Executive Chairman designate to succeed Mr. Meaney. Our new Chairman has a wealth of experience principally in the Asian region and supports the development underway at euNetworks.

With transformation underway as we entered 2010, and given the growth of the business and demands on the management team, the company made the decision to relocate the Finance Directors role to London. Brenda O'Keefe declined to relocate from Ireland and left the company on 15 February 2010. To ensure smooth day-to-day running of the business, we appointed an interim Chief Financial Officer, James Brodie, while we identify the most suitable candidate. Mr. Brodie also has extensive European and Asian market experience.

## 2010 Outlook

**In 2010, euNetworks expects macroeconomic conditions to improve although challenges will remain for the telecommunications sector in Europe. Budgets are expected to continue to be constrained in the enterprise and wholesale markets, driving long sales cycles and further price compression, particularly in the long haul market. Nonetheless, euNetworks sees growing bandwidth demand across the telecommunications industry for flexible and complete solutions, from dark fibre to managed bandwidth. This augurs well for euNetworks as not all incumbent telecommunication companies can, or are willing to offer such solutions. euNetworks' fibre-rich facilities based infrastructure will continue to be a significant asset, positioning euNetworks to gain further traction and market share.**

The year ahead for euNetworks is centred on continued implementation of the operational model. We must invest in network development to maximise return on invested capital. We must add traffic intensive buildings onto the network and leverage further growth opportunities in our key markets. Today the majority of revenue is generated from four of our fifteen markets and there is growth potential in nine of the remaining eleven markets. Over the next five years we will look to significantly grow the number of buildings on-net and generate revenue across our footprint. A scalable operating platform in place is key to us being able to manage customer growth, offer the right products and solutions, with a service level that supports high revenue growth. Actions in 2009 have laid the foundations for further development in 2010 and beyond.

"The year ahead for euNetworks is centred on continued implementation of the operational model. We must invest in network development to maximise return on invested capital. We must add traffic intensive buildings onto the network and leverage further growth opportunities in our key markets."

**(LEFT)**
**Samantha Maxwell-Reed**
Director, Expand Recruitment Limited

**(RIGHT)**
**Claire Leake**
Vice President, Human Resources, euNetworks

"We work closely with euNetworks. They really care about their people, and they care about who they recruit. How a person will fit into their team and the values they have is very important to them."

**SAMANTHA MAXWELL-REED**, Director, Expand Recruitment Limited

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# Corporate Profile

# Corporate Profile

## BOARD OF DIRECTORS

**Executive**

| | |
|---|---|
| Brady Reid Rafuse | Chief Executive Officer (appointed 30 April 2009) |
| Noel Meaney | Executive Chairman |
| Brenda Ann O'Keefe | Finance Director (resigned 15 February 2010) |

**Non Executive**

| | |
|---|---|
| Thomas P Byrnes | Independent |
| Lam Kwok Chong | Independent |
| Nicholas George | Independent (appointed 22 May 2009) |
| William Gregory Mesch | Independent (appointed 22 May 2009) |
| John Tyler Siegel Jr | Non-Independent (appointed 6 August 2009) |
| Jason Robert Booma | Alternate director to John Tyler Siegel Jr (appointed 6 August 2009) |
| Daniel Simon Aegerter | Non-Independent (appointed 12 April 2010) |
| Simon Daniel Koenig | Alternate director to Daniel Simon Aegerter (appointed 12 April 2010) |
| Kai-Uwe Ricke | Independent (appointed 12 April 2010) |
| David Dey | Independent (resigned 28 April 2009) |
| Peter Manning | Independent (resigned 28 April 2009) |

## AUDIT COMMITTEE

Nicholas George (Chairman)
William Gregory Mesch
Lam Kwok Chong
John Tyler Siegel Jr
David Dey (resigned 28 April 2009)
Peter Manning (resigned 28 April 2009)

## NOMINATING COMMITTEE

William Gregory Mesch (Chairman)
Thomas P Byrnes
Lam Kwok Chong
Noel Meaney
Brady Reid Rafuse
David Dey (resigned 28 April 2009)
Peter Manning (resigned 28 April 2009)

## REMUNERATION COMMITTEE

Thomas P Byrnes (Chairman)
William Gregory Mesch
Nicholas George
John Tyler Siegel Jr
David Dey (resigned 28 April 2009)
Peter Manning (resigned 28 April 2009)

## ESOS COMMITTEE

Thomas P Byrnes (Chairman)
William Gregory Mesch
Nicholas George
John Tyler Siegel Jr
David Dey (resigned 28 April 2009)
Peter Manning (resigned 28 April 2009)

## COMPANY SECRETARY

Yip Ming Fai

**REGISTERED BUSINESS OFFICE**
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

**SHARE REGISTRAR/ WARRANT AGENT**
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

**AUDITORS**
BDO LLP
Public Accountants and Certified Public Accountants
19 Keppel Road
#02-01 Jit Poh Building
Singapore 089058

**AUDIT PARTNER-IN-CHARGE**
Lai Keng Wei (Year of appointment- 2008)

**BANKERS**
United Overseas Bank Limited
Bank of Ireland Limited
Commerzbank AG
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank Ltd
National Westminster Bank PLC
Credit Lyonnais SA
ABN AMRO Bank NV

**SPONSOR**
CIMB Bank Berhad, Singapore Branch
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6337 5115

# Board of Directors

## NOEL MEANEY
### Executive Chairman

Noel Meaney is founder and Executive Chairman of euNetworks Group Limited. He formed the Group in 2002, following his acquisition of the European fibre optic network assets of Metromedia Fiber Networks. In 2004, Mr. Meaney listed the company on the Singapore Stock Exchange and, in 2006, oversaw the company's acquisition of the longhaul intercity fibre networks of Viatel Corporation. In February Mr. Meaney announced he would be stepping down from his position of Executive Chairman at the upcoming AGM, enabling him to focus on his other business ventures.

Mr. Meaney is founder and Chief Executive Officer of Citadel100 Datacenters Limited (Citadel), a company that owns and operates Tier 4 datacentres across Europe.

Prior to 2002, he was Managing Director of Metromedia Fiber Networks, Ireland. He oversaw the company's commercial operations in Ireland, the United Kingdom and the Netherlands. From 1994 to 2000, Mr. Meaney worked for Computer Associates Inc. (CA), with the position of Regional Vice President Europe.

Mr. Meaney is a Non-Executive Director of AIM-listed Alternative Energy Limited. He holds a Diploma in Business Studies and Information Technology.

## BRADY RAFUSE
### Chief Executive Officer

Brady Rafuse is Chief Executive Officer of euNetworks Group Limited. He joined the company in March 2009.

Mr. Rafuse has over 20 years' experience in the telecoms industry. He is the former President and Chief Executive Officer of Level 3 Europe where he was responsible for all of the company's operations in the European market.

He led that business to become a free cash flow generating operation and the largest carrier of Internet traffic in Europe. In addition, he was also President of Level 3 Content Markets, where he and his team took Level 3 into the content delivery business, as well as managing their Global IP and colocation businesses.

Prior to Level 3, Mr. Rafuse served as Head of Commercial Operations for Concert (a joint venture between AT&T and British Telecom). In his time in Concert his team delivered more than $2bn of contracted revenues.

He began his career in telecom in BT in 1986. He is married with three children and holds a Masters degree from McGill University and a Diploma from Insead.

## DANIEL AEGERTER
### Non-Independent, Non-Executive Director

Daniel Aegerter is Chairman and Founder of Armada Investment Group which he established as his family office organization after the successful merger of his B2B software company, TRADEX Technologies, with Ariba for $5.6 billion in March 2000.

As Chairman and CEO of TRADEX, Mr. Aegerter was responsible for setting the strategic direction and goals for the company. TRADEX was an Atlanta, Georgia-based pioneer and leader in B2B digital marketplace platforms and its software powered the world's leading e-marketplaces.

Since his high profile M&A transaction, Mr. Aegerter has formed his family office organisation and has been actively involved in initiating various private equity and venture capital transactions, and invested across asset classes and regions. His business experience spans both sides of the Atlantic, as an investor and as entrepreneur.

Mr. Aegerter has always had a passion for entrepreneurial activities. He started his first business at the age of 18 (while completing his apprenticeship at Swiss Bank Corporation). That first business venture was DYNABIT AG, which was founded in 1988 as an importer and distributor for Apple Macintosh peripherals.

He is also a proactive initiator of several social investment projects and an active member of the World Economic Forum.

# Board of Directors continued

## JASON BOOMA
### Non-Independent, Alternate Non-Executive Director to John Siegel

Jason Booma has been a Principal at Columbia Capital since 2008 and focuses on investments in the communications and information services sectors. At Columbia, he is also directly involved with Zayo Group LLC, GTS Central Europe, and Envysion, Inc.

Prior to joining Columbia Capital, Mr. Booma was an investor at Centennial Ventures and held operating roles at Level 3 Communications.

Mr. Booma received a B.S. in Computer Engineering from Northwestern University and an MBA from the Kellogg School of Management.

## THOMAS P. BYRNES
### Independent, Non-Executive Director

Thomas Byrnes is President of T. Byrnes & Associates Ltd, a management consultancy that specialises in technology planning and business strategy for firms operating in a multinational environment. He has over 40 years' experience in the communications industry, spanning sales, marketing, operations and business development.

Prior to his current role, Mr. Byrnes served as Senior Vice President of Business Services for Abovenet, Inc. (formerly known as MFN inc.) where he was a key contributor to the company successfully emerging from bankruptcy.

Mr. Byrnes was also President and Director of MFN International, where he oversaw all international operations in Europe and Asia, and President of PAIX, MFN's neutral Internet exchange division.

Earlier in his career, he was National Vice President of local services for AT&T where he led the successful post-acquisition integration of the Teleport Communications Group sales divisions into AT&T operations. Previously he held several additional executive-level positions with TCG.

After serving in the United States Navy, Mr. Byrnes received a Bachelor of Arts degree from Pace University, New York City, USA.

## NICHOLAS GEORGE
### Independent, Non-Executive Director

Nicholas George is Chairman of the Audit Committee and is Non-Executive Chairman designated to succeed Mr. Meaney at the upcoming AGM. He is a Director of LGT Capital Partners (UK) Limited and also sits as an Independent Non-Executive Director on the Boards of GK Goh Holdings Limited, listed in Singapore, Millennium and Copthorne Hotels PLC, and Aberdeen New Dawn Investment Trust PLC, both listed in London.

In 2003, he co-founded KGR Capital Management, a manager of alternative funds based in Asia that was sold to LGT Capital Partners in 2008. He has over 30 years' experience in investment banking and was Managing Director and head of Corporate Broking for Asia for JP Morgan Securities (previously Jardine Fleming) in Hong Kong until 2002. He had previously served on the Boards of BZW Securities and WI Carr Overseas, two leading Asian security companies.

Mr. George is a Fellow of the Institute of Chartered Accountants in England and Wales.

## SIMON KOENIG

### Non-Independent, Alternate Non-Executive Director to Daniel Aegerter

Simon Koenig joined Armada Investment Group, a Swiss-based single Family Office in May 2009. He leads the Küsnacht (Zurich)-based Office. He is involved in the Wealth Management of the Aegerter Family and is a member of the Board of Directors of Perseus Real Estate and Agrifutura Holding.

Prior to joining Armada Investment Group, Mr. Koenig held positions with Pemba Credit Advisers, KPMG Corporate Finance, AMC International, Credit Suisse First Boston and Credit Suisse.

Mr. Koenig received his BA from the University of Applied Sciences Zurich and is a member of the CFA Institute and the Swiss CFA Society.

## LAM KWOK CHONG

### Independent, Non-Executive Director

Until December 2009, Lam Kwok Chong was the Managing Director of Keppel T&T, a company listed on the Singapore Exchange and a member of the Keppel Group of Companies.

He first joined the company as its Chief Financial Officer in 2003 and went on to assume the role of Managing Director the following year. Together with its Board of Directors, Lam Kwok Chong was responsible for formulating and implementing the company's business strategies.

He began his career with the Keppel Group in 1980 and held a variety of senior management positions within the Group, before his move to Keppel T&T.

He holds a Bachelor of Business Administration from the National University of Singapore.

## WILLIAM GREGORY MESCH

### Independent, Non-Executive Director

Greg Mesch currently serves as director and management consultant to European technology-based companies.

Most recently, Mr. Mesch was advisor to the Chief Executive Officer and Interim Chief Operations Officer of Muzicall, a London-based firm, providing outsourced content services to mobile network operators. Prior to this, he was a founding director of Versatel, a fiber provider in the Netherlands, Germany and Belgium. He later became its Chief Operations Officer and President of the Internet division, responsible for running the operations of the company which grew from 40 employees to over 1,200. From 1993 to 1997 Mr. Mesch worked at Esat telecom in Dublin, Ireland, taking on the role of Chief Operations Officer.

He studied mathematics and computer sciences at the University of Colorado and has an MBA from the University of Denver.

# Board of Directors continued

## KAI-UWE RICKE
### Independent, Non-Executive Director

Kai-Uwe Ricke is Partner and Chairman of the Board of Directors for Delta Partners and is also active in private equity. He is an investor and a member of the advisory board of Kabel Baden-Württemberg, a German based 100-percent subsidiary of EQT. He also acts as a member of the advisory board of Exigen Capital, a US-based specialised private equity firm. Mr. Ricke worked for nearly 20 years in the telecommunication industry, finally serving as Chief Executive Officer of Deutsche Telekom AG.

Mr. Ricke holds seats as Independent Director on the managing boards of the Italian insurance company, Generali SpA, and on the Dubai-based Oger Telecom Ltd . He also serves as a member of the supervisory board of United Internet AG, Germany.

He is a German national and gained his business education by studying at the European Business School in Germany and France and at the American Graduate School of International Management in the United States.

## JOHN TYLER SIEGEL JR
### Non-Independent, Non-Executive Director

John Siegel has been a Partner of Columbia Capital since April 2000, where he focuses on communication services investments. He is also a member of the Board of Directors of Envysion, Inc, GTS Central Europe, MegaPath Inc, mindSHIFT Technologies, Inc, Presidio, Inc, Teliris, Inc, and Zayo Group LLC.

Prior to joining Columbia Capital, Mr. Siegel held positions with Morgan Stanley Capital Partners, Fidelity Ventures, the private equity division of Fidelity Investments, and the Investment Banking Division of Alex. Brown & Sons, Incorporated.

Mr. Siegel received his BA from Princeton University and his MBA from Harvard Business School.

# Key Management

## JAMES BRODIE
### Interim Chief Financial Officer

James Brodie joined euNetworks Group Limited in February 2010 as interim Chief Financial Officer (CFO).

He currently operates as an interim manager, having recently completed assignments as interim CFO with a subsidiary of Qatar Telecom in Oman, Cable & Wireless in the Caribbean, and the Kesa electrodomestic group in Spain.

Prior to this, Mr. Brodie was Chief Executive Officer of Pexco, a Malaysian Oil and Gas investment group, from 2004 to 2006. He spent six years as the Chief Financial Officer of Maxis Communications Berhad. He was CFO of Maxis from 1997 to 2000, before rejoining the Company in 2001, and leading it through its successful listing on the KLSE. Prior to joining Maxis in 1997, he was the General Manager, Planning and Finance for Sarawak Shell Bhd., Miri, Sarawak.

Mr. Brodie has over 30 year's of experience in the financial sector working for companies such as the Shell Group of Companies, Texaco Limited, Sheerness Steel Co. Price Waterhouse and Turquands Barton Mayhew.

He holds a Bachelor of Law from the University of Manchester, United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales.

## UWE NICKL
### Chief Marketing Officer

Uwe Nickl is Chief Marketing Officer of euNetworks Group Limited. He joined the company in July 2009 and is responsible for strategy, business development, products, marketing and all direct and indirect sales activities of the company.

Prior to joining euNetworks, Mr. Nickl worked for Level 3 Communications for 10 years, where he held key positions. In his most recent role as Senior Vice President for Strategy, Product Delivery and Marketing in Europe, Mr. Nickl delivered industry leading results for the European business, while also maintaining global responsibility for the operations and development of the company's subsea cable system. Prior to this and as Managing Director for Central and Eastern Europe, he oversaw the successful expansion of the Level 3 network from Germany into key growth markets across Eastern Europe.

He started his career in telecommunications with Siemens AG in their public network division in 1997. He studied business administration in Germany, the United States and the Netherlands.

## RICHARD TAYLOR
### General Counsel

Richard Taylor joined euNetworks Group Limited as General Counsel from Olswang solicitors in April 2009. Mr. Taylor is responsible to the company and the Board of Directors for all legal and compliance matters, including in relation to Singapore Stock Exchange issues.

Mr. Taylor worked for Olswang from 1996, although from 2002 to 2004 he worked for Gilbert + Tobin lawyers in Sydney, Australia. At Olswang, Mr. Taylor specialised in commercial dispute resolution, in particular focussing on the technology and telecoms sectors, and acted for euNetworks in its High Court claim against Abovenet, which settled in 2008.

He is qualified as a solicitor of the Supreme Court of England and Wales and as a Legal Practitioner of the Supreme Court of New South Wales, Australia.

## CLAIRE LEAKE
### Vice President Human Resources

Claire Leake is Vice President of Human Resources with responsibility for aligning the HR strategy to the business and ensuring the delivery of all Human Resource services. This includes recruitment, employee relations, compensation and benefits, HR policy and procedures and programs for performance management, employee development and employee engagement.

Prior to euNetworks Ms. Leake worked for Level 3 Communications for 10 years based in their London office where she was Vice President Human Resources, leading the European HR function. She led the HR integration activities following the acquisition of a Dublin-based content delivery business and also supported the growth and evolution of Level 3's European organisation during her tenure, seeing the organisation become cash flow positive.

She holds a Post-Graduate Diploma in Personnel and Development and is a member of Chartered Institute of Personnel & Development.

## GARY JORDAN
### Vice President Operations

Gary Jordan joined euNetworks Group Limited in February 2009 and is Vice President of Operations with responsibility for network operations.

Prior to this appointment, Mr. Jordan held various senior positions throughout Europe, the Middle East and Africa, working in the areas of fixed and wireless design, deployment, and operation of fibre, copper and GSM networks. Previous roles include Senior Manager for Metromedia Fibre Networks. During this time, he was responsible for the engineering and construction of the high capacity fibre networks. He was Senior Project Manager for Lucent Technologies EMEA, with responsibility for the design and construction of a number of high profile fibre optic and GSM projects throughout Saudi Arabia, North Africa and Europe. And an earlier post working for Southwestern Bell and Cox Communications involved the planning and designing of one the first CATV systems to be introduced into the UK.

He holds a Higher National Diploma in Electronics and Telecommunications and is trained in Advanced Project Management IPM from the Stevens Institute of Project Management, New Jersey.

**(LEFT)**
**John Lowrey**, CEO, Chi-X Global Inc.

**(RIGHT)**
**Brady Rafuse,** CEO, euNetworks

"Offered by our Chi-Tech technology services group, MarketPrizm is the European trading ecosystem designed to solve the challenges firms face in deploying and maintaining a flexible, state-of-the-art architecture for all types of electronic trading. Since 2009, euNetworks has been a key component of the ecosystem through the bespoke, ultra low latency network solution it provides. euNetworks is dedicated in their approach and we appreciate all the support they've given us; they are a great partner."

**JOHN LOWREY**, CEO, Chi-X Global Inc

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# Products and Services

# Products & Services

## We believe that the attractions and characteristics of the bandwidth infrastructure sub-segment present euNetworks with the opportunity to achieve our goals of being a high gross margin and high EBITDA margin company. Our product set must support this strategy and provide differentiated and target products and services for our customers that directly leverage our metropolitan and longhaul fibre footprint.

The clear advantage for euNetworks is our combination of metropolitan network assets, placing us within a short distance of high number of datacentres, financial exchanges, carrier hotels and corporate office buildings. In addition, we have the advantage of having a high-capacity fibre network that allows us to build high capacity network solutions for our customers. The challenge for euNetworks in 2010 is to connect our network to our customers by constructing short laterals into the attractive (high bandwidth) sites near our network.

In many cases, the attractive sites near our network are datacentres, whether neutral colocation sites, third party enterprise datacentres or even single tenant datacentres. Corporate IT strategies are driven by cost reduction and disaster recovery, pushing applications into the cloud and moving data outside of the office and into remote sites. We consistently see companies looking to increase their connectivity to datacentres to support these requirements, purchasing ever larger pipes as they continue to execute their IT strategies. Datacentres have replaced carrier hotels as the key traffic aggregation points and euNetworks must place a clear focus on extending our network to these locations and providing services that meet the needs of the CIO.

Our product set consists of three key transmission products – dark fibre, wavelengths and Ethernet. Each provides customers with high bandwidth data connections that can be used to support many enterprise applications from commodity trading, to data storage and backup to converged networking. Our fourth key product, Internet, provides Internet connectivity over a shared infrastructure, providing a better cost model for our smaller customers who have similar application requirements but with less traffic demand.


## Product Portfolio

### Dark Fibre

Leveraging our metropolitan networks, euNetworks builds and manages private fibre connections for our clients to connect networks, partners and datacentres, and thereby enabling our clients with the unique scalability, reliability, and security benefits only private fibre networks can deliver. Clients have technological control over their network, with the ability to light and manage their own Dense Wavelength Division Multiplexing (DWDM), Ethernet or Storage network. For clients with the skill set to build and manage their own internal network, euNetworks fibre solutions provide the foundation for high capacity networks – allowing them to grow and evolve their next generation communication needs with a predictable cost model over multiple years.

## Dedicated Fibre

Positioned between our Dark Fibre product and our standard Wavelengths offering, euNetworks provides Dedicated Fibre solutions whereby we provide the fibre connection but also design, procure and manage a dedicated network solution for the customer. In this instance, customers gain from the scale and architectural flexibility of a customised design while benefiting from the operational scale and experience of euNetworks. Targets for these solutions are generally in the metro where large enterprises, often banks, look for connectivity between their primary office location(s) and key datacentres.

## Wavelengths

For operators and service providers, Wavelengths offers protocol transparent 1Gbps, 2.5Gbps and 10Gbps wavelengths provisioned from over 100 Points of Presence (PoPs), backhauled over our metropolitan and pan-European networks. This enables our clients to implement custom solutions over our dedicated fibre infrastructure, using Wavelengths to enable high capacity applications.

## Ethernet

With its cost, ubiquity and scalability advantages, Ethernet has transformed corporate and carrier networking. Ethernet, ubiquitous in the local area network (LAN), continues to grow exponentially in the wide area network (WAN) with its ease of use, scalability and low cost infrastructure. Available from over 100 datacentres, all major financial exchanges and numerous corporate buildings across Europe, euNetworks Ethernet enables our customers to connect their offices to datacentres for the real-time sharing of applications, speedy transfer of data or the storage and replication of mission-critical information. Our Ethernet service is deployed on dedicated fibre to combine unrivalled security with scalable Ethernet from FastE up to 10GigE.

## EthernetVPN

High Performance Layer 2 any-to-any networks have replaced legacy Frame-Relay, Asynchronous Transfer Mode (ATM) and more recently, Internet Protocol Virtual Private Network (IP VPN) based solutions. Better performance and improved cost structures are now possible using our Ethernet VPN solution to provide high-performance Ethernet connectivity between customer premises and datacentres in multiple topologies (any to any, multipoint, point to multipoint). The next generation of VPNs, EthernetVPNs are highly suited to large scale businesses who want direct control of their network without the high costs of an IP VPN.

## Internet

euNetworks Internet connectivity service provides high-performance global Internet connectivity for our customers. As a Tier 2 ISP, euNetworks in combination with our AS8218 partner Neo Telecoms, leverages the combination of our direct peering relationships and upstream Transit from leading Tier 1 Internet Service Providers (ISPs) to provide the most highly connected and redundant solution possible. With guaranteed performance and tremendous scalability, our Internet service integrates global Internet Protocol (IP) networks of a number of Tier 1 providers and presents one seamless, optimised solution from over 100 PoPs across Europe.

## Segment Solutions – euTrade

Our current product set is well positioned to address this large and growing bandwidth infrastructure market via our carrier, reseller, integrator and financial customers. These target segments have similar buying criteria, valuing high-capacity and high-availability services combined with an internal competency in managing telecom services. However, one other buying criteria has become paramount for our financial trading customers – latency. Low latency connections directly drive value to algorithmic traders where immediate access to market feeds provides the opportunity for them to execute trades before their competitors. To serve this demanding, high growth segment, we have developed a segment specific offering called euTrade that leverages the best of our base product set, customised for the trading community:

- Lowest latency routes
- Strict testing procedures and contractually guaranteed latency Service Level Agreements (SLAs)
- Continued network optimisation and improvement to reduce latencies across our network

Ultimately, euTrade delivers on-demand connectivity between all major European Stock Exchanges and clearing houses. Our fibre routing delivers the lowest possible latency, and dedicated capacity enables customers to scale as volumes scale. euTrade solutions can combine dark fibre, wavelengths or even Ethernet services as best fits our customer's requirements.

In 2010, our focus on adding new buildings to our network will enable us to push our existing products further into our target customers by expanding the number of locations where we can provide them. Over time, we will expand our addressable market vertically by providing additional products and services for our enterprise customers, provided they continue to leverage our network assets, enhance our position in the bandwidth infrastructure segment and drive high margin and high EBITDA revenues.

**(LEFT)**
**Gary Dunleavy**,
Managing Director,
McNicholas Construction Services Limited

**(RIGHT)**
**Gary Jordan**,
Vice President, Operations euNetworks

"We have been working with euNetworks since 2008. We help them get their customers connected to their network quickly and efficiently. Our close working relationship means we understand how much they value their customers and their whole approach to network development reflects that."

**GARY DUNLEAVY**, Managing Director, McNicholas Construction Services Limited

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# Corporate Governance

# Corporate Governance Report

The Company is committed to high standards of corporate governance in order to protect shareholder's interests and maximise long-term shareholder value. As required by the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the following report outlines the corporate governance practices of the Company with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2005 (the "Code").

## Board Matters

### PRINCIPLE 1: BOARD'S CONDUCT OF ITS AFFAIRS

The Board's responsibilities are distinct from Management's responsibilities.

The principal functions of the Board are to:

- Set strategic aims.
- Ensure necessary financial and human resources are in place for the Company to meet its objectives.
- Provide entrepreneurial leadership to the Company including deciding on its corporate strategies and providing guidance to Management on significant issues.
- Review and challenge Management's strategic options and planning processes and approve them.
- Approve the Company's annual business plan including the annual budget, capital expenditure and operational plans.
- Monitor Management's performance including against budgets and business plans and in the deployment of capital expenditure, and achieve an adequate return for shareholders.
- Approve all Board and Senior Management appointments and assess the effectiveness of the Board as a whole.
- Perform an oversight role to ensure that Management has established a framework of effective internal controls to safeguard the shareholders' investment and the Company's assets.
- Approve announcements of material transactions and the release of the Company's quarterly, half yearly and annual results.
- Assist Management in the review, assessment and mitigation of risk which the Company faces.
- Ensure that obligations to shareholders and others are understood and met.

The Board has implemented a formal Delegation of Authority to Management but retaining all authority to approve material transactions including material acquisitions and disposal of assets, corporate and financial restructuring, share issuance and write-off of assets.

Material transactions that require Board approval are contracts outside approved budget by more than €500,000 per annum, sales with a total contract value above €5,000,000 and disposals of assets or acquisitions in excess of €3,000,000.

Four key Board committees support the Board, which are, the Nominating Committee, the Remuneration Committee, the Audit Committee and the Employee Share Option Scheme Committee (the "ESOS Committee"). All the Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. All the Committees are comprised of a majority of Independent, Non-Executive Directors.

The Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. The attendance of the Directors at meetings of the Board and Committees, as well as the frequency of such meetings during the financial year ended 31 December 2009 is as set out below. In addition, the Board and certain Committees met on an ad hoc basis on a number of occasions.

| Name | Board | | Audit Committee | | Remuneration Committee | | Nominating Committee | | ESOS Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| | No. of meetings held | attended | No. of meetings held | attended | No. of meetings held | attended | No. of meetings held | attended | No. of meetings held | attended |
| Brady Rafuse [1] | 8 | 8 | N/A | N/A | N/A | N/A | 1 | 1 | N/A | N/A |
| Noel Meaney | 15 | 14 | N/A | N/A | N/A | N/A | 4 | 4 | N/A | N/A |
| Brenda O'Keefe [2] | 15 | 14 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Thomas Byrnes [3] | 15 | 15 | 2 | 2 | 4 | 4 | 4 | 4 | 4 | 4 |
| Greg Mesch [4] | 7 | 7 | 3 | 2 | 1 | 1 | 1 | 1 | 4 | 3 |
| Lam Kwok Chong [5] | 15 | 12 | 5 | 5 | 3 | 1 | 4 | 4 | N/A | N/A |
| Nicholas George [6] | 7 | 7 | 3 | 3 | 1 | 1 | N/A | N/A | 4 | 4 |
| John Siegel [7] | 6 | 6 | 3 | 3 | 1 | 1 | N/A | N/A | 1 | 1 |
| David Dey [8] | 7 | 7 | 1 | 1 | 3 | 3 | 1 | 1 | N/A | N/A |
| Peter Manning [9] | 7 | 7 | 1 | 1 | 3 | 3 | 1 | 1 | N/A | N/A |

[1] *Brady Rafuse was appointed as an Executive Director on 30 April 2009. He was also appointed as a member of the Nominating Committee on 4 June 2009.*

[2] *Brenda O'Keefe resigned as an Executive Director on 15 February 2010.*

[3] *Thomas Byrnes resigned as a member of the Audit Committee on 4 June 2009.*

[4] *Greg Mesch was appointed as an Independent Director on 22 May 2009. He was also appointed as Chairman of the Nominating Committee and member of the Audit Committee, Remuneration Committee and ESOS Committee on 4 June 2009.*

[5] *Lam Kwok Chong resigned as a member of the Remuneration Committee and ESOS Committee on 4 June 2009.*

[6] *Nicholas George was appointed as an Independent Director on 22 May 2009. He was also appointed as Chairman of the Audit Committee and member of the Remuneration Committee and ESOS Committee on 4 June 2009.*

[7] *John Siegel was appointed as a Non-Executive Director and member of the Audit Committee on 6 August 2009. He was also appointed as a member of the Remuneration Committee and ESOS Committee on 29 October 2009. The attendance includes attendances by John Siegel's alternate, Jason Booma.*

[8] *David Dey resigned as an Independent Director, Chairman of the Audit Committee and member of the Remuneration Committee, Nominating Committee and ESOS Committee on 28 April 2009.*

[9] *Peter Manning resigned as an Independent Director, Chairman of the Nominating Committee and member of the Audit Committee, Remuneration Committee and ESOS Committee on 28 April 2009.*

The Company Secretary and/or General Counsel attends all Board and Committee meetings and ensures that all Board procedures are followed and that applicable rules and regulations are complied with.

Before their appointment, all Directors who have not previously been a Director of a Singapore company, receive training explaining their duties and obligations as Directors. All newly-appointed Directors also undergo an orientation programme which includes management presentations on the Group's businesses and strategic plans and objectives. Upon appointment, they were also provided with formal letters, setting out their duties and obligations.

The Board engaged in a full day strategy meeting in September 2009 at which senior members of management presented an in depth review of the Group's assets and proposed Strategic Plan, which was considered and approved by the Board. The Board proposes to hold in depth strategy meetings twice each year.

# Corporate Governance Report continued

The Directors are conscious of the importance of continuing education in areas such as legal and regulatory responsibility and accounting issues, so as to update and refresh themselves on matters that affect their performance as a Board, or as a Board committee member. Accordingly, further training for Directors will extend to relevant new laws, regulations and changing commercial risks from time to time.

Given that the majority of Directors joined the Board in 2008 and 2009 and had training and induction at that stage and the strategic planning meeting, it was not considered necessary to have further training during the year.

## PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

The Board currently has a majority of Independent Directors, with five out of nine Directors (including the chairman of the Nominating Committee) considered Independent by the Nominating Committee. The Nominating Committee determines on an annual basis whether or not a Director is Independent, bearing in mind the Code's definition of an "Independent Director" and guidance as to relationships the existence of which would deem a Director not to be Independent.

The Nominating Committee is of the view that taking into account the nature and scope of the Company's operations, there is room for additional expertise for the Board to discharge its duties and responsibilities effectively. As the Company's activities continue to grow, the Nominating Committee will continuously review the composition of the Board so that it will have the necessary competency to be effective. The Nominating Committee is of the view that the Board comprise Directors who, as a group, provide core competencies including accounting, finance, business, management, industry knowledge, strategic planning experience and customer-based experience and knowledge, required for the Board to be effective.

Noel Meaney and Tom Byrnes will not be standing for re-election as Directors at the Annual General Meeting. The Board has recently appointed Daniel Aegerter as a Non-Independent, Non-Executive Director and Kai-Uwe Ricke as an Independent Non-Executive Director. Accordingly, the size of the Board and composition between Independent and Non-Independent Directors will not materially change.

The Board and Management fully appreciate that fundamental to good corporate governance is an effective and robust board whose members engage in open and constructive debate and challenge Management on its assumptions and proposals, and that for this to happen, the Board, in particular, the Non-Executive Directors, must be kept well informed of the Company's businesses and affairs and be knowledgeable about the industry in which the businesses operate. The Company continues to put in place processes to ensure that the Non-Executive Directors are well supported by accurate, complete and timely information, have unrestricted access to Management, and have sufficient time and resources to discharge their oversight function effectively.

In addition, Non-Executive Directors constructively challenge and help develop proposals on strategy and also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Non-Executive Directors also meet regularly without the presence of Management.

## PRINCIPLE 3: ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Prior to 31 March 2009, Noel Meaney was the Executive Chairman and CEO of the Company. On that date Brady Rafuse was appointed as CEO and Noel Meaney remained as Executive Chairman. This division of responsibility ensured an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Executive Chairman's responsibilities were set out in his employment agreement and include acting as Chairman of the Board and having responsibility for investor relations and strategic business development.

The Chairman and CEO are not related to each other.

The Executive Chairman, with the assistance of the Company Secretary and General Counsel, schedules meetings and prepares meeting agendas to enable the Board to perform its duties responsibly, having regard to the flow of the Company's business and operations.

The Chairman's role and responsibilities include:

(a) leading the Board to ensure its effectiveness on all aspects of its role and set its agenda;

(b) ensuring that the Directors receive accurate, timely and clear information;

(c) ensuring effective communication with shareholders;

(d) encouraging constructive relations between the Board and Management;

(e) facilitating the effective contribution of Non-Executive Directors in particular;

(f) encouraging constructive relations between Executive Directors and Non-Executive Directors; and

(g) promoting high standards of corporate governance.

Mr Meaney will step down from his position of Executive Chairman at the AGM. Following this,Nicholas George will become the Non-Executive Chairman and his new responsibilities will be clearly established, set out in writing and agreed upon by the Board.

## PRINCIPLE 4: BOARD MEMBERSHIP

The members of the Board during the financial year ended 31 December 2009 are set out on page 20.

The Company has established a Nominating Committee to, among other things, make recommendations to the Board on all Board appointments. The Nominating Committee operates in accordance with its written Terms of Reference that describe the responsibilities of its members. The Nominating Committee currently comprises five Directors, the majority of whom (including the Chairman) are Independent, namely:

| | |
|---|---|
| Greg Mesch (Chairman) | Independent, Non-Executive Director |
| Brady Rafuse | Chief Executive Officer |
| Noel Meaney | Executive Chairman |
| Thomas Byrnes | Independent, Non-Executive Director |
| Lam Kwok Chong | Independent, Non-Executive Director |

The Chairman of the Nominating Committee is neither a substantial shareholder nor directly associated with a substantial shareholder.

### Process for appointment of new Directors

The Nominating Committee leads the process and makes recommendations to the Board for the selection and approval of new Directors as follows:

(a) Nominating Committee evaluates the balance of skills, knowledge and experience on the Board and, in the light of such evaluation and in consultation with Management, prepares a description of the role and the essential and desirable competencies for a particular appointment.

(b) Where necessary, external help may be used to source for potential candidates. Directors and Management may also make suggestions.

(c) Nominating Committee meets with short-listed candidates to assess their suitability and to ensure that the candidate(s) are aware of the expectations and the level of commitment required.

(d) Nominating Committee makes recommendations to the Board for approval.

### Criteria for appointment of new Directors

All new appointments of Directors are subject to the recommendation of the Nominating Committee based on objective criteria including the following:

(1) Integrity

(2) Independent mindedness

(3) Diversity – possess core competencies that meet the current needs of the Company and complement the skills and competencies of the existing Directors on the Board

(4) Ability to commit time and effort to carry out duties and responsibilities effectively

(5) Track record of making good decisions

(6) Experience in high-performing companies

(7) Financial literacy

The Nominating Committee is also charged with determining the "independence" status of the Directors annually and the responsibility of re-nomination of Directors, having regard to the Director's contribution and performance (such as attendance, preparedness, participation and candour), with reference to the results of the assessment of the performance of the individual Director by his peers for the previous financial year.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to the Company's Articles of Association, one-third of the Directors retire from office at the Company's annual general meeting, and a newly appointed Director must submit himself for re-election at the annual general meeting immediately following his appointment.

The Nominating Committee also determines annually whether a Director with multiple board representations is able to and has been adequately carrying out his duties as a Director of the Company. The Nominating Committee takes into account the results of the assessment of the effectiveness of the individual Director, and the respective Directors' actual conduct on the Board, in making the determination, and is satisfied that all the Directors have been able to and have adequately carried out their duties as Director notwithstanding their multiple board representations.

The following key information regarding Directors is set out in the following pages of this Annual Report:

Pages 20 - 24: Academic and professional qualifications, date of first appointment as Director, date of last re-election as Director, directorships and chairmanships both present and past held over the preceding five years in other listed companies and other major appointments;

# Corporate Governance Report continued

Page 21 - 24: Board committees served on (as a member or Chairman), whether appointment is executive or non-executive, whether considered by the Nominating Committee to be Independent; and

Page 21 - 24: Shareholding in the Company and its subsidiaries.

Biographies of the Directors appear at pages 21 - 24.

### **PRINCIPLE 5:** BOARD PERFORMANCE

The Board has implemented formal processes, led by the Nominating Committee, for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director. The performance criteria were extended from those considered in the previous year and included assessment of individual Directors and questionnaires completed anonymously with the aggregated results made available for discussion by the Nominating Committee and the Board. The areas of assessment used were: Board composition, Board independence, Board process, Board information, Board accountability, CEO and top Management, standards of conduct, Board performance, Board committees, Board Committee performance and Financial performance of the Company.

The assessment exercise provided an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes allowed him to discharge his duties effectively and the changes which should be made to enhance the effectiveness of the Board as a whole. The assessment exercise also helped the Directors to focus on their key responsibilities. It also assisted the Executive Chairman and the Nominating Committee in determining whether the Board has been effective and where improvements could be made.

### **PRINCIPLE 6:** ACCESS TO INFORMATION

The Company's Management has an obligation to provide the Board with timely, complete, accurate and adequate information before a Board meeting. The information provided to the Board includes necessary background or explanatory information. The Company's senior Management present reports to the Board on the Company's business, finance and strategic position. Management also provides the Board with access to its weekly operations review through a dedicated Board website.

In exercising their duties, the Directors have separate and independent access to the Company's Management, as well as to the General Counsel and Company Secretary at all times. If necessary, the Directors can seek professional advice and services on any areas they deem necessary, at the expense of the Company.

The Company Secretary and General Counsel have responsibility for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The General Counsel defers to the Company Secretary on matters of Singaporean regulatory compliance. The Company Secretary and General Counsel are responsible for ensuring good information flows within the Board and its committees and between the Management and Non-Executive Directors, as well as facilitating orientation and assisting with professional development as required.

The appointment and removal of the Company Secretary is subject to the approval of the Board.

## Remuneration Matters

### **PRINCIPLE 7:** PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Remuneration Committee ("RC") currently comprises four Non-Executive Directors, the majority of whom (including the Chairman) are Independent, namely:

| | |
|---|---|
| Thomas Byrnes (Chairman) | Independent, Non-Executive Director |
| Nicholas George | Independent, Non-Executive Director |
| Greg Mesch | Independent, Non-Executive Director |
| John Siegel | Non-Independent, Non-Executive Director |

The RC recommends to the Board a framework of remuneration for the Directors and key executives and determines specific remuneration packages and terms of employment for each Executive Director, key executive and each employee who is related to the Executive Directors and controlling shareholders of the Group. The objectives of such policy are to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, thereby maximising shareholder value. The RC has undertaken extensive discussion with Management to ensure that discretionary pay is linked to the creation of shareholder value.

The RC's recommendations in respect of the Directors' remuneration are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits in kind are covered by the RC.

Each member of the RC will abstain from voting on any resolutions in respect of his remuneration package.

The Company engaged an independent external consultant to measure the Group's remuneration structure against the relevant market levels and the results were reported to the RC and recommendations made as a result of this exercise. The RC has access to this and other expert advice in the field of corporate compensation outside the Company as required.

The members of the RC also sit separately as the ESOS Committee and have responsibility for overseeing the Company's share option schemes in accordance with the terms of the schemes.

As Mr Thomas Byrnes will not be standing for re-election at the Annual General Meeting, the Company will be appointing a new Chairman of the RC upon his departure from the Board.

## PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The Company's Chief Executive Officer, Mr Brady Rafuse, has a rolling contract with the Company of a duration that is not fixed, with a 12 month notice period.

In setting remuneration package of the CEO, the Company has regard to pay and employment conditions within the industry and in comparable companies.

Non-Executive Directors do not have service contracts with the Company and their terms are specified in the Articles of Association of the Company which contain retirement and re-election provisions. Non-Executive Directors are paid Directors' fees which are subject to the approval of the shareholders at the AGM. The remuneration of Non-Executive Directors are appropriate to the level of contribution and scope of responsibilities of such Directors and they are not over-compensated to the extent of compromising their independence.

Executive Directors do not receive Directors' fees.

The performance-related elements of Executive Directors' remuneration are designed to be linked to align the interests of Directors with those of shareholders and link rewards to corporate and individual performance. In 2009 the Board approved a set of key performance indicators for Executive Directors which the RC considered in awarding bonuses at the end of 2009. The RC has approved a set of performance metrics against which the CEO's performance will be measured for 2010.

## PRINCIPLE 9: DISCLOSURE ON REMUNERATION

Remuneration of the directors of the Company for the year ended 31 December 2009

| Remuneration Band & Name of Director | Base/Fixed Salary | Director's Fees | Benefits-in-Kind | Performance Based Bonuses | Share Options |
|---|---|---|---|---|---|
| Above S$1,000,000 | | | | | |
| Executive Directors | | | | | |
| Brady Rafuse | 41% | - | - | 23% | 36% |
| Noel Meaney | 45% | - | - | 22% | 34% |
| From S$750,000 to below S$1,000,000 | | | | | |
| From S$500,000 to below S$750,000 | | | | | |
| Executive Directors | | | | | |
| Brenda O' Keefe | 73% | - | - | 27% | - |
| From €250,000 to below €500,000 | | | | | |
| Below S$250,000 | | | | | |
| Non Executive Directors and Nominee Director | | | | | |
| Thomas Byrnes | - | 71% | - | - | 29% |
| Lam Kwok Chong | - | 71% | - | - | 29% |
| Greg Mesch | - | 62% | - | - | 38% |
| Nicholas George | - | 100% | - | - | - |
| David Dey | - | 100% | - | - | - |
| Peter Manning | - | 100% | - | - | - |
| John Siegel | - | - | - | - | - |
| Jason Booma (alternate director) | - | - | - | - | - |

# Corporate Governance Report continued

Remuneration of top 5 Executives of the Company for the year ended 31 December 2009

| Remuneration Band & Name | Base/Fixed Salary | Benefits-in-Kind | Performance Based Bonuses | Share Options |
|---|---|---|---|---|
| Above S$1,000,000 | | | | |
| Barry Nolan [1] | 100% | - | - | - |
| From S$500,000 to Below S$750,000 | | | | |
| Uwe Alexi | 71% | 2% | 19% | 8% |
| FromS$250,000 to Below S$500,000 | | | | |
| Uwe Nickl | 53% | - | 25% | 22% |
| David Selby | 67% | - | 30% | 3% |
| Matt Brennan | 72% | 1% | 5% | 22% |
| Below S$250,000 | | | | |

[1] *Includes accrued severance payments due on departure in financial year 2010*

### Remuneration of employees who are immediate family members of a Director or the Chief Executive Officer

No employee of the Company and its subsidiaries was an immediate family member of a Director, the Chief Executive Officer or a substantial shareholder during the financial year ended 31 December 2009.

### Details of Employee Share Option Scheme

During the financial year ended 31 December 2009, the Company operated two employee share option schemes: euNetworks Group Limited Employee Share Option Scheme adopted on 4 January 2000, which expired on 4 January 2010 and the euNetworks Group Limited 2009 Share Option Scheme adopted by shareholders on 17 July 2009. Both schemes were approved by shareholders of the Company and administered by the ESOS Committee. Please refer to pages 45 – 49 for details of the schemes.

The share option schemes are long term incentive schemes which are intended to align the interests of participants with the interests of shareholders. Share options are granted subject to a vesting schedule, and this generally provides for vesting in equal thirds over a period of three years from the date of grant, although there are exceptions to this.

## Accountability And Audit

### **PRINCIPLE 10:** ACCOUNTABILITY

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required).

The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNET to SGX, press releases, the Company's website, and in the case of financial results, through media and analyst briefings where appropriate. The Company's Annual Report is sent to all shareholders and its interim and full year financial reports are available on request and accessible at the Company's website.

Management provides the Board members with monthly management accounts and weekly operations reports that keep the Board informed of the Group's performance, position and prospects and consist of the consolidated profit and loss accounts, analysis of sales, operating profit, pre-tax and attributable profit with explanation given for variances.

## PRINCIPLE 11: AUDIT COMMITTEE

The Audit Committee ("AC") currently comprises entirely of Non-Executive Directors (including the Chairman), the majority of whom are also Independent:

| | |
|---|---|
| Nicholas George (Chairman) | Independent, Non-Executive Director |
| Lam Kwok Chong | Independent, Non-Executive Director |
| Greg Mesch | Independent, Non-Executive Director |
| John Siegel | Non-Independent, Non-Executive Director |

The AC members all have extensive experience as senior management with profit and loss responsibilities in reputable companies and/or as investors in relevant markets or industries. The Board considers them as having sufficient financial management knowledge and experience to discharge their responsibilities in the AC.

The AC's main role is to assist the Board to ensure integrity of financial reporting and that there is in place sound internal control systems. The AC has explicit authority to investigate any matters within its terms of reference, full access to and co-operation of the management, full discretion to invite any Director or Executive Officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC also has the duty to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

The AC met with the auditors during the year to review the audit plans, the results of audit findings, and the evaluation of the Company's internal controls. The AC also met without the presence of Management both with and without the auditors.

The AC reviewed the Group's internal audit function and oversaw the appointment of an Internal Audit Director, as explained below. The AC also reviewed the independence of Directors and continued appointment of the external auditors.

The AC oversaw the implantation on a new "whistle blowing" policy pursuant to which employees could raise in confidence concerns about possible improprieties in matters of financial reporting or otherwise.

During the year, the AC reviewed the Company's financial statements before the announcement of the Company's quarterly, half year and full-year financial results, and in the process, also reviewed the key areas of Management judgement applied in adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a material impact on the financials of the Company.

The AC also reviewed the interested person transactions ("IPTs") reported by Management to ensure that they were carried out on normal commercial terms and are not prejudicial to the interest of shareholders.

In addition, the AC also reviewed the cost effectiveness, independence and objectivity of the external auditors through discussions with the external auditors as well as reviewed the non-audit fees awarded to them, and has confirmed that the non-audit services performed by the external auditors would not affect their independence.

## PRINCIPLE 12: INTERNAL CONTROLS

The Company has reviewed and enhanced its risk management framework to support and guide the Board, Management and staff in identifying, reviewing and monitoring the financial, operational, market and regulatory risks that may affect the Company's outputs, projects or operating process at the Group, division, subsidiary and business unit levels.

This included the appointment of a General Counsel and Internal Audit Director in the financial year ended 31 December 2009.

During the year, the Board reviewed the effectiveness of the Company's internal controls and risk management procedures and was satisfied that they are adequate to meet the needs of the Company in its current business environment. The AC has reviewed the effectiveness of the Company's internal controls for FY2009 and is committed to conduct the same review on an annual basis.

The system of internal controls and risk management established by the Company are designed to manage, rather than eliminate, the risk of failure in achieving the Company's strategic objectives. Management is involved in regular reviews of the risks that are significant to the fulfilment of the objectives of the business. However, it should be recognised that such systems are designed to provide reasonable assurance, but not an absolute guarantee against material misstatement or loss.

## PRINCIPLE 13: INTERNAL AUDIT

During the financial year ended 31 December 2009, the Company appointed an Internal Audit Director to establish an Internal Audit Function. The Internal Audit Director is a qualified chartered accountant (Institute of Chartered Accountants England and Wales), certified internal auditor (Institute of Internal Auditors), certified fraud examiner (Association of Certified Fraud Examiners) and certified information systems auditor (Information Systems Audit and Control). The Company is of the view that the aforesaid qualifications meet the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

# Corporate Governance Report continued

The Internal Audit Director reports directly to the AC and his primary line of reporting is to the Chairman of the AC.

The AC reviewed and approved an Internal Audit Charter agreeing the scope of work for the Internal Audit Function, the accountability of the Internal Audit Director, his independence, responsibility and authority.

Following the appointment of the Internal Audit Director and the approval of the Internal Audit Charter, the AC is satisfied with the adequacy of the internal audit function. The AC will review the adequacy of the internal audit function at least annually and ensure that the Internal Audit Function is adequately resourced and has appropriate standing with the Company.

## Communication With Shareholders

### PRINCIPLE 14: COMMUNICATION WITH SHAREHOLDERS

During the financial year ended 31 December 2009, communication with the shareholders was managed by the Executive Directors with the assistance of the Group's internal marketing function and the provision of third party investor relation services by Boardroom Communications Pte Ltd. In this manner the Company was able to respond to investor queries as well as ensure the fair and timely dissemination of the Company's public releases.

Announcements and news releases are published via SGXNET, as well as on the Company's investor relations website (eunetworks.listedcompany.com). Price-sensitive information is provided to the public in a timely manner through these channels.

All shareholders will be sent an Annual Report together with a Notice of the AGM which is also published through SGXNET. The Notice of the AGM is also advertised in a daily newspaper.

### PRINCIPLE 15: GREATER SHAREHOLDER PARTICIPATION

At the AGM, the Company's shareholders have the opportunity to participate effectively through open discussions and to vote on the resolutions tabled at the AGM. At General Meetings, separate resolutions are put up for approval on each distinct issue. Shareholders can vote either in person or through proxies.

All of the Directors of the Company are expected to be able to attend the Annual General Meeting, together with the Company's external auditor, to address any shareholder queries.

## Other Information Required Under SGX-St Listing Manual

### Dealing in securities

The Company has adopted a code of conduct in providing guidance to its Directors and officers with regards to dealings in the Company's securities including reminders that the law on insider trading is applicable at all times. Directors and officers are prohibited from dealing in the Company's securities at least one month before the announcement of the Company's quarterly or half-year or full year results until one day after the announcement. Directors and officers are also discouraged from dealing in the Company's securities on short-term consideration. This has been made known to Directors, Management and staff of the Company and the Group. In particular, it has been highlighted that it is an offence to deal in the Company's securities when the officers (Directors and employees) are in possession of unpublished material price sensitive information.

During the financial year ended 31 December 2009, the Company complied with the Best Practices on Dealings in Securities.

This is in line with Rule 1204(18) of the Listing Manual (Section B: Rules of Catalist) of the SGX-ST.

### Material contracts involving the interests of the Chief Executive Officer, Director or controlling shareholder.

There was no material contract entered into between the Company and its subsidiaries which involved the interests of any Director or controlling shareholder during the financial year ended 31 December 2009.

### Interested Person Transactions

The aggregate value of interested person transactions entered during the financial year ended 31 December 2009 is as follows:

| Name of Interested Person | Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Catalist Rules (excluding transactions less than S$100,000) | Aggregate value of all interested person transactions (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rules 920 of the SGX Catalist Rules) |
|---|---|---|
| **Citadel100 Datacenters Ltd formerly known as Premier Data Centers Ltd and previously Global Voice Networks Ireland Ltd. Noel Meaney is a director of, and owns an interest in, Citadel100 Datacenters Ltd. KC Lam was, until December 2009, a director of the company.** | Not applicable | €189,290 |
| **Noel Meaney and Brenda O'Keefe as partners in the Banjo Co-ownership** | Not applicable | €137,036 paid in respect of the lease of the Group's Dublin Office |

## Non-audit Fees

Fees of approximately €70,000 (excluding GST and similar taxes) were paid to the Company's auditors, BDO LLP, and other members of the BDO International group in the financial year ended 31 December 2009 in relation to taxation advice, preparation of filings, advice on share option schemes and preparation of a working capital memorandum for the 2010 rights issue.

## Non-sponsorship Fees

During 2009, non-sponsorship related fees of an aggregate of approximately S$112,000 were paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch, almost all of which was paid in connection with its role as the Manager of the Company's rights issue completed in 2009.

# Report of the Directors

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of euNetworks Group Limited (the "Company") and its subsidiary companies (the "Group") for the financial year ended 31 December 2009, and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2009.

## 1. Directors

The Directors of the Company in office at the date of this report are:

| | |
|---|---|
| Noel Meaney | |
| Thomas P Byrnes | |
| Lam Kwok Chong | |
| Brady Reid Rafuse | (appointed on 30 April 2009) |
| William Gregory Mesch | (appointed on 22 May 2009) |
| Nicholas George | (appointed on 22 May 2009) |
| John Tyler Siegel Jr | (appointed on 6 August 2009) |
| Jason Robert Booma | (alternate director for John Siegel, appointed on 6 August 2009) |
| Daniel Aegerter | (appointed on 12 April 2010) |
| Simon Koenig | (alternate director for Daniel Aegerter, appointed on 12 April 2010) |
| Kai-Uwe Ricke | (appointed on 12 April 2010) |

## 2. Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph 5 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## 3. Directors' interests in shares and debentures

The following Directors holding office at the end of the financial year, had, according to the Register of Directors' Shareholdings required to be kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50 (the "Act") an interest in the shares or debentures of the Company as stated below:

| Names of directors | Shareholdings registered in the name of director | | Shareholdings in which the directors are deemed to have an interest | |
|---|---|---|---|---|
| | At beginning of year or date of appointment, **if later** | At end **of year** | At beginning of year or date of appointment, **if later** | At end **of year** |
| The Company (No. of ordinary shares) | | | | |
| Noel Meaney | - | - | 248,754,477 | 248,754,477 |
| Lam Kwok Chong | 1,000,000 | 3,000,000 | 500,000 | 1,500,000 |
| John Siegel | - | - | 1,612,622,874 | 1,612,622,874 |
| Brenda O'Keefe | - | 75,000,000[(1)] | 248,754,477 | 248,754,477 |

[(1)] *Out of the 75,000,000 shares held by Brenda O'Keefe, 13,133,333 shares were held by her as nominee for an employee of the Group.*

| Names of directors | Shareholdings registered in the name **of director or nominee** | | Shareholdings in which the directors are deemed to **have an interest** | |
|---|---|---|---|---|
| | At beginning of year or date of appointment, **if later** | At end **of year** | At beginning of year or date of appointment, **if later** | At end **of year** |
| The Company (No. of options to subscribe for ordinary shares) | | | | |
| Noel Meaney | 89,837,214 | 262,748,021 | - | - |
| Thomas Byrnes | - | 21,613,850 | - | - |
| Lam Kwok Chong | - | 21,613,850 | - | - |
| Brady Rafuse | - | 345,821,614 | - | - |
| William Gregory Mesch | - | 21,613,850 | - | - |
| Brenda O'Keefe | 89,837,214 | 89,837,214 | - | - |

By virtue of Section 7 of the Act, Noel Meaney, Thomas Byrnes, Lam Kwok Chong, Brady Rafuse, John Siegel, William Gregory Mesch and Brenda O'Keefe are deemed to have an interest in the Company and in all the related corporations of the Company.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company or of related corporations either at the beginning or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2010.

## 4. Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for salaries and other benefits as disclosed in the financial statements. Certain Directors received remuneration from subsidiaries of the Group in their capacity as Directors and/or Executives of these subsidiaries as disclosed in Note 23 to the financial statements.

## 5. Share options

(a) The Horizon Share Option Scheme (the "Scheme") was approved by the shareholders of the Company at an Extraordinary General Meeting held on 4 January 2000. On 7 June 2005, the shareholders of the Company approved the change of name of the Scheme to the Global Voice Group Limited Share Option Scheme (the "2000 Scheme"). The 2000 Scheme expired for the grant of new options on 4 January 2010.

(b) The euNetworks Group Limited Share Option Scheme (the "2009 Scheme") was approved by the shareholders of the Company at an Extraordinary General Meeting held on 17 July 2009.

(c) The 2000 Scheme and 2009 Scheme are administered by the Company's ESOS Committee, comprising four directors namely, Thomas P Byrnes (Chairman), William Gregory Mesch, Nicholas George and John Tyler Siegel Jr.

Under the 2000 Scheme and the 2009 Scheme, share options granted, exercised and cancelled/expired during the financial year and outstanding as at 31 December 2009 were as follows:

# Report of the Directors continued

| Date of grant | Balance at 1.1.2009 or date of grants, whichever is later | Balance after adjustment for April 2009 Rights Issue [1] | Exercised | Cancelled/ expired | Balance at 31.12.2009 | Subscription price SGD | Vesting date |
|---|---|---|---|---|---|---|---|
| **2000 Scheme** | | | | | | | |
| 01.04.2003 | 1,287,000 | 3,861,000 | (2,574,750) | (1,286,250) | - | 0.0208 | 31.03.2008 |
| 08.10.2003 | 1,450,500 | 4,351,500 | - | (4,351,500) | - | 0.0567 | 07.10.2008 |
| 08.10.2003 | 483,500 | 1,450,500 | - | (1,450,500) | - | 0.0567 | 07.10.2008 |
| 28.02.2005 | 10,650,000 | 31,950,000 | - | (5,325,000) | 26,625,000 | 0.0300 | 27.02.2008 |
| 07.07.2005 | 59,891,476 | 179,674,428 | - | - | 179,674,428 | 0.0183 | 06.07.2008 |
| 01.07.2006 | 23,338,312 | 70,014,936 | - | (70,014,936) | - | 0.0433 | 30.06.2008 |
| 01.10.2006 | 1,678,500 | 5,035,500 | - | - | 5,035,500 | 0.0400 | 30.09.2009 |
| 01.01.2007 | 21,707,142 | 65,121,426 | - | (32,560,713) | 32,560,713 | 0.0467 | 31.12.2008 |
| 01.01.2007 | 13,247,577 | 39,742,731 | - | (2,337,808) | 37,404,923 | 0.0433 | 31.12.2009 |
| 01.01.2007 | 14,895,000 | 44,685,000 | - | - | 44,685,000 | 0.0333 | 31.12.2009 |
| 01.04.2007 | 39,226,452 | 117,679,356 | - | (117,679,356) | - | 0.0517 | 31.03.2009 |
| 27.08.2007 | 32,564,084 | 97,692,252 | - | (28,012,113) | 69,680,139 | 0.0550 | 26.08.2010 |
| 30.06.2009 | 64,841,550 | 64,841,550 | - | - | 64,841,550 | 0.0300 | 29.06.2012 |
| | 285,261,093 | 726,100,179 | (2,574,750) | (263,018,176) | 460,507,253 | | |
| **2009 Scheme** | | | | | | | |
| 27.10.2009 | 238,847,424 | 238,847,424 | - | - | 238,847,424 | 0.0250 | 26.10.2011 |
| 27.10.2009 | 30,624,413 | 30,624,413 | - | - | 30,624,413 | 0.0250 | 26.10.2012 |
| 27.10.2009 | 172,910,807 | 172,910,807 | - | - | 172,910,807 | 0.0150 | 26.10.2012 |
| 27.10.2009 | 345,821,614 | 345,821,614 | - | - | 345,821,614 | 0.0150 | 26.10.2013 |
| | 788,204,258 | 788,204,258 | - | - | 788,204,258 | | |
| Total | 1,073,465,351 | 1,514,304,437 | (2,574,750) | (263,018,176) | 1,248,711,511 | | |

[1] *Only share options issued prior to the 2009 Rights Issue have been adjusted to take account of the effects of the 2009 Rights Issue.*

On 10 June 2009, the Company gave notice to participants in the 2000 Scheme that following the 2009 Rights Issue, the ESOS Committee determined to adjust the exercise price and number of shares comprised in an option (to the extent unexercised) by reducing the exercise price by a factor of 0.333 and increasing the number of options by a factor of 3.

(d) In accordance with the Catalist Rule 851, the reproduced and required disclosures in the 2000 Scheme and 2009 Scheme are as follows:

### (a) 2000 Scheme

(i) The options granted by the Company to Directors holding office at the end of the financial year to subscribe for ordinary shares of the Company at the respective exercisable price were as follows:

| Name of directors | Options granted during the financial year under review | Aggregate options granted since commencement of Scheme | Aggregate options exercised since commencement of Scheme | Aggregate options cancelled/ expired since commencement of Scheme | Aggregate options outstanding as at end of financial Year |
|---|---|---|---|---|---|
| Noel Meaney | - | 89,837,214[(1)] | - | - | 89,837,214 |
| Brenda O'Keefe | - | 89,837,214[(1)] | - | - | 89,837,214 |
| Thomas Byrnes | 21,613,850 (exercise price of SGD$0.030 per share, vesting in equal thirds on 1st, 2nd and 3rd anniversary of date of grant) | 21,613,850 | - | - | 21,613,850 |
| Lam Kwok Chong | 21,613,850 (exercise price of SGD$0.030 per share, vesting in equal thirds on 1st, 2nd and 3rd anniversary of date of grant) | 21,613,850 | - | - | 21,613,850 |
| William Gregory Mesch | 21,613,850 (exercise price of SGD$0.030 per share, vesting in equal thirds on 1st, 2nd and 3rd anniversary of date of grant) | 21,613,850 | - | - | 21,613,850 |

[(1)] *Share options issued prior to the 2009 Rights Issue have been adjusted to take account of the effects of the 2009 Rights Issue.*

(ii) There were no share options granted to controlling shareholders of the Company and their associates.

(iii) There were no other participants under the 2000 Scheme who received 5% or more of the total number of options available under the 2000 Scheme.

(iv) During the financial year ended 31 December 2009, 64,841,550 options were granted.

From the commencement of the 2009 Scheme to the end of the financial year a total of 838,735,324 options were granted (this number assumes all options were adjusted on 10 June 2009), of which 460,507,253 options remained outstanding (i.e. not exercised or cancelled) as at the end of the financial year.

(v) There were no options granted at a discount during the financial year ended 31 December 2009.

# Report of the Directors continued

### (b) 2009 Scheme

(i) The options granted by the Company to Directors holding office at the end of the financial year to subscribe for ordinary shares of the Company at the respective exercisable price are as follows:

| Name of directors | Options granted during the financial year under review | Aggregate options granted since commencement of Scheme | Aggregate options exercised since commencement of Scheme | Aggregate options cancelled/ expired since commencement of Scheme | Aggregate options outstanding as at end of financial Year |
|---|---|---|---|---|---|
| Noel Meaney | 172,910,807 (exercise price of SGD$0.015 per share, vesting in equal thirds on 1st, 2nd and 3rd anniversary of 16 February 2009) | 172,910,807 | - | - | 172,910,807 |
| Brady Rafuse | 345,821,614 (exercise price of SGD$0.015 per share, vesting in equal quarters on 1st, 2nd, 3rd and 4th anniversary of 15 March 2009) | 345,821,614 | - | - | 345,821,614 |

(ii) There were no share options granted to controlling shareholders of the Company and their associates.

(iii) Other participants under the 2009 Scheme who received 5% or more of the total number of options available are as follows:

| Name of participant | Options granted during the financial year under review | Aggregate options granted since commencement of Scheme | Aggregate options exercised since commencement of Scheme | Aggregate options cancelled/ expired since commencement of Scheme | Aggregate options outstanding as at end of financial Year |
|---|---|---|---|---|---|
| Uwe Nickl | 121,037,565 (exercise price of SGD$0.025 per share, vesting in equal thirds on 1st, 2nd and 3rd anniversary of date of grant) | 121,037,565 | - | - | 121,037,565 |

(iv) During the financial year ended 31 December 2009, 788,204,258 options were granted.

From the commencement of the 2009 Scheme to the end of the financial year a total of 788,204,258 options were granted, of which 788,204,258 options remained outstanding (i.e. not exercised or cancelled) as at the end of the financial year.

(v) The number and proportion of options granted at a discount during the financial year are as follows:

| Number of options | Discount | Proportion |
|---|---|---|
| 269,471,837 | Nil | 34.2% |
| 518,732,422 | 40% | 65.8% |

(e) Each share option entitles the Director or employee of the Company to subscribe for new ordinary shares in the Company. The options may be exercised once they have vested and after one year or two years in stages except under certain circumstances but not later than:

(i) For options granted under the 2000 Scheme, six years;

(ii) For options granted under the 2009 Scheme, ten years; and

(iii) Or five years for Non-Executive Directors or employees of associated companies from the date the share option was granted.

The options may be exercised in full or in 1,000 shares or a multiple thereof on the payment of the subscription price. The subscription price is generally determined at market price in accordance with the rules of the 2000 Scheme and 2009 Scheme. The ESOS Committee may, at its discretion, fix the subscription price at a discount to market price. The employees to whom the options have been granted do not have the right to participate by virtue of the options in a share issue of any other company. Options granted are cancelled after the option holder ceases to be in full-time employment of the Company or any corporation in the Group subject to certain exceptions at the discretion of the ESOS Committee.

During the financial year,

(i) no options to take up unissued shares of any subsidiary were granted and there were no shares of any subsidiary issued by virtue of the exercise of an option to take up unissued shares; and

(ii) these options do not entitle the holder to participate by virtue of the options, in any share issue of any other corporations.

There were no unissued shares of the Company or any subsidiary under any other option at the end of the financial year.

## 6. Warrants

On 15 October, 2009 the Company announced that it had entered into a conditional subscription agreement (the "Subscription Agreement") for the issue of an aggregate of 86,455,400 warrants at a nominal consideration. Each warrant entitles the warrant holder the right to subscribe for one new ordinary share in the capital of the Company, at an exercise price of SGD$0.05 per warrant (subject to adjustment in certain circumstances pursuant to the terms and conditions on which the warrants are issued).

On 8 December 2009 the Company announced the completion of the subscription for three groups of warrants on that date, as follows:

(i) one warrant group comprising 43,227,700 warrants;

(ii) one warrant group comprising 21,613,850 warrants; and

(iii) one warrant group comprising 21,613,850 warrants,

(together the "Warrants").

# Report of the Directors continued

At the time of issue, the Warrants represented 1.0% of the issued share capital of the Company. Assuming all of the warrants were exercised by the warrant holder, the Company could expect to receive aggregate proceeds of S$4,322,770. The exercise price represented a 100% premium to the prevailing market price of the ordinary share in the capital of the Company prior to the signing of the Subscription Agreement, based on the volume weighted average price of S$0.025 for trades done for the ordinary shares for the full market day on which the Subscription Agreement was signed.

The proceeds received from the exercising of any Warrants will be used for general working capital purposes of the Company.

The impact of the exercise of all Warrants was accounted for in determining the weighted average number of ordinary shares for the diluted loss per share.

| Date of grant | Balance at 1.1.2009 | Issued | Exercised | Cancelled/ expired | Balance at 31.12.2009 | Subscription price SGD | Expiry date |
|---|---|---|---|---|---|---|---|
| 15.10.2009 | - | 86,455,400 | - | - | 86,455,400 | 0.0500 | 15.10.2014 |
| Total | - | 86,455,400 | - | - | 86,455,400 | | |

## 7. Audit Committee

The Audit Committee comprises the following four members, all but one of whom are Independent:

| | |
|---|---|
| Nicholas George | Chairman – Independent, Non-Executive Director |
| Lam Kwok Chong | Independent, Non-Executive Director |
| William Gregory Mesch | Independent, Non-Executive Director |
| John Tyler Siegel Jr | Nominee, Non-Executive Director |

The Audit Committee performs the functions specified in Section 201B of the Act, the Listing Manual and the Code of Corporate Governance 2005.

The Audit Committee held five meetings in the financial year ended 31 December 2009. In performing its functions, the Audit Committee met with the Company's external auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

(a) assistance provided by the Company's officers to the external auditors; and

(b) financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption.

The Audit Committee has full access to and co-operation of the Management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any Director and/or Executive Officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the directors the nomination of BDO LLP for re-appointment as external auditors of the Company at the forthcoming annual general meeting.

## 8. Auditors

The independent auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the board of directors

**Brady Rafuse**

Director

**Noel Meaney**

Director

Singapore

12 April 2010

# Statement by Directors

In the opinion of the directors,

(a) the accompanying financial statements comprising the statement of financial position of the Group and of the Company, consolidated income statement of the Group, consolidated statement of comprehensive income of the Group, statements of changes in equity of the Group and of the Company and consolidated statement of cash flows of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors

**Brady Rafuse**

Director

**Noel Meaney**

Director

Singapore

12 April 2010

"We have audited the accompanying financial statements of euNetworks Group Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position and statements of changes in equity of the Group and of the Company as at 31 December 2009, the consolidated income statement, consolidated statement of other comprehensive income and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes."

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# Auditors Report

# Independent auditors report
## to the members of euNetworks Group Limited

We have audited the accompanying financial statements of euNetworks Group Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position and statements of changes in equity of the Group and of the Company as at 31 December 2009, the consolidated income statement, consolidated statement of comprehensive income and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 60 to 109.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion,

(a) the accompanying financial statements comprising the statement of financial position of the Group and of the Company, consolidated income statement of the Group, consolidated statement of comprehensive income, statement of changes in equity of the Group and of the Company and consolidated statement of cash flows of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Certified Public Accountants

Singapore
12 April 2010

**(LEFT)**
**Rob Bratby**, Partner, Olswang

**(RIGHT)**
**Richard Taylor**, General Counsel, euNetworks

"We have been providing legal advice to euNetworks since 2006. They are a company that understands how vital it is to receive industry-specific advice and manage risk. And we know that honesty, transparency and integrity are very important to them."

**ROB BRATBY**, Partner, Olswang

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# Financial Statements

# Financial Statements

## Consolidated income statement for the financial year ended 31 December 2009

| | Note | 2009<br>€'000 | 2008<br>€'000 |
|---|---|---|---|
| Revenue | 5 | 30,149 | 23,921 |
| Other operating income | 5 | 1,423 | 1,948 |
| Purchases | | (16,518) | (13,672) |
| Staff costs | 5 | (12,609) | (8,120) |
| Depreciation and amortisation | | (12,155) | (10,697) |
| Other operating expenses | 5 | (5,234) | (8,167) |
| Loss before interest, taxation and exceptional item | | (14,944) | (14,787) |
| Finance income | 6 | 162 | 330 |
| Finance costs | 6 | (2,384) | (4,408) |
| Loss before taxation and exceptional item | | (17,166) | (18,865) |
| Exceptional gain | 5 | 6,897 | - |
| Loss before taxation | | (10,269) | (18,865) |
| Income tax credit | 7 | 412 | 655. |
| Net loss for the financial year | | (9,857) | (18,210) |
| | | | |
| Attributable to: | | | |
| Equity holders of the Company | | (9,857) | (18,210) |

| | | Euro cent | Euro cent |
|---|---|---|---|
| Loss per share | | | |
| - basic | 9 | (0.15) | (0.74) |
| - diluted | 9 | (0.12) | (0.48) |

## Consolidated statement of comprehensive income for the financial year ended 31 December 2009

| | 2009<br>€'000 | 2008<br>€'000 |
|---|---|---|
| Net loss for the financial year | (9,857) | (18,210) |
| Exchange differences on translating foreign operations | 156 | 25 |
| Total comprehensive loss for the financial year | (9,701) | (18,185) |
| | | |
| Attributable to: | | |
| Equity holders of the company | (9,701) | (18,185) |

The accompanying notes form an integral part of these financial statements

# Statement of financial position of the Group as at 31 December 2009

| | Note | 2009 €'000 | 2008 €'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Plant and equipment | 10 | 155,217 | 156,082 |
| Intangible assets | 11 | 3,325 | 3,594 |
| Total non-current assets | | 158,542 | 159,676 |
| **Current assets** | | | |
| Trade receivables | 12 | 5,300 | 7,242 |
| Other receivables | 12 | 3,815 | 3,543 |
| Receivables from related parties | 12 | 378 | 417 |
| Cash and cash equivalents | | 6,714 | 5,251 |
| Total current assets | | 16,207 | 16,453 |
| **Total assets** | | 174,749 | 176,129 |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Share capital | 13 | 147,827 | 101,229 |
| Treasury shares | 13 | (1,879) | (1,879) |
| Reserves | 14 | 14,270 | 12,928 |
| Foreign currency translation reserve | 15 | 657 | 501 |
| Accumulated losses | | (28,532) | (18,675) |
| Total equity | | 132,343 | 94,104 |
| **Non-current liabilities** | | | |
| Obligation under finance lease | 16 | 163 | 347 |
| Interest bearing borrowings | 17 | - | 26,529 |
| Provisions | 18 | 85 | 175 |
| Deferred revenue | 19 | 5,823 | 5,961 |
| Deferred tax liabilities | 8 | 5,770 | 7,087 |
| Total non-current liabilities | | 11,841 | 40,099 |
| **Current liabilities** | | | |
| Obligation under finance lease | 16 | 184 | 198 |
| Interest bearing borrowings | 17 | 15,298 | 26,642 |
| Deferred revenue | 19 | 7,361 | 4,680 |
| Trade payables | 20 | 4,082 | 6,169 |
| Other payables and accruals | 20 | 3,390 | 4,223 |
| Income tax payable | | 250 | 14 |
| Total current liabilities | | 30,565 | 41,926 |
| **Total equity and liabilities** | | 174,749 | 176,129 |

The accompanying notes form an integral part of these financial statements

# Financial Statements continued

## Statement of financial position of the Company as at 31 December 2009

| | Note | 2009 €'000 | 2008 €'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Plant and equipment | 10 | - | 21 |
| Intangible assets | 11 | 47 | 47 |
| Investment in subsidiaries | 22 | 73,231 | 68,232 |
| Total non-current assets | | 73,278 | 68,300 |
| **Current assets** | | | |
| Other receivables | 12 | 236 | 304 |
| Receivables from related parties | 12 | 61,361 | 52,932 |
| Cash and cash equivalents | | 414 | 165 |
| Total current assets | | 62,011 | 53,401 |
| **Total assets** | | 135,289 | 121,701 |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Share capital | 13 | 147,827 | 101,229 |
| Treasury shares | 13 | (1,879) | (1,879) |
| Reserves | 14 | 34,052 | 32,710 |
| Accumulated losses | | (61,747) | (65,596) |
| Total equity | | 118,253 | 66,464 |
| **Non-current liabilities** | | | |
| Interest bearing borrowings | 17 | - | 26,529 |
| Deferred tax liabilities | 8 | 383 | 1,357 |
| Total non-current liabilities | | 383 | 27,886 |
| **Current liabilities** | | | |
| Interest bearing borrowings | 17 | 15,298 | 26,642 |
| Trade payables | 20 | 698 | 386 |
| Payables to related parties | | 256 | - |
| Other payables and accruals | 20 | 401 | 323 |
| Total current liabilities | | 16,653 | 27,351 |
| **Total equity and liabilities** | | 135,289 | 121,701 |

The accompanying notes form an integral part of these financial statements

# Consolidated statement of cash flows for the financial year ended 31 December 2009

| | 2009 €'000 | 2008 €'000 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Loss before taxation | (10,269) | (18,865) |
| Adjustments for: | | |
| Depreciation and amortisation | 12,155 | 10,697 |
| Share options expense | 627 | 1,327 |
| Allowance for doubtful trade receivables | 258 | 31 |
| Exceptional gain - Profit on the redemption of convertible bonds | (6,897) | - |
| Provisions | (34) | (45) |
| Write back of allowance for doubtful trade receivables | - | (11) |
| Gain on disposal of plant and equipment | - | (398) |
| Interest expense | 2,384 | 4,408 |
| Interest income | (162) | (330) |
| Operating cash outflow before working capital changes | (1,938) | (3,186) |
| Changes in: | | |
| Trade receivables | 1,684 | 161 |
| Other receivables | (233) | (1,914) |
| Trade payables | (2,087) | (1,036) |
| Other payables and accruals | (921) | (1,398) |
| Deferred revenue | 2,543 | 6,462 |
| Cash generated from operations | (952) | (911) |
| Income tax received/(paid) | 80 | (852) |
| Net cash used in operating activities | (872) | (1,763) |
| **Cash flows from investing activities:** | | |
| Proceeds from disposal of plant and equipment | - | 563 |
| Purchase of plant and equipment and intangible assets (Note A) | (9,765) | (16,323) |
| Purchase of treasury shares | - | (1,879) |
| Effect of foreign currency alignment on investing activities | (1,100) | 3,322 |
| Net cash used in investing activities | (10,865) | (14,317) |
| **Cash flows from financing activities:** | | |
| Redemption of convertible bonds | (32,509) | - |
| Repayments of finance lease obligation | (198) | (57) |
| Gross proceeds from issue of shares | 46,992 | - |
| Expenses in connection with issue of shares | (394) | - |
| Interest received | 162 | 330 |
| Interest paid | (832) | (1,912) |
| Net cash generated from/(used in) financing activities | 13,221 | (1,639) |
| Net increase/(decrease) in cash and cash equivalents | 1,484 | (17,719) |
| Cash and cash equivalents at the beginning of the financial year | 5,251 | 22,945 |
| Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies | (21) | 25 |
| Cash and cash equivalents at the end of the financial year | 6,714 | 5,251 |

Note A – Purchase of plant and equipment and tangible assets

During the financial year, the Group acquired plant and equipment and intangible assets for an aggregate of €9,977K (2008: €16,925K) of which €Nil K (2008: €602K) was acquired by means of finance leases. Cash payments of €9,765K (2008: €16,323K) were made to purchase plant and equipment, in addition to a non-cash payment of €212K (2008: €Nil). Plant and equipment acquired by non-cash payments arose from a strategic asset-swap with an unrelated third party.

# Financial Statements continued

## Statements of changes in equity for the financial year ended 31 December 2009

| Group | Note | Issued capital | Treasury shares | Employee share option reserve | Convertible bonds equity reserve | Foreign currency translation reserve | Accumulated losses | Attributable to equity holders of the Company |
|---|---|---|---|---|---|---|---|---|
| | | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| At 1 January 2008 | | 101,229 | - | 2,870 | 8,731 | 476 | (465) | 112,841 |
| Total comprehensive loss for the financial year | | - | - | - | - | 25 | (18,210) | (18,185) |
| Issue of share options | | - | - | 1,327 | - | - | - | 1,327 |
| Share buy back | 13 | - | (1,879) | - | - | - | - | (1,879) |
| At 31 December 2008 | | 101,229 | (1,879) | 4,197 | 8,731 | 501 | (18,675) | 94,104 |
| At 1 January 2009 | | 101,229 | (1,879) | 4,197 | 8,731 | 501 | (18,675) | 94,104 |
| Total comprehensive loss for the financial year | | - | - | - | - | 156 | (9,857) | (9,701) |
| Issue of new shares | 13 | 46,598 | - | - | - | - | - | 46,598 |
| Issue of share options | | - | - | 627 | - | - | - | 627 |
| Disposal of deferred taxes on redemption of convertible bonds | | - | - | - | 715 | - | - | 715 |
| At 31 December 2009 | | 147,827 | (1,879) | 4,824 | 9,446 | 657 | (28,532) | 132,343 |

The accompanying notes form an integral part of these financial statements

# Statements of changes in equity for the financial year ended 31 December 2009

| Company | Note | Issued capital | Treasury shares | Employee share option reserve | Convertible bonds equity reserve | Asset revaluation reserve | Accumulated losses | Total |
|---|---|---|---|---|---|---|---|---|
| | | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| At 1 January 2008 | | 101,229 | - | 2,870 | 8,731 | 19,782 | (50,621) | 81,991 |
| Total comprehensive loss for the financial year | | - | - | - | - | - | (14,975) | (14,975) |
| Issue of share options | | - | - | 1,327 | - | - | - | 1,327 |
| Share buy back | 13 | - | (1,879) | - | - | - | - | (1,879) |
| At 31 December 2008 | | 101,229 | (1,879) | 4,197 | 8,731 | 19,782 | (65,596) | 66,464 |
| At 1 January 2009 | | 101,229 | (1,879) | 4,197 | 8,731 | 19,782 | (65,596) | 66,464 |
| Total comprehensive income for the financial year | | - | - | - | - | - | 3,849 | 3,849 |
| Issue of new shares | 13 | 46,598 | - | - | - | - | - | 46,598 |
| Issue of share options | | - | - | 627 | - | - | - | 627 |
| Disposal of deferred taxes on redemption of convertible bonds | | - | - | - | 715 | - | - | 715 |
| At 31 December 2009 | | 147,827 | (1,879) | 4,824 | 9,446 | 19,782 | (61,747) | 118,253 |

The accompanying notes form an integral part of these financial statements

# Notes to Financial Statements

## 1. General information

On 30 April 2009, the Company announced that it had changed the name of its listed entity on the Singapore Stock Exchange (SGX) from Global Voice Group Limited, to euNetworks Group Limited. This name change consolidates the value of the brands inherent in both the listed entity and the European operating entities.

euNetworks Group Limited, principal activities are those of investment holding acting as a corporate manager, advisor and administrative centre to support the business development and marketing of the businesses of its subsidiaries, it incorporated in the Republic of Singapore in 1995 under the Singapore Companies Act, Cap. 50 as a private limited company. On 5 January 2000, the Company was converted to a public limited company.

The subsidiaries' principal activities are centred on being a facilities based provider of Ethernet and Internet Protocol services in Europe. euNetworks Group Limited operates in a sub segment of the telecommunications industry defined as bandwidth infrastructure. The Company owns 15 fibre based metropolitan networks across Europe, connected with a high capacity intercity backbone. The Company's inventory of fibre and duct assets are tailored to fulfil the high bandwidth needs of enterprises and carriers.

The registered office of the Company is located at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

## 2. Summary of significant accounting policies

### 2.1 Statement of compliance

The consolidated financial statements of the Group the statement of financial position and the statement of changes in equity of the Company have been drawn up in accordance with the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards ("SFRS"), including related Interpretations of SFRS ("INT SFRS").

The Company's financial statements were previously prepared in accordance with the International Financial Reporting Standards ("IFRS") between the financial years ended 31 December 2004 and 31 December 2008. The Accounting and Corporate Regulatory Authority of Singapore has informed the Company that it is required to report its financial statements based on SFRS in accordance with Section 201 of the Act. Accordingly, the Company has adopted SFRS for its financial statements for the financial year ended 31 December 2009. Had the Group's and the Company's financial statements for the financial year ended 31 December 2008 ("FY2008") been prepared using SFRS instead of IFRS, there would be no material difference to the financial figures and disclosures presented in the Group's and the Company's FY2008 financial statements.

### 2.2 Basis of preparation

In preparing the consolidated financial statements, the Directors of the Company have considered the future liquidity of the Group and the Company in view of the net current liabilities position of the Group as at 31 December 2009.

In order to strengthen the capital base of the Group and the Company, to improve the Group's and the Company's financial position, liquidity and cash flows, and to sustain the Group and the Company as a going concern, the Company has executed a major Financial Investment and Debt Reduction programme through a rights issue which raised approximately SDG$83.9 million (€43 million equivalent) in gross proceeds for the Company. These proceeds will partially be used to repay the remaining holders of Convertible Bond 2 which are due to them on their exercise of their put option in the financial year 2010. The remaining proceeds will be used to fund capital expenditure and working capital of the Group.

*(i) Rights issue*

On 22 December 2009, the Company announced a renounceable partially underwritten rights issue (the "Rights Issue") of up to approximately S$95.8 million (€49.1 million equivalent) in aggregate principal amount of zero coupon convertible bonds due 2013 ("Convertible Bonds"), in the denomination of S$1.00 for each Convertible Bond, on the basis of one Convertible Bond for every 100 existing ordinary shares in the capital of the Company, at an issue price of S$0.97 for each Convertible Bond.

Based on the issued share capital as at 31 December 2009, and given the rights issue was fully subscribed, an aggregate of 86,455,403 Convertible Bonds issued.

The Company obtained irrevocable undertakings from certain shareholders holding approximately 52.3% of the issued shares as of 22 December 2009 to, as the case may be, subscribe and/or procure subscriptions for all or part of their respective entitlements under the Rights Issue, and to apply and pay for Convertible Bonds in excess of their entitlements under the Rights Issue (the "Undertaken Convertible Bonds"). The aggregate principal amount of the Undertaken Convertible Bonds was approximately S$86.5 million (€44.4 million equivalent) and were issued at an aggregate gross issue price of approximately S$83.9 million (€43 million equivalent).

The Rights Issue was subject to, inter alia, the lodgement by the Company of the offer information statement with the Singapore Exchange Securities Trading Limited (the "SGX-ST") acting on behalf of the Monetary Authority of Singapore. The offer information statement was lodged with the SGX-ST on 8 March 2010.

The Rights Issue was completed in April 2010. The proceeds raised, which, net of expenses amounted to approximately S$80.4 million, are to be used to repay Convertible Bond 2, (approximately S$39.6 million), and to fund capital expenditure of approximately S$39.0 million. The balance, if any, will be used as working capital.

*(ii) Redemption of Convertible Bonds by the Company*

The remaining holders of Convertible Bond 2 have a put option on the third anniversary of their issuance (25 October 2010). As the conversion price of Convertible Bond 2 is currently significantly above the current market price of the Company's shares, the remaining outstanding liability relating to Convertible Bond 2 was reclassified as a current liability.

It is expected that the remaining holders of Convertible Bond 2 will exercise their put options, in which case the Company will be required to pay the remaining holders approximately €20.3 million, which includes a put premium of 16.23% on the principal value of €17.5 million.

Following successful completion of the Rights Issue in April 2010, the Company is in a position to meet the terms of the remaining holders of Convertible Bond 2 if they exercise their put options in October 2010.

In addition, the Directors of the Company continue to take action to tighten cost controls over various administrative and other operating expenses, and are actively seeking new business opportunities with an aim to attain profitable and positive cash flow operations.

In the opinion of the Directors of the Company and in light of the measures taken to date, the Group and the Company will have sufficient working capital to finance their operations and remain as a going concern in the foreseeable future. Accordingly, notwithstanding the Group's had net current liabilities of approximately €14,358K and the incurred loss of €9,857K for the financial year ended 31 December 2009, the Directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2009 on a going concern basis.

# Notes to Financial Statements continued

The preparation of financial statements in conformity with SFRS requires management to exercise judgment in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting financial period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgment or complexity are disclosed in Note 3 to the financial statements.

On 1 January 2009, the Group and the Company adopted the new or amended SFRS and Interpretations to SFRS ("INT SFRS") that are mandatory for application from that date. Changes to the Group's and the Company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective SFRS and INT SFRS.

The following are the new or amended SFRS and INT SFRS that are relevant to the Group and the Company:

**SFRS 1(Revised)** *Presentation of Financial Statements (effective from 1 January 2009).*

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. All non-owner changes in equity are shown in a performance statement but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group and the Company have chosen to adopt the latter alternative. Where comparative information is restated or reclassified, a restated Statement of Financial Position is required to be presented as at the beginning comparative period.

As a result of the application of SFRS 1 (Revised), presentation of Financial Statements and the certain comparative figures have been adjusted to conform to the current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

**SFRS 108** *Operating Segments (effective from 1 January 2009).*

SFRS 108 Operating Segments (effective from 1 January 2009) replaces SFRS 14 Segment Reporting, and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Segment revenue, segment profits and segment assets are also measured on a basis that is consistent with internal reporting.

**Amendment to SFRS 107** *Improving Disclosures about Financial Instruments (effective from 1 January 2009).*

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the accounting policies and measurement bases adopted by the Group and the Company.

The adoption of the above amended SFRS did not result in any substantial changes to the Group's and the Company's accounting policies nor had any significant impact on these financial statements.

*New standards issued but not yet effective*

The Group and the Company have not adopted the following SFRS and INT SFRS, where applicable to the Group and the Company that have been issued but not yet effective:

| | | Effective date (Annual periods beginning on or after) |
|---|---|---|
| SFRS 24 | : Related Party Disclosure | 1 January 2011 |
| SFRS 27 | : Consolidated and Separate Financial Statements | 1 July 2009 |
| SFRS 32 | : Amendments to Financial Instruments: Recognition and Measurement – Classification of Rights Issues | 1 February 2010 |
| SFRS 102 | : Amendments to Share-based Payment – Group Cash-settled Share-based Payment Transactions | 1 July 2009 |
| SFRS 103 | : Business Combinations | 1 January 2010 |
| INT SFRS 118 | : Transfer of Assets from Customers | 1 July 2009 |
| INT SFRS 119 | : Extinguish Financial Liabilities with Equity Instruments | 1 July 2010 |

The management anticipates that the adoption of the above SFRS and INT SFRS in future periods will have no material impact on the financial statements of the Group and the Company in the period of their initial adoption, except as disclosed below:

**SFRS 27 (2009)** *Consolidated and Separate Financial Statements*

SFRS 27 (2009) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. In the event that control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the profit or loss. The Group will apply SFRS 27 (2009) prospectively to transactions with non-controlling interests from 1 January 2010.

**SFRS 103 (2009)** *Business Combinations*

SFRS 103 (2009) applies the acquisition method with certain significant changes from the purchase method referred to in SFRS 103 (2006). For example, all considerations given to purchase a business are to be recorded at fair value at the acquisition date, with contingent considerations classified as debt subsequently re-measured through profit or loss if the fair value changes were to take place after the measurement period. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply SFRS 103 (2009) prospectively to all business combinations taking place from 1 January 2010, onwards.

## 2.3 Basis of consolidation

The purchase method of accounting is used to account for the acquisitions of subsidiaries and businesses. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interests.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company.

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as negative goodwill in the consolidated income statement on the date of acquisition.

# Notes to Financial Statements continued

Minority interest is that part of the net results of operations and of the net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities and contingent liabilities at the date of acquisition by the Group and the minorities' shares of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minorities are attributed to the equity holders of the Company, unless the minorities have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minorities are attributed to the equity holders of the Company until the minorities' shares of losses previously absorbed by the equity holders of the Company has been recovered.

## 2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Rendering of services*
Revenue from rendering services in connection with the fibre networks of the Group is recognised when the services are performed. Payments received in advance for such services are deferred and recognised based on actual usage.

Installation fees are deferred as unearned income and recognised over the period of the contract.

Revenue in respect of licenses granted for software is recognised on the date such licenses are granted, Certain amounts are deferred as unearned income if continuous support and/or upgrade services are required over the period of support.

*Sale of goods*
Revenue is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction (including future costs) can be measured reliably. The enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

*Interest*
Revenue is recognised as the interest accrued (using the effective interest method that is the rate that exactly discounts estimated future cash receipt through the expected life of the financial instrument) to the net carrying amount of the financial asset.

## 2.5 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's and the Company's liabilities for current tax are calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items credited or debited to the statement of other comprehensive income or directly to equity, in which case the tax is also recognised in the statement of other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

## 2.6 Employee benefits

*Defined contribution plans*

Contributions to defined contribution plans are recognised as an expense in the income statement in the same financial year as the employment that gives rise to the contributions.

*Employees leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

*Share-based compensation*

The Group and the Company operate an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement with a corresponding increase in the share options reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets), on the date of grant. Non-market vesting conditions are included in assumptions on the number of options that are expected to become exercisable on vesting date. At the end of each financial year, the entity revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received, net of any directly attributable transaction costs are credited to issued capital when the options are exercised.

## 2.7 Finance costs

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

## 2.8 Foreign currency transactions and translation

*Functional and presentation currency*

The individual financial statements of each entity in the Group are measured in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements of the Group the statement of financial position and statement of changes in equity of the Company are presented in Euro (€), which is also the functional currency of the Company.

# Notes to Financial Statements continued

*Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the end of the financial year. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items that are measured at fair value in a foreign currency are translated to the functional currency using the exchange rates prevailing at the date the fair value was determined.

Exchange differences arising on the settlement of monetary items and on translation of monetary items at the end of the financial year are recognised in the income statement for the financial year.

For the purpose of presenting consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company, the results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the end of the financial year;

(ii) income and expenses for each income statement are translated at the average exchange rate for the financial year (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in the statement of other comprehensive income and accumulate separately in the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on acquisition of a non-Euroland operation are treated as assets and liabilities of the non-Euroland operation and are recorded in the functional currency of the non-Euroland operation and translated at the closing exchange rate at the end of the financial year.

On disposal of a foreign operation, the cumulative amount of exchange differences residing in equity relating to that foreign operation is recognised in the consolidated income statement as a component of the gain or loss on disposal.

## 2.9 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Depreciation is charged so as to write off the cost over their estimated useful lives using the straight-line method, on the following bases:

| | |
|---|---|
| Computer hardware | over 3 to 4 years |
| Office equipment and furniture | over 3 to 10 years |
| Network equipment | over 5 to 20 years |
| Telecommunication networks | over 20 years |

No depreciation is charged on construction-in-progress as it is not yet in use as at the end of the financial year.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed and adjusted as appropriate at the end of the financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

## 2.10 Intangible ssets

*Customer contracts*

Customer contracts acquired are recognised at the fair value at the acquisition date. The customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the remaining contract period.

*Software licences*

Acquired software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of the software beyond its specifications and which can be reliably measured is added to the original cost of the software. Cost associated with maintaining the software are recognised as an expense as incurred.

Software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment-losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 4 years.

*Club membership*

Club membership is stated at cost less any impairment in net recoverable value, which is defined as having an indefinite useful life.

## 2.11 Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiaries are stated at cost on the Company's statement of financial position less impairment in value, if any.

## 2.12 Impairment of tangible and intangible assets

At the end of each financial year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# Notes to Financial Statements continued

## 2.13 Financial assets

Financial assets within the scope of SFRS 39 are classified as either:

(i) financial assets at fair value through profit or loss;

(ii) loans and receivables;

(iii) held-to-maturity investments;

(iv) available-for-sale financial assets;

Financial assets are recognised on the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. As at the end of the financial year, the Group and the Company did not have any financial assets in the category of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets.

All the current assets of the Group and of the Company as at the financial year end are financial assets under the category of loans and receivables within the scope of SFRS 39.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group and the Company determine the classification of their financial assets after initial recognition and, where allowed and appropriate, re-evaluates this classification at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group and the Company commit to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the Group and the Company provide money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are initially recognised at fair value plus transaction costs. They are subsequently carried at amortised cost, where applicable, using the effective interest method. Loans and receivables are included in receivables from related parties and trade and other receivables. They are included in current assets, except those maturing more than 12 months after the end of the financial year, which are classified as non-current assets.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash with banks and financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are mainly denominated in Euro.

## 2.14 Impairment of financial assets

The Group and the Company assesses at the end of each financial year whether there is objective evidence that a financial asset or a group of financial assets is impaired.

An allowance for impairment of loans and receivables is recognised when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent the carrying amount of the asset does not exceed its amortised cost at the reversal date.

## 2.15 Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instrument.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

*Trade and other payables*
Trade and other payables, including payables to related parties, are recognised initially at fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group or to the Company, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

*Effective interest method*
The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums and discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

## 2.16 Convertible bonds

Convertible bonds issued by the Group and the Company can be converted to share capital at the option of the bond holders. On the annual anniversaries of the issuance of the bond there is a test for an annual reset of the conversion price based on the average of the 30 days closing price prior to the anniversary. The number of shares to be issued would be determined based on this reset of the conversion price where applicable.

The liability component of the convertible bond is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method until its extinguishment upon conversion or at the instrument's maturity date. The effective interest rate is the rate that the Group would have to pay if there had been no equity feature included in the bond. The equity component of the convertible bond is not re-measured subsequent to initial recognition, and is recognised in the capital reserve until the bonds are converted or redeemed.

If the bonds are converted, the capital reserve together with the carrying amount of the liability components at the time of conversion is transferred to share capital as consideration for the shares issued. If the bonds are redeemed, the capital reserve is released directly to retained profits.

## 2.17 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expenses relating to any provisions are recognised in the income statement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the Directors' current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

## 2.18 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessor*
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

# Notes to Financial Statements continued

*The Group as lessee*

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income statement. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 2.19 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in the income statement on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

## 2.20 Warrants

The proceeds from the exercising of the warrants, net of expenses, will be credited to share capital.

## 2.21 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 3.1 Critical judgements made in applying the accounting policies

The following are the critical judgements, apart from those involving estimations that management has made in the process of applying the Group's accounting policies and which have the significant effect on the amounts recognised in the financial statements.

*(i) Impairment of financial assets*

The Group follows the guidance of SFRS 39 Financial Instruments: Recognition and Measurement, in determining whether a financial asset is other than temporarily impaired. This determination requires significant judgment. The Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost and the financial health of and near-term business outlook for the financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

*(ii) Impairment of investment in subsidiaries*

The Directors of the Company follow the guidance of SFRS 36 Impairment of Assets, in determining whether investments in subsidiaries are other than temporarily impaired. This determination requires the assumptions made regarding the duration and extent to which the fair-value of an investment is less than its costs and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Management's assessment for impairment of investments in subsidiaries is based on the estimation of value in use of the cash-generating unit by forecasting the expected future cash flows, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investment in subsidiaries as of 31 December 2009 was €73,232K (2008: €68,232K).

*(iii) Provisions*

The Group exercises considerable judgement in measuring and recognising provisions. Judgement is necessary in assessing the likelihood that a cost will occur, or a liability will arise, and to quantify the possible range of the final settlement.

Provisions are recorded for liabilities when losses are expected from underlying contracts, and it is considered probable and can be reasonably estimated. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. The carrying amount of provisions as at 31 December 2009 is disclosed in Note 18 to the financial statements.

*(iv) Equity-settled share-based payments*

The charge for equity-settled share-based payments is calculated in accordance with estimates and assumptions which are described in Note 24 to the financial statements. The option valuation model used requires highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yields, risk-free interest rates and expected staff turnover. The management draws upon a variety of external sources to aid them in determination of the appropriate data to use in such calculations.

# Notes to Financial Statements continued

*(v) Leases*

Leases are classified as operating leases if the duration of the arrangement is for less than a major part of the facilities' useful lives and the present value of the minimum payments under the arrangement does not amount to at least substantially all of the fair value of the facilities. The classification of leases may change if there are significant changes from previous estimates of the facilities' useful lives and the present value of the minimum payments. The Group uses all readily available information in estimating the useful lives and present value of minimum payments.

*(vi) Litigation provisions*

As a global group with a diverse business portfolio, the Group is exposed to numerous legal risks, particularly in the areas of commercial transactions, tax assessments and employee matters. The outcome of the currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and that could significantly impact the business and results of operations of the Group.

Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to many uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the Group may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the Group could be materially affected by unfavourable outcome of litigation. Litigation and administrative proceedings are evaluated on a case-by-case basis considering the available information, including that from legal counsel, to assess potential outcomes. Where it is considered probable that a future obligation will result in an outflow of resources, a provision is recorded in the amount of the present value of the expected cash outflows if these are deemed to be reliably measurable. These provisions cover the estimated payments to plaintiffs, court fees, attorney costs and the cost of potential settlements. The Group has in the past adjusted existing provisions as proceedings have continued, been settled or otherwise provided further information on which the Group could review the likelihood of outflows of resources and their measurability, and the Group expects to continue to do so in future periods.

For the financial year 2009 and 2008, the management has determined that there is no requirement to provide for any litigation provisions and hence, did not record any litigation provisions in the consolidated financial statements.

## 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and reported amounts of revenue and expense within the next financial year, are discussed below.

*(i) Depreciation of plant and equipment*

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 20 years. The carrying amount of plant and equipment as at 31 December 2009 is disclosed in Note 10 to the financial statements. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these plant and equipment, therefore future depreciation charges could be revised.

*(ii) Impairment of telecommunication networks*

The telecommunication networks are depreciated on a straight-line basis over their estimated useful lives and assessed for impairment whenever there is an indication that the telecommunication networks may be impaired. The recoverable amount of telecommunication networks is determined based on value in use calculations, using cash flow projections based on financial budgets approved by management and using a suitable discount rate in order to calculate the present value of such cash flow. The carrying amount of the telecommunication networks as at 31 December 2009 is disclosed in Note 10 to the financial statements.

The Group has considered and determined that the carrying value of its telecommunication networks as at 31 December 2009 is not higher than its estimated fair value.

*(iii) Allowance for doubtful receivables*

The policy for allowances for doubtful receivables of the Group and the Company is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group and the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amount of the trade and other receivables as at 31 December 2009 is disclosed in Note 12 to the financial statements.

*(iv) Income taxes*

The Management has exercised significant judgment when determining the Group's and the Company's provisions for income taxes. These involve assessing the probabilities that deferred tax assets resulting from deductible temporary differences, unutilised tax losses and unabsorbed tax allowances, if any, can be utilised to offset future taxable income. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of action. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income.

Given the wide range of international business arrangements, the long-term nature and complexity of existing contractual agreements the differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate adjustments to tax income and expense in future periods. The Group and the Company establish reasonable provision for possible consequences of audits by the tax authorities of the respective countries. The amount of such provisions and/or its subsequent reversals is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group and Company domicile. The carrying amount of income tax payable as at 31 December 2009 is €250K (2008: €14K) and the carrying amount deferred tax liabilities as at 31 December 2009 is as disclosed in Note 8 to the financial statements.

*(v) Going concern basis of preparation*

The financial statements of the Company and its subsidiaries have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration all relevant information about the future of the Company and its subsidiaries available at the date of this report. However, the current uncertain economic outlook may affect consumer's discretionary spending and confidence which could in turn impact the future operations of the Group.

After making enquiries and considering the cash flow forecasts of the Group, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the 12 month consolidated financials statements.

# Notes to Financial Statements continued

## 4. Segmental reporting information

Segment information is based on distinguishable components of the Group that are engaged either in providing products and services (business segments), or in providing products or services within a particular economic environment (geographical segments), which are subject to risks and rewards that are different from those other segments.

Segment information is presented in respect of the Group's business, as viewed for management purposes, and geographical segments.

Segmental results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated corporate assets and liabilities consist mainly of corporate assets and corporate liabilities that cannot be attributed to any specific segment.

*(i) Business segments*

Fibre business segment refers to the services in connection with the fibre networks in Europe for the transmission of voice and/or data.

Investment holding segment refers to the principal activities of the Company and some of its subsidiaries, which are investment holding and rendering management services to subsidiaries.

| | Investment holding | Fibre business Europe | Total |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| **2009** | | | |
| **Revenue** | | | |
| External sales | - | 30,149 | 30,149 |
| Total revenue | - | 30,149 | 30,149 |
| **Results** | | | |
| Segment loss | (1,017) | (13,927) | (14,944) |
| Exceptional item | | | 6,897 |
| Finance income | | | 162 |
| Finance costs | | | (2,384) |
| Loss before exceptional item and income tax | | | (10,269) |
| Income tax credit | | | 412 |
| Net loss for the financial year | | | (9,857) |
| **Other information** | | | |
| Additions of plant and equipment and intangible assets | - | 9,977 | 9,977 |
| Foreign exchange translation gain | - | 1,100 | 1,100 |
| Depreciation and amortisation | (22) | (12,133) | (12,155) |
| **Statement of Financial Position** | | | |
| Assets | | | |
| Segment assets | 698 | 174,051 | 174,749 |
| **Liabilities** | | | |
| Segment liabilities | 16,780 | 25,626 | 42,406 |

| | Investment holding | Fibre business Europe | Total |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| **2008** | | | |
| **Revenue** | | | |
| External sales | - | 23,921 | 23,921 |
| Total revenue | | | 23,921 |
| | | | |
| **Results** | | | |
| Segment loss | (6,435) | (8,352) | (14,787) |
| Finance income | | | 330 |
| Finance costs | | | (4,408) |
| Loss before income tax | | | (18,865) |
| Income tax credit | | | 655 |
| Net loss for the financial year | | | (18,210) |
| | | | |
| **Other information** | | | |
| Additions of plant and equipment and intangible assets | - | 16,925 | 16,925 |
| Foreign exchange translation loss | - | (3,322) | (3,322) |
| Depreciation and amortisation | (34) | (10,663) | (10,697) |
| | | | |
| **Statement of Financial Position** | | | |
| Assets | | | |
| Segment assets | 537 | 175,592 | 176,129 |
| | | | |
| **Liabilities** | | | |
| Segment liabilities | 55,237 | 26,788 | 82,025 |

# Notes to Financial Statements continued

*(ii) Geographical segments*

In the following tables, the business is further analysed geographically:

| | Asia | IRL | NL | DE | UK | Other | Total |
|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **2009** | | | | | | | |
| **Revenue** | | | | | | | |
| External sales | - | 4,157 | 13,337 | 9,553 | 3,044 | 58 | 30,149 |
| Total revenue | | | | | | | 30,149 |
| **Results** | | | | | | | |
| Segment profit/(loss) | (1,017) | (2,568) | 4,590 | (7,559) | (5,887) | (2,503) | (14,944) |
| Exceptional item | | | | | | | 6,897 |
| Finance income | | | | | | | 162 |
| Finance costs | | | | | | | (2,384) |
| Loss before exceptional item and income tax | | | | | | | (10,269) |
| Income tax credit | | | | | | | 412 |
| Net loss for the financial year | | | | | | | (9,857) |
| **Other information** | | | | | | | |
| Additions of plant and equipment and intangible assets | - | 399 | 25 | 3,264 | 6,267 | 22 | 9,977 |
| Foreign exchange translation gain | - | - | - | - | 1,100 | - | 1,100 |
| Depreciation and amortisation | (22) | (831) | (1,053) | (7,425) | (983) | (1,841) | (12,155) |
| **Statement of Financial Position** | | | | | | | |
| **Assets** | | | | | | | |
| Non current assets | 47 | 12,838 | 18,368 | 80,935 | 21,868 | 24,486 | 158,542 |
| Segment assets | 698 | 18,878 | 24,148 | 81,867 | 24,473 | 24,685 | 174,749 |
| **Liabilities** | | | | | | | |
| Segment liabilities | 16,780 | 3,003 | 5,720 | 10,023 | 2,242 | 4,638 | 42,406 |

| | Asia | IRL | NL | DE | UK | Other | Total |
|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **2008** | | | | | | | |
| **Revenue** | | | | | | | |
| External sales | - | 3,101 | 10,808 | 8,376 | 1,575 | 61 | 23,921 |
| Total revenue | | | | | | | 23,921 |
| | | | | | | | |
| **Results** | | | | | | | |
| Segment profit/(loss) | (6,435) | (1,901) | 3,595 | (7,763) | 265 | (2,548) | (14,787) |
| Finance income | | | | | | | 330 |
| Finance costs | | | | | | | (4,408) |
| Loss before income tax | | | | | | | (18,865) |
| Income tax credit | | | | | | | 655 |
| Loss after income tax | | | | | | | (18,210) |
| | | | | | | | |
| **Other information** | | | | | | | |
| Additions of plant and equipment and intangible assets | 2 | 2,392 | 8,707 | 4,620 | 1,187 | 17 | 16,925 |
| Foreign exchange translation loss | - | - | - | - | (3,322) | - | (3,322) |
| Depreciation and amortisation | (34) | (579) | (791) | (6,903) | (522) | (1,868) | (10,697) |
| | | | | | | | |
| **Statement of Financial Position** | | | | | | | |
| **Assets** | | | | | | | |
| Non-current assets | 68 | 13,270 | 19,689 | 85,041 | 15,342 | 26,266 | 159,676 |
| Segment assets | 537 | 16,418 | 26,869 | 89,001 | 16,762 | 26,542 | 176,129 |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Segment liabilities | 55,237 | 2,444 | 10,574 | 8,450 | 904 | 4,416 | 82,025 |

# Notes to Financial Statements continued

## 5. Revenue and expenses

| | Group 2009 | 2008 |
|---|---|---|
| **Revenue** | **€'000** | **€'000** |
| Sale of network infrastructure/strategic deals | 822 | 398 |
| Rental of Fibre | 8,600 | 7,821 |
| Networking services | 6,715 | 2,874 |
| Bandwidth | 1,560 | 1,175 |
| Colocation/Datacentre services | 10,457 | 8,869 |
| Installation revenue | 1,112 | 1,204 |
| Managed services | 443 | 582 |
| Others | 440 | 998 |
| Total | 30,149 | 23,921 |

### Other operating income

In financial year 2009, the other income relates mainly to unrealised foreign exchange gains while the amount in 2008 relates to a compensation received for a damage caused by a breach of contractual liabilities by a business partner.

| | Group 2009 | 2008 |
|---|---|---|
| **Staff costs** | **€'000** | **€'000** |
| Wages and salaries (I) | 10,677 | 6,075 |
| Social security costs | 1,110 | 700 |
| Stock options expense | 627 | 1,345 |
| Others | 195 | - |
| Total | 12,609 | 8,120 |

| | Group 2009 | 2008 |
|---|---|---|
| **Other operating expenses** | **€'000** | **€'000** |
| Legal and professional fees (II) | 1,740 | 1,073 |
| Travel expenses | 640 | 930 |
| Foreign exchange loss (III) | - | 4,456 |
| Allowance for doubtful trade receivables | 259 | 31 |
| Telephone costs | 205 | 239 |
| Vehicle costs | 156 | 138 |
| Rents | 963 | 740 |
| Office supplies | 241 | 284 |
| Insurance | 159 | 98 |
| Marketing | 103 | 164 |
| Fine and penalties | 573 | - |
| Others | 195 | 14 |
| Total | 5,234 | 8,167 |

*(I) Including the directors' remuneration.*
*(II) Including the directors' fees.*
*(III) Arises from the foreign exchange revaluation of inter-company balances mainly denominated in Euro and United Kingdom Pounds Sterling in the Company's accounts, when Singapore dollar has strengthened against Euro and United Kingdom Pounds Sterling in financial year 2008. Gain of €1.1million in 2009.*

### Exceptional Gain

In the financial year ended 31 December 2009, as outlined in Note 17 to the financial statements, the exceptional gain relates to the discounts obtained against the outstanding principal values of Convertible Bond 1 and part of Convertible Bond 2 upon their redemption in April 2009.

## 6. Finance costs, net

| | Group | |
|---|---|---|
| | 2009 | 2008 |
| | €'000 | €'000 |
| Bank interest income | 162 | 330 |
| Total finance income | 162 | 330 |
| Interest on convertible bond 1 (Note 17) | (589) | (2,032) |
| Interest on convertible bond 2 (Note 17) | (1,680) | (2,302) |
| Other interest | (115) | (74) |
| Total finance costs | (2,384) | (4,408) |
| Finance costs, net | (2,222) | (4,078) |

## 7. Income tax credit

Major components of income tax for the financial years ended 31 December 2009 and 2008 are as follows:

| | Group | |
|---|---|---|
| | 2009 | 2008 |
| | €'000 | €'000 |
| Current income tax charge | (250) | (268) |
| Income tax refund for previous periods | 80 | - |
| Deferred income tax - relating to origination and reversal of temporary differences | 582 | 923 |
| Income tax credit | 412 | 655 |

A reconciliation of income tax credit applicable to accounting loss before income tax at the statutory income tax rate to income tax credit at the Group's effective income tax rate for the financial years ended 31 December 2009 and 2008 is as follows:

| | Group | |
|---|---|---|
| | 2009 | 2008 |
| | €'000 | €'000 |
| Loss before income tax | (10,269) | (18,865) |
| Statutory income tax rate of 24% (2008: 30%) | (2,465) | (5,660) |
| Unrecognised tax losses | 3,539 | 7,238 |
| Taxes for previous periods | (80) | - |
| Deferred taxes | (582) | (923) |
| | 412 | 655 |

# Notes to Financial Statements continued

## 8. Deferred tax liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | €'000 | €'000 | €'000 | €'000 |
| Relating to origination and reversal of temporary differences: | | | | |
| BVI Group - fair value of the networks | 4,030 | 4,340 | - | - |
| euNetworks Services GmbH - fair value of liabilities and receivables | 1,334 | 1,334 | - | - |
| euNetworks Group Limited - convertible bonds | 383 | 1,357 | 383 | 1,357 |
| euNetworks AG - discounting of provisions | 23 | 56 | - | - |
| | 5,770 | 7,087 | 383 | 1,357 |

The deferred tax liability of BVI Group arises from the difference between the carrying value of the Group's plant and equipment and their tax base. The difference results from the valuation of the Group's combined business made in 2003 by the directors resulting in a fair value adjustment of €20,652K. The resulting deferred tax liability at a blended rate of 30% amounts to €6,200K, which is being amortised over the life of the underlying assets (20 years), which commenced in 2003.

A deferred tax liability arose in Germany on the purchase price accounting for euNetworks Services GmbH.

Because of uncertainty as to their future realisation, no deferred taxes were considered in respect of the existing losses carry forward for tax purposes. The losses carried forward in Germany are not subject to expiry but are not fully usable because of the German minimum taxation law. The total losses carried forward for the Group amount to €240 million as at 31 December 2009 (2008: €221 million).

## 9. Loss per share

Loss per share is stated as Euro cent. Basic loss per share amounts are calculated by dividing net loss for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

| | Basic | | Diluted | |
|---|---|---|---|---|
| Group | 2009 | 2008 | 2009 | 2008 |
| | €'000 | €'000 | €'000 | €'000 |
| Loss attributable to shareholders of the Company | (9,857) | (18,210) | (9,857) | (18,210) |
| Share option expenses | - | - | 627 | 1,327 |
| Adjusted loss attributable to shareholders of the company | (9,857) | (18,210) | (9,230) | (16,883) |

| | Number of Shares | | | |
|---|---|---|---|---|
| | Basic | | Diluted | |
| Group | 2009 | 2008 | 2009 | 2008 |
| | €'000 | €'000 | €'000 | €'000 |
| Weighted average number of ordinary shares ('000) | 6,734,316 | 2,457,472 | 6,734,316 | 2,457,472 |
| Adjustments for potentially dilutive ordinary shares ('000) | - | - | 990,324 | 1,063,668 |
| Weighted average number of ordinary shares used ('000) | 6,734,316 | 2,457,472 | 7,724,640 | 3,521,140 |
| Loss per share (€cents) | (0.15) | (0.74) | (0.12) | (0.48) |

For the purpose of calculating diluted loss per share, the Group's loss attributable to equity holders and the weighted average number of ordinary shares in issue are adjusted for the effects of all dilutive potential ordinary shares. Adjustments have been made for the possible exercise of share options, conversions by bondholders and conversion of share warrants.

The diluted loss per share amount is calculated by dividing the adjusted loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares (exercise of share options, conversions of bonds and conversion of warrants into ordinary shares).

# Notes to Financial Statements continued

## 10. Plant and equipment

| Group | Office equipment and furniture | Network equipment | Assets under construction/ prepayment | Telecommuni-cation networks | Total |
|---|---|---|---|---|---|
| **2009** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** |
| At 1 January 2009, net of accumulated depreciation | 3,606 | - | 16,306 | 136,170 | 156,082 |
| Additions | 77 | 451 | - | 9,384 | 9,912 |
| Disposals | - | - | - | (275) | (275) |
| Reclassification | (2,676) | 14,502 | (15,126) | 3,300 | - |
| Depreciation charge for the financial year | (354) | (1,434) | - | (9,759) | (11,547) |
| Currency translation difference | - | - | (528) | 1,573 | 1,045 |
| At 31 December 2009 | 653 | 13,519 | 652 | 140,393 | 155,217 |
| At 1 January 2009 | | | | | |
| Cost (gross carrying amount) | 5,382 | - | 16,306 | 175,866 | 197,554 |
| Accumulated depreciation and impairment in value | (1,776) | - | - | (39,696) | (41,472) |
| Net carrying amount | 3,606 | - | 16,306 | 136,170 | 156,082 |
| At 31 December 2009 | | | | | |
| Cost (gross carrying amount) | 2,783 | 14,953 | 652 | 189,848 | 208,236 |
| Accumulated depreciation and impairment in value | (2,130) | (1,434) | - | (49,455) | (53,019) |
| Net carrying amount | 653 | 13,519 | 652 | 140,393 | 155,217 |

| Group | Office equipment and furniture | Assets under construction/ prepayment | Telecommuni-cation networks | Total |
|---|---|---|---|---|
| **2008** | **€'000** | **€'000** | **€'000** | **€'000** |
| At 1 January 2008, net of accumulated depreciation | 1,291 | 10,132 | 140,268 | 151,691 |
| Additions | 3,101 | 8,056 | 5,759 | 16,916 |
| Disposals | - | - | (165) | (165) |
| Reclassification | - | (1,882) | 1,882 | - |
| Depreciation charge for the financial year | (786) | - | (9,249) | (10,035) |
| Currency translation difference | - | - | (2,325) | (2,325) |
| At 31 December 2008 | 3,606 | 16,306 | 136,170 | 156,082 |
| At 1 January 2008 | | | | |
| Cost (gross carrying amount) | 2,282 | 10,132 | 170,559 | 182,973 |
| Accumulated depreciation and impairment in value | (991) | - | (30,291) | (31,282) |
| Net carrying amount | 1,291 | 10,132 | 140,268 | 151,691 |
| At 31 December 2008 | | | | |
| Cost (gross carrying amount) | 5,382 | 16,306 | 175,866 | 197,554 |
| Accumulated depreciation and impairment in value | (1,776) | - | (39,696) | (41,472) |
| Net carrying amount | 3,606 | 16,306 | 136,170 | 156,082 |

Plant and equipment of the Group with carrying amount of €NilK (2008: €602K) were acquired under finance lease arrangements as disclosed in Note 16 to the financial statements.

| Company | Office equipment and furniture |
|---|---|
| **2009** | **€'000** |
| At 1 January 2009, net of accumulated depreciation | 21 |
| Additions | - |
| Depreciation charge for the financial year | (21) |
| At 31 December 2009 | - |
| | |
| At 1 January 2009 | |
| Cost (gross carrying amount) | 229 |
| Accumulated depreciation and impairment | (208) |
| Net carrying amount | 21 |
| | |
| At 31 December 2009 | |
| Cost (gross carrying amount) | 229 |
| Accumulated depreciation and impairment in value | (229) |
| Net carrying amount | - |
| | |
| **2008** | |
| At 1 January 2008, net of accumulated depreciation | 53 |
| Additions | 2 |
| Depreciation charge for the financial year | (34) |
| At 31 December 2008 | 21 |
| | |
| At 1 January 2008 | |
| Cost (gross carrying amount) | 227 |
| Accumulated depreciation and impairment | (174) |
| Net carrying amount | 53 |
| | |
| At 31 December 2008 | |
| Cost (gross carrying amount) | 229 |
| Accumulated depreciation and impairment in value | (208) |
| Net carrying amount | 21 |

# Notes to Financial Statements continued

## 11. Intangible assets

| Group | Customer contracts | Software licenses | Club membership | Total |
|---|---|---|---|---|
| **2009** | **€'000** | **€'000** | **€'000** | **€'000** |
| At 1 January 2009, net of accumulated amortisation | 3,495 | 52 | 47 | 3,594 |
| Additions | - | 65 | - | 65 |
| Amortisation | (599) | (9) | - | (608) |
| Currency translation difference | 274 | - | - | 274 |
| At 31 December 2009 | 3,170 | 108 | 47 | 3,325 |
| | | | | |
| At 1 January 2009 | | | | |
| Cost (gross carrying amount) | 5,453 | 269 | 47 | 5,769 |
| Accumulated amortisation and impairment | (1,958) | (217) | - | (2,175) |
| Net carrying amount | 3,495 | 52 | 47 | 3,594 |
| | | | | |
| At 31 December 2009 | | | | |
| Cost (gross carrying amount) | 5,727 | 334 | 47 | 6,108 |
| Accumulated amortisation and impairment | (2,557) | (226) | - | (2,783) |
| Net carrying amount | 3,170 | 108 | 47 | 3,325 |
| | | | | |
| **2008** | | | | |
| At 1 January 2008, net of accumulated amortisation | 5,132 | 65 | 47 | 5,244 |
| Additions | 5 | 4 | - | 9 |
| Amortisation | (645) | (17) | - | (662) |
| Currency translation difference | (997) | - | - | (997) |
| At 31 December 2008 | 3,495 | 52 | 47 | 3,594 |
| | | | | |
| At 1 January 2008 | | | | |
| Cost (gross carrying amount) | 6,935 | 264 | 47 | 7,246 |
| Accumulated amortisation and impairment | (1,803) | (199) | - | (2,002) |
| Net carrying amount | 5,132 | 65 | 47 | 5,244 |
| | | | | |
| At 31 December 2008 | | | | |
| Cost (gross carrying amount) | 5,943 | 268 | 47 | 6,258 |
| Accumulated amortisation and impairment | (2,448) | (216) | - | (2,664) |
| Net carrying amount | 3,495 | 52 | 47 | 3,594 |

| Company | Club Membership |
|---|---|
| **2009** | **€'000** |
| At 1 January 2009, net of accumulated amortisation | 47 |
| Additions | - |
| At 31 December 2008 | 47 |
| | |
| At 1 January 2009 | |
| Cost (gross carrying amount) | 47 |
| Accumulated amortisation and impairment | - |
| Net carrying amount | 47 |
| | |
| At 31 December 2009 | |
| Cost (gross carrying amount) | 47 |
| Accumulated amortisation and impairment | - |
| Net carrying amount | 47 |
| | |
| **2008** | |
| At 1 January 2008, net of accumulated amortisation | 47 |
| Additions | - |
| At 31 December 2008 | 47 |
| | |
| At 1 January 2008 | |
| Cost (gross carrying amount) | 47 |
| Accumulated amortisation and impairment | - |
| Net carrying amount | 47 |
| | |
| At 31 December 2008 | |
| Cost (gross carrying amount) | 47 |
| Accumulated amortisation and impairment | - |
| Net carrying amount | 47 |

# Notes to Financial Statements continued

## 12. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | €'000 | €'000 | €'000 | €'000 |
| Trade receivables | 5,466 | 8,408 | - | - |
| Amounts due from customers | (166) | (1,166) | - | - |
| Allowance for doubtful trade receivables | 5,300 | 7,242 | - | - |

Trade receivables are non-interest bearing and are generally on 30 to 60 days (2008: 30 to 60 days) terms.

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | €'000 | €'000 | €'000 | €'000 |
| Aging analysis: | | | | |
| 0 - 90 days past due | 5,079 | 5,207 | - | - |
| 91 - 180 days past due | 125 | 789 | - | - |
| 181 days and more past due | 96 | 1,246 | - | - |
| | 5,300 | 7,242 | - | - |

Trade receivables that are less than six months past due are not considered as impaired if no other indications arise for impairment. As at 31 December 2009, trade receivables of €96K (2008: €1,246K) were over 6 months past due but not impaired. These relate mainly to the VAT of the impaired receivables, which can be claimed from the relevant tax offices, and to a number of independent customers for whom there is no recent history of default.

The maximum exposure to credit risk at the reporting date is the fair value of the trade receivables mentioned above. The Group does not hold any collateral as security.

Movements in allowance for doubtful trade receivables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | €'000 | €'000 | €'000 | €'000 |
| Balance at 1 January | 1,166 | 1,197 | - | - |
| Written off against allowance | (1,258) | (51) | - | - |
| Write back of allowance | - | (11) | - | - |
| Additions | 258 | 31 | - | - |
| Balance at 31 December | 166 | 1,166 | - | - |
| | | | | |
| **Other receivables** | | | | |
| Deposits | 729 | 195 | 29 | 37 |
| Prepayments | 2,414 | 2,573 | 174 | 136 |
| Tax recoverable | 430 | 695 | 33 | 61 |
| Sundry receivables | 242 | 80 | - | 70 |
| | 3,815 | 3,543 | 236 | 304 |
| | | | | |
| **Receivables from related parties** | 378 | 417 | 61,361 | 52,932 |

Receivables from related parties at Group level are trade in nature and mainly due from Citadel100 Data Centers Ltd (Note 23).

Receivables from related parties at Company level include only amounts within the Group companies and are therefore eliminated at Group's level.

Trade and other receivables are predominantly denominated in Euro as the operations of the Group are situated primarily in countries within the Eurozone. As the Group's presence in London has expanded significantly during the financial year 2009 and 2008, management expects that there will be a significant increase in transactions and balances denominated in United Kingdom Pounds Sterling ("GBP"), which will result in an increasing foreign currency risk exposure to the Group in future financial periods.

## 13. Share capital, treasury shares and warrants

### (a) Share capital

| | Group and Company | |
|---|---|---|
| | 2009 | 2008 |
| | €'000 | €'000 |
| **Issued and fully-paid:** | | |
| 2,495,729,771 (2008: 2,495,729,771) ordinary shares at beginning of financial year | 101,229 | 101,229 |
| Issuance of 432,277,028 (2008: Nil) ordinary shares in connection with a private placement | 3,011 | - |
| Issuance of 5,763,693,578 (2008: Nil) ordinary shares on completion of rights issue | 43,587 | - |
| 8,691,700,377 (2008: 2,495,729,771) ordinary shares at end f the financial year | 147,827 | 101,229 |

In February 2009, EUN Partners V, LLC a wholly-owned subsidiary of Columbia Capital V, LLC, subscribed for 432,277,028 new ordinary shares in the Company, amounting to an aggregate of approximately €3.0 million under a subscription agreement entered into with the Company.

In April 2009, the Company successfully completed a rights issue of new ordinary shares of the Company on the basis of two rights shares for every one existing ordinary share of the Company. The rights issue resulted in the issue of 5,763,693,578 new ordinary shares in the Company amounting to an aggregate approximately €43.6 million.

All newly issued ordinary shares rank pari-passu with the existing ordinary shares.

The Company has one class of ordinary shares which carries no right to fixed income.

Share capital does not have a par value and there is no authorised share capital.

The holders of ordinary shares of the Company are entitled to receive dividends as and when declared by the Company. All ordinary shares of the Company carry one vote per share without restriction.

# Notes to Financial Statements continued

### (b) Treasury shares

| | Group and Company | | | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | Number of ordinary shares | | €'000 | €'000 |
| Balance at beginning of the financial year | 46,160,000 | - | 1,879 | - |
| Purchased during the financial year | - | 46,160,000 | - | 1,879 |
| Balance at end of the financial year | 46,160,000 | 46,160,000 | 1,879 | 1,879 |

The Company acquired 46,160,000 of its own shares through purchases on the Singapore Exchange in 2008. The total amount paid to acquire the shares was € 1,879K and has been deducted from shareholders' equity.

### (c) Warrants

On 15 October 2009 the Company announced that it had entered into a conditional subscription agreement (the "Subscription Agreement") for the issue of an aggregate of 86,455,400 warrants at a nominal consideration. Each warrant entitles the warrant holder the right to subscribe for one new ordinary share in the capital of the Company, at an exercise price of S$0.05 per warrant (subject to adjustment in certain circumstances pursuant to the terms and conditions on which the warrants are issued).

On 8 December 2009 the Company announced the completion of the subscription for three groups of warrants on that date, as follows:

(i) one warrant group comprising 43,227,700 warrants;

(ii) one warrant group comprising 21,613,850 warrants; and

(iii) one warrant group comprising 21,613,850 warrants,

(together the "Warrants").

At the time of issue, the Warrants represented 1.0% of the issued share capital of the Company. Assuming all of the warrants were exercised by the warrant holder, the Company could expect to receive aggregate proceeds of SDG$4,322,770. The exercise price represented a 100% premium to the prevailing market price of the ordinary share in the capital of the Company prior to the signing of the Subscription Agreement, based on the volume weighted average price of SGD$0.025 for trades done for the ordinary shares for the full market day on which the Subscription Agreement was signed.

The exercise of the Warrants is subject to the terms and conditions of the Warrants. Subject to those terms and conditions, the Warrants can be exercised at any time during the five year period commencing on 8 December 2009. Warrants which have not been exercised at the end of the five year period will lapse and cease to be valid for any purpose. The terms and conditions of the Warrants provide that in certain circumstances, including that the prevailing market price of the shares is not less than S$0.15, the Company has the right, at its sole discretion to invite the warrant holder to exercise the Warrants within 60 days of such notice, failing which the Warrants will lapse.

The proceeds received from the exercising of any Warrants will be used for general working capital purposes of the Company.

The impact of the exercise of all Warrants was taken into account in determining the weighted average number of ordinary shares for the diluted loss per share.

| Date of grant | Balance at 1.1.2009 | Issued | Exercised | Cancelled/ expired | Balance at 31.12.2009 | Subscription price SGD | Expiry date |
|---|---|---|---|---|---|---|---|
| 15.10.2009 | - | 86,455,400 | - | - | 86,455,400 | 0.0500 | 15.10.2014 |
| Total | - | 86,455,400 | - | - | 86,455,400 | | |

## 14. Reserves

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | €'000 | €'000 | €'000 | €'000 |
| Employee share option reserve[(I)] | 4,824 | 4,197 | 4,824 | 4,197 |
| Convertible bonds equity reserve[(II)] | 9,446 | 8,731 | 9,446 | 8,731 |
| Asset revaluation reserve[(III)] | - | - | 19,782 | 19,782 |
| | 14,270 | 12,928 | 34,052 | 32,710 |

Movements in these reserves accounts are set out in the statement of changes in equity of the Group and the Company.

[(I)] *Employee share option reserve*
The employee share option reserve of the Company and the Group arises on the grant of share options of the Company and is dealt with in accordance with the accounting policies set out in Note 2.6 to the financial statements.

[(II)] *Convertible bonds equity reserve*
The convertible bonds equity reserve represents the value of the unexercised equity component of convertible bonds issued by the Company. The reserve is dealt with in accordance with the accounting policies set out in Note 2.16 to the financial statements.

[(III)] *Asset revaluation reserve*
The asset revaluation reserve is used to record increases in the fair value of asset and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

## 15. Foreign currency translation reserve

The foreign currency translation reserve account comprises all foreign exchange differences arising from the translation of the financial statements of the companies in the Group whose functional currencies are different from that of the Group's presentation currency, the Euro. Movement in this account is set out in the statement of changes in equity of the Group.

## 16. Obligation under finance lease

| Group | Minimum lease payments | Future finance charges | Present value of minimum lease payments |
|---|---|---|---|
| **2009** | €'000 | €'000 | €'000 |
| Within one year | 235 | (51) | 184 |
| After one year but within five years | 176 | (13) | 163 |
| | 411 | (64) | 347 |
| **2008** | | | |
| Within one year | 284 | (86) | 198 |
| After one year but within five years | 411 | (64) | 347 |
| | 695 | (150) | 545 |

The finance lease term is three years.

The effective interest rate charged during the financial year is 17% per annum. Interest rate is fixed at the contract date. As at statement of financial position date, the fair value of the Group's finance lease obligation approximate its carrying amount.

The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligation under finance leases is secured by the lessor's title to the leased assets, which will revert to the lessor in the event of default by the Group and the Company.

The finance lease payable is denominated in Euro.

# Notes to Financial Statements continued

## 17. Interest bearing borrowings

| | Group and Company | |
|---|---|---|
| | 2009 | 2008 |
| | €'000 | €'000 |
| Current | 15,298 | 26,642 |
| Non-current | - | 26,529 |
| | 15,298 | 53,171 |

The carrying amount of the liability component of the convertible bonds at the end of the respective financial years is analysed as follows:

| | | Group and Company | |
|---|---|---|---|
| | | 2009 | 2008 |
| | | €'000 | €'000 |
| (a) | **Convertible bond 1** | | |
| | Liability component at 1 January | 26,642 | 25,488 |
| | Interest expense (Note 6) | 589 | 2,032 |
| | Interest paid | (210) | (878) |
| | Redemption of the bond | (27,021) | - |
| | Liability component of convertible bond 1 at end of financial year | - | 26,642 |
| (b) | **Convertible bond 2** | | |
| | Liability component at 1 January | 26,529 | 25,187 |
| | Interest expense (Note 6) | 1,680 | 2,302 |
| | Interest paid | (525) | (960) |
| | Redemption of the bond | (12,386) | |
| | Liability component of convertible bond 2 at end of financial year | 15,298 | 26,529 |
| | Liability component of convertible bond 1 and 2 at end of financial year | 15,298 | 53,171 |
| | Fair value of convertible bond 1 and 2 at end of financial year end | 15,298 | 50,255 |

### Convertible bond 1

In April 2006, the Company entered into a subscription agreement with DBS Bank Ltd ("subscription agreement") in relation to the issue by the Company of the aggregate €35 million in principal amount of the convertible bonds due 2011.

Each convertible bond was convertible at the option of the holder into fully paid new equity shares of the Company at an initial conversion price of S$0.20 per share with a fixed rate of exchange on conversion of S$1.9436 = €1.00 ("conversion price"). The conversion price was subject to adjustment in certain circumstances in the manner provided in the terms and conditions. On the annual anniversaries of the issuance of this convertible bond, there was a test for an annual reset of the conversion price based on the average of the 30 days closing price prior to the anniversary. Due to the redemption and purchase of 100% of convertible bond 1 in April 2009, none remain outstanding at the financial year end which could be converted into ordinary shares in the Company. The reset conversion price as at 31 December 2008 was S$0.146.

### Principal terms of convertible bond 1

| | |
|---|---|
| Issue date: | 19 April 2006 |
| Maturity date: | 19 April 2011 (5 Years) |
| Issue price: | 100% |
| Redemption price: | 120.294% of unpaid principal amount |
| At maturity gross yield to Put/maturity: | 6.50% calculated on a semi annual basis |
| Coupon: | 3.0%, paid semi annually in arrears on 19 April and 19 October of each year |
| Conversion right: | Convertible at the option of holders of the bond at any time starting on the 31st day after the issue date and up to and including the date falling 10 days prior to maturity. Delivery of shares within 3 business days after any relevant conversion notice is received |

The net proceeds from the issue of the convertible bond after deduction of underwriting fees but before deduction of other expenses relating to this offering were used to fund existing and future capital expenditure and for general corporate purposes and for working capital. The interest charged for the financial year is calculated by applying an effective interest rate of 6.5% (2008: 6.5%) to the liability component.

Following the successful completion of the Rights Issue in April 2009, the Company used part of the proceeds to purchase or redeem 100% of convertible bond 1, which was due for payment in 2011. Conditional agreements were reached with certain holders of convertible bonds to purchase their convertible bonds at a significant discount. The Company purchased 90.6% of convertible bond 1 at an offer price representing 75% of the outstanding principal value. The difference between the discounted value at which the convertible bonds were purchased or redeemed of €24.5m, and the accrued liability at the date of purchase of €27 million, is included in the exceptional gain in the consolidated income statement.

### Convertible bond 2

In October 2007, the Company entered into a subscription agreement with DBS Bank Ltd ("subscription agreement") in relation to the issue by the Company of the aggregate €32 million in principal amount of the convertible bonds due 2012.

Each convertible bond will be convertible at the option of the holder into fully paid new equity shares of the Company at an initial conversion price of S$0.191 per share with a fixed rate of exchange on conversion of S$2.10 = € 1.00 ("conversion price"). The conversion price is subject to adjustment in certain circumstances in the manner provided in the terms and conditions. On the annual anniversaries of the issuance of this convertible bond, there is a test for an annual reset of the conversion price based on the average of the 30 days closing price prior to the anniversary. As a result of this, the conversion price has been reset at S$0.12806 in 2009 (2008: S$0.13888).

### Principal terms of convertible bond 2

| | |
|---|---|
| Issue date: | 25 October 2007 |
| Maturity date: | 25 October 2012 (5 Years) |
| Issue price: | 100% |
| Redemption price: | 129.35% of unpaid principal amount |
| At maturity gross yield to Put/maturity: | 7.90% calculated on a semi annual basis |
| Coupon: | 3.0%, paid semi annually in arrears on 25 April and 25 October of each year |
| Bondholders Put Option: | Bondholders may redeem all or some of the Bonds on the third anniversary of the Issue Date ("Put Date") at 116.23% of the unpaid principal amount ("Put Redemption Amount"). |
| Conversion right: | Convertible at the option of holders of the bond at any time starting on the 31st day after the issue date and up to and including the date falling 10 days prior to maturity. Delivery of shares within 3 business days after any relevant conversion notice is received |

# Notes to Financial Statements continued

The net proceeds from the issue of the convertible bond after deduction of underwriting fees but before deduction of other expenses relating to this offering were used to fund existing and future capital expenditure and for general corporate purposes and for working capital. The interest charged for the financial year is calculated by applying an effective interest rate of 7.9% to the liability component.

Following the successful completion of the rights issue in April 2009, the Company used part of the proceeds to purchase or redeem 25% of convertible bond 2, which is due for payment in 2012, at an offer price representing 55% of the outstanding principal value. The difference between the discounted at which the convertible bonds were purchased of €8 million, and the accrued liability at the date of purchase of €12.4 million, is included in the exceptional gain in the consolidated income statement. The outstanding principal of convertible bond 2 at 31 December 2009 was €17.5 million. The accrued liability included in the statement of financial position at 31 December 2009 was €15,298 million. Should the put option be exercised on the "Put Date" (25 October, 2010), the Company would incur an exceptional loss of €4.4 million in FY 2010.

The remaining holders of Convertible Bond 2 have a put option on the third anniversary of their issuance (25 October 2010). As the conversion price of Convertible Bond 2 is currently significantly above the current market price of the Company's shares, the remaining outstanding liability relating to Convertible Bond 2 was reclassified as a current liability.

Should the remaining bondholders for Convertible Bond 2 exercise their option to convert into ordinary shares of the Company as at 31 December 2009, 264,616,935 (2008: 483,870,968) ordinary shares would be issued.

## 18. Provisions

| Group | Restoration | Rental | Duct | Total |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| At 1 January 2009 | 118 | 37 | 20 | 175 |
| Utilised during the financial year | - | (36) | (20) | (56) |
| Reversals | (34) | - | - | (34) |
| At 31 December 2009 | 84 | 1 | - | 85 |
| | | | | |
| At 1 January 2008 | 196 | 120 | 108 | 424 |
| Utilised during the financial year | - | (44) | (46) | (90) |
| Reclassification to current liabilities | (33) | (39) | (42) | (114) |
| Reversals | (45) | - | - | (45) |
| At 31 December 2008 | 118 | 37 | 20 | 175 |

### Office restoration costs

A provision is recognised in relation to the rebuilding obligations that exist on the office location in Stuttgart.

### Rent

The provision is recognised in relation to cancellation charges of an early exit from a number of Point-of-Presence ("POPs"), which are surplus to the Group's current requirements.

### Duct rental

A provision of €Nil (2008: €20K) was recognised in relation to cancellation charges of an early termination of a duct lease in Stuttgart. The lease is due to expire in 2010.

## 19. Deferred revenue

| | Group | |
|---|---|---|
| | 2009 | 2008 |
| | €'000 | €'000 |
| The deferred revenue will be released | | |
| - within one financial year | 7,361 | 4,680 |
| Total current deferred revenue | 7,361 | 4,680 |
| | | |
| - between two and five financial years | 4,074 | 4,348 |
| - more than five financial years | 1,749 | 1,613 |
| Total non-current deferred revenue | 5,823 | 5,961 |
| | | |
| Total deferred revenue | 13,184 | 10,641 |

In the interest of cash management, it is the Group's policy to ensure (where possible) customers of the European fibre business prepay for their services. Deferred revenue comprises dark fibre leases, operational and maintenance services as well as instalment fees.

## 20. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | €'000 | €'000 | €'000 | €'000 |
| **Trade payables** | 4,082 | 6,169 | 698 | 386 |

Trade payables are non-interest bearing and are normally settled on 60 days (2008: 60 days) terms.

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | €'000 | €'000 | €'000 | €'000 |
| **Other payables and accruals** | | | | |
| Accrued expenses | 2,734 | 3,530 | 397 | 323 |
| VAT and payroll taxes | 520 | 511 | 4 | - |
| Other payables | 136 | 182 | - | - |
| | 3,390 | 4,223 | 401 | 323 |

Trade and other payables are predominantly denominated in Euro as the operations of the Group are situated primarily in countries within the Euro zone. As the Group's presence in London has expanded significantly during the financial years 2009 and 2008, management expect that there will be a significant increase in transactions and balances denominated in UK Pounds Sterling ("GBP"), which will result in an increasing foreign currency risk exposure to the Group in future financial periods.

With the exception of the UK activities of the Group, transactions in relation to the European fibre business are concluded in Euro.

# Notes to Financial Statements continued

## 21. Commitments and contingent liabilities

### Operating lease commitments

*Group as lessee*

The Group has entered into commercial non-cancellable leases on properties (office rooms, POPs), dark fibre, data centre space, motor vehicles and items of small machinery where it is not in the best interests of the Group to purchase these assets. The leases have an average life of between 3 and 10 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

| | 2009 | 2008 |
|---|---|---|
| | €'000 | €'000 |
| **Operating leases** | | |
| Within one financial year | 6,242 | 6,442 |
| Between one and two financial years | 4,257 | 4,831 |
| Between two and three financial years | 3,299 | 3,068 |
| Between three and four financial years | 3,048 | 2,686 |
| Between four and five financial years | 2,818 | 2,624 |
| More than five financial years | 2,100 | 4,610 |
| | 21,764 | 24,261 |

*Group as lessor*

The Group has entered into commercial leases on its networks properties. The following table sets out the future minimum receivable under non-cancellable operating leases as at 31 December 2009 as follows:

| | 2009 | 2008 |
|---|---|---|
| | €'000 | €'000 |
| **Operating leases** | | |
| Within one financial year | 23,727 | 22,887 |
| Between one and two financial years | 16,775 | 14,406 |
| Between two and three financial years | 11,835 | 8,568 |
| Between three and four financial years | 5,916 | 6,060 |
| Between four and five financial years | 3,629 | 3,611 |
| More than five financial years | 7,540 | 11,850 |
| | 69,422 | 67,382 |

### Legal claims

As at the balance sheet date, the Company has the following legal claims:

(a) Operating costs payable to VTL-TP (Bermuda) Limited

The Company received a letter of statutory demand dated 4 March 2009 (the "Viatel Claim") from the solicitors acting for Viatel, VTL-TP (Bermuda) Limited and their group companies (the "Viatel Group") demanding payment of €710,986 which the Viatel Group claimed was due and payable under invoices submitted by the Viatel Group under the terms of a Master Network Lease and Sale Agreement dated 15 June 2006 (the "Viatel Agreement").

The Company and Viatel agreed to refer their dispute to an expert for determination under the terms of the agreement between the two companies. On 22 February 2010, the expert made a final and binding determination in relation to the reconciliation of operating costs for 2007 and 2008, and budgeted costs for 2009 (subject to reconciliation), resulting in a net adjustment of €76,389 in favour of the Viatel Group.

Subsequent to that, on 10 March 2010, the expert issued a clarifactory note, adjusting his determination in order to exclude certain French rights of way charges from the sums previously assessed as payable by euNetworks to the Viatel Group which, with a number of other adjustments, resulted in a change in the net payment position with €725,575 now being due pursuant to the determination from the Viatel Group to the Company. This clarification reflected the two companies' agreement that the amounts payable by the Company in respect of the French rights of way charges are to be invoiced and paid separately from the operating costs that were the subject of the determination.

The outcome of the determination and the clarifactory note is not expected to have a material effect on the financial position or profitability of the Group. The net payment due to the Company will be used to settle French rights of way charges which are expected to be invoiced by the Viatel Group to the Company during financial year 2010, and which have been accrued for as at the financial year end.

(b) Fibre transfer agreement with VTL-TP (Bermuda) Limited

By way of letters dated 3 August 2007, 16 May 2008 and 17 June 2008, VTL-TP (Bermuda) Limited claimed that euNetworks Fiber UK Limited was in breach of the UK Fibre Transfer Agreement (the "UKFTA") entered into between the parties on 15 June 2006 and purported to terminate the UKFTA by reason of such breach. As a result, arbitration proceedings were commenced but these were later discontinued when the parties entered into a settlement agreement on 4 June 2009, the outcome of which has been recognised in the 2009 financial year. The UKFTA remains in full force and effect.

(c) Claim for damages by FibreSpeed Limited

On 10 June 2009, FibreSpeed Limited ("FibreSpeed") brought a claim in the High Court of England and Wales against euNetworks Fiber UK Limited ("euN UK"), a subsidiary of the Company (the "Claim"). The Claim was for damages amounting to £7,279,673 in respect of Heads of Agreement dated 15 June 2007 between the parent company of FibreSpeed (Geo Networks Limited, "Geo") and euNetworks UK, together with interest and costs and, if necessary, for rectification to make clear that the Heads of Agreement were agreed and intended to be legally binding. euNetworks UK disputed and defended the Claim.

On 31 December 2009 euNetworks UK, Geo and FibreSpeed entered into a settlement agreement resulting in the settlement and dismissal of the proceedings issued by FibreSpeed and the continuance of the commercial relationship between all three parties for a term of 15 years. The settlement agreement resulted in the Company purchasing the certain network assets from FibreSpeed, which have been included as additions to networks assets in financial year 2009. In addition, the Company agreed to sell certain network assets to FibreSpeed, the proceeds from which have been accounted for in financial year 2009.

(d) Claim for damages by Global Crossing (UK) Telecommunications Limited

In October 2009 Global Crossing (UK) Telecommunications Limited ("Global Crossing") notified euNetworks UK of three claims for damage to Global Crossing's duct during the course of the build-out of euNetworks' London network. The total claims amount to £137,857. euNetworks UK notified the claims to its sub-contractor which undertook the works, and the insurers of the sub-contractor and Global Crossing entered into a settlement agreement, resulting in no material financial loss to the Company.

# Notes to Financial Statements continued

## 22. Investment in subsidiaries

| Name | Country of incorporation/ Principal place of business | Principal activities | Equity interest 2009 % | Equity interest 2008 % |
|---|---|---|---|---|
| euNetworks PTE Limited | Singapore | Sub holding company | 100 | 100 |
| euNetworks AG | Germany | Data service and infrastructure provision | 100 | 100 |
| euNetworks (BVI) Limited | British Virgin Islands | Sub holding company | 100 | 100 |
| euNetworks Ireland Private Fiber Limited | Ireland | Data services and infrastructure provision | 100 | 100 |
| euNetworks B.V. | The Netherlands | Data services and infrastructure provision | 100 | 100 |
| euNetworks Fiber UK Limited | England | Data services and infrastructure provision | 100 | 100 |
| euNetworks Services GmbH | Germany | IP transit & managed services | 100 | 100 |
| European Fiber Networks Asset GmbH | Germany | Data service and infrastructure provision | 100 | 100 |
| European Fiber Networks "GND" GmbH | Germany | Data service and infrastructure provision | 100 | 100 |
| euNetworks SAS | France | Data service and infrastructure provision | 100 | 100 |
| euNetworks BVBA | Belgium | Data service and infrastructure provision | 100 | 100 |

All material entities are audited by other member firms of BDO.

During the financial year 2009, the cost of the investment in euNetworks B.V. increased due to a deemed capital contribution, arising from the re-classification of inter-company balances within the Group.

## 23. Related parties disclosures

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at year end, refer to Notes 12 to the financial statements):

| Related party | Financial year | Sales to related parties €'000 | Purchases from related parties €'000 | Amounts owed by related parties €'000 | Service rendered by related parties €'000 |
|---|---|---|---|---|---|
| **Shareholders of the Group** | | | | | |
| Real Capital International | **2009** | - | - | 52 | - |
| Limited ("RCI") | **2008** | - | - | 52 | - |
| **Key management personnel of the Group** | | | | | |
| Directors | **2009** | - | - | 34 | 252 |
| | **2008** | - | 51 | 34 | 292 |
| **Other related parties** | | | | | |
| Citadel100 Data Centers Ltd. | **2009** | 4 | 14 | 189 | - |
| | **2008** | 105 | 135 | 290 | - |

## Shareholders of the Group

*Real Capital International Limited ("RCI")*

RCI owns 2.88% (2008: 10.16%) of the ordinary shares in euNetworks Group Limited.

## Transactions with other related parties

*Citadel100 Data Centers Ltd ("Citadel")*

Citadel was a wholly-owned subsidiary of RCI. In January 2007, Dataone (Asia) PTE Limited, a wholly owned subsidiary of Keppel Telecommunication and Transportation Limited purchased 50% of Citadel. The Group leased office and colocation space from the datacentre from July 2003 until 31 May 2008, when the contract ceased. The monthly fees for these leases amounted to €10K for colocation space and €3K for office space. During the financial year 2009, the Group entered into a new agreement with Citadel in respect of the rental of colocation spare in the data centre. The total rental fees paid amounted to €74K.

During the financial year 2008, the Group itself leased 10 strands of dark fibre to Citadel for a monthly fee of €21K and this contract ceased on 31 May 2008. In August 2009, under a new lease contract, the Group itself leased 2 strands of dark fibre to Citadel for a monthly fee of €790.

In June 2008, the Irish operations were re-located to dedicated premises in Dublin. The Company signed a lease for the use of premises owned by two Directors through a partnership. During the financial year 2009, lease payments in respect of this premises totalled €137K (2008: €103K).

Based on a contract concluded with a Director of the Company, the Group leased office space in the United Kingdom to facilitate the development of its business in the United Kingdom. The monthly fees for the rent of the office space amount to GBP nil (2008: GBP4K). The lease contract was terminated on 30 June 2008 after the Group concluded a lease contract for office space in London with a third party.

Compensation of key management personnel of the Group:

| | 2009 | 2008 |
|---|---|---|
| | €'000 | €'000 |
| Short term employee benefits | 1,616 | 1,282 |
| Services rendered | 134 | 287 |
| Share option expenses | 601 | - |
| Settlements with departing directors | 321 | - |
| | 2,672 | 1,569 |

# Notes to Financial Statements continued

## 24. Share option scheme

The Global Voice Share Option Scheme (the "2000 Scheme") and the euNetworks Group Limited Share Options Scheme (the "2009 Scheme") enables Directors and certain classes of employees of the Company and its subsidiaries to subscribe for ordinary shares in the capital of the Company, exercisable at varying periods from the date of grant depending on whether the exercise price is set at market price in respect of that offer. Other information regarding the Scheme is set out below:

(a) The exercise price of the option can be set at a discount to the market price in respect of options granted at the time of grant;

and

(b) The shares under option are exercised in full or in 1,000 shares or a multiple thereof on the payment of the subscription price.

Under the 2000 Scheme and the 2009 Scheme, share options granted, exercised and cancelled/expired during the financial year and outstanding as at 31 December 2009 were as follows:

| Date of grant | Balance at 1.1.2009 or date of grants, whichever is later | Balance after adjustment for April 2009 Rights Issue[(1)] | Exercised | Cancelled/ expired | Balance at 31.12.2009 | Subscription price SGD | Vesting date |
|---|---|---|---|---|---|---|---|
| **2000 Scheme** | | | | | | | |
| 01.04.2003 | 1,287,000 | 3,861,000 | (2,574,750) | (1,286,250) | - | 0.0208 | 31.03.2008 |
| 08.10.2003 | 1,450,500 | 4,351,500 | - | (4,351,500) | - | 0.0567 | 07.10.2008 |
| 08.10.2003 | 483,500 | 1,450,500 | - | (1,450,500) | - | 0.0567 | 07.10.2008 |
| 28.02.2005 | 10,650,000 | 31,950,000 | - | (5,325,000) | 26,625,000 | 0.0300 | 27.02.2008 |
| 07.07.2005 | 59,891,476 | 179,674,428 | - | - | 179,674,428 | 0.0183 | 06.07.2008 |
| 01.07.2006 | 23,338,312 | 70,014,936 | - | (70,014,936) | - | 0.0433 | 30.06.2008 |
| 01.10.2006 | 1,678,500 | 5,035,500 | - | - | 5,035,500 | 0.0400 | 30.09.2009 |
| 01.01.2007 | 21,707,142 | 65,121,426 | - | (32,560,713) | 32,560,713 | 0.0467 | 31.12.2008 |
| 01.01.2007 | 13,247,577 | 39,742,731 | - | (2,337,808) | 37,404,923 | 0.0433 | 31.12.2009 |
| 01.01.2007 | 14,895,000 | 44,685,000 | - | - | 44,685,000 | 0.0333 | 31.12.2009 |
| 01.04.2007 | 39,226,452 | 117,679,356 | - | (117,679,356) | - | 0.0517 | 31.03.2009 |
| 27.08.2007 | 32,564,084 | 97,692,252 | - | (28,012,113) | 69,680,139 | 0.0550 | 26.08.2010 |
| 30.06.2009 | 64,841,550 | 64,841,550 | - | - | 64,841,550 | 0.0300 | 29.06.2012 |
| | 285,261,093 | 726,100,179 | (2,574,750) | (263,018,176) | 460,507,253 | | |
| **2009 Scheme** | | | | | | | |
| 27.10.2009 | 238,847,424 | 238,847,424 | - | - | 238,847,424 | 0.0250 | 26.10.2011 |
| 27.10.2009 | 30,624,413 | 30,624,413 | - | - | 30,624,413 | 0.0250 | 26.10.2012 |
| 27.10.2009 | 172,910,807 | 172,910,807 | - | - | 172,910,807 | 0.0150 | 26.10.2012 |
| 27.10.2009 | 345,821,614 | 345,821,614 | - | - | 345,821,614 | 0.0150 | 26.10.2013 |
| | 788,204,258 | 788,204,258 | - | - | 788,204,258 | | |
| Total | 1,073,465,351 | 1,514,304,437 | (2,574,750) | (263,018,176) | 1,248,711,511 | | |

*(1) Only share options issued prior to the 2009 Rights Issue have been adjusted to take account of the effects of the 2009 Rights Issue.*

During financial year 2009, 853,045,810 (2008: Nil) share options were granted. The estimated fair values of the share options granted are €9,163K for the vesting period from 27 February 2008 to 26 October 2013.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The expected life used in the model has been adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The estimate of the fair value of share options as at the date of grant is estimated by the directors using the Binomial option-pricing model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used and the fair value at measurement date are shown below.

| Date of grant | Expected dividend yield | Expected volatility | Risk-free interest rate | Expected life of options | Exercise price | Share price at date of grant | Fair value of measurement date |
|---|---|---|---|---|---|---|---|
| | (%) | (%) | (years) | (years) | (SGD) | (SGD) | (SGD) |
| **Share options granted under the 2000 Scheme** | | | | | | | |
| 28.02.2005 | 0.00 | 55.7 | 3.00 | 3 | 0.0300 | 0.0900 | 1.400 |
| 07.07.2005 | 0.00 | 55.7 | 3.00 | 3 | 0.0183 | 0.0550 | 0.867 |
| 01.07.2006 | 0.00 | 55.7 | 3.00 | 2 | 0.4330 | 0.1300 | 0.015 |
| 01.10.2006 | 0.00 | 55.7 | 3.00 | 3 | 0.0400 | 0.0900 | 0.019 |
| 01.01.2007 | 0.00 | 55.7 | 3.00 | 2 | 0.0467 | 0.1400 | 0.018 |
| 01.01.2007 | 0.00 | 55.7 | 3.00 | 3 | 0.0433 | 0.1300 | 0.020 |
| 01.01.2007 | 0.00 | 55.7 | 3.00 | 3 | 0.0333 | 0.1000 | 0.016 |
| 01.04.2007 | 0.00 | 55.7 | 3.00 | 2 | 0.0517 | 0.1550 | 0.020 |
| 27.08.2007 | 0.00 | 55.7 | 3.00 | 3 | 0.0550 | 0.1650 | 0.026 |
| 30.06.2009 | 0.00 | 55.7 | 3.00 | 3 | 0.0300 | 0.0300 | 0.014 |
| **Share options granted under the 2009 Scheme** | | | | | | | |
| 27.10.2009 | 0.00 | 55.7 | 3.00 | 4 | 0.0150 | 0.0250 | 0.014 |
| 27.10.2009 | 0.00 | 55.7 | 3.00 | 3 | 0.0150 | 0.0250 | 0.014 |
| 27.10.2009 | 0.00 | 55.7 | 3.00 | 3 | 0.0250 | 0.0250 | 0.011 |
| 27.10.2009 | 0.00 | 55.7 | 3.00 | 2 | 0.0250 | 0.0250 | 0.012 |

The expected volatility is based on the historic volatility of the telecommunication services industry, adjusted for any expected changes to future volatility due to publicly available information.

## 25. Financial risk management objectives and policies

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between cost of risks occurring and the cost of managing risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

The Group's principal financial liabilities comprise convertible bonds, trade payables and obligation under finance lease. The main purpose of the convertible bonds is to provide finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and cash equivalents, which arise directly from its operations.

It is, and has been throughout the financial year, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The management reviews and agrees policies for managing each of these risks which are summarised below.

# Notes to Financial Statements continued

## Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group has no significant concentration of credit risk because trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial conditions of trade receivables.

For banks and financial institutions, only independently rated and regulated parties are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and other receivables, the Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments. The management does not expect counterparties to fail to meet their obligations.

## Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group and the Company manage the liquidity risk by maintaining a level of cash and cash equivalents deemed adequate to finance the Group's and the Company's business operations, future capital expenditure and for working capital purposes. The Group's and the Company's objectives are to maintain a balance between continuity of funding and flexibility through the use of convertible bond issues and may consider other fund raising exercises such as right issues, private placements or equity-related exercises.

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or (pay). The table includes both interest and principal cash flows.

| The Group | Effective interest rate<br>% | Less than 1 year<br>€'000 | 1 to 2 years<br>€'000 | 2 to 4 years<br>€'000 | More than 5 years<br>€'000 | Total<br>€'000 |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Obligations under finance leases | 17.00% | 184 | 163 | - | - | 347 |
| Convertible Bonds | 7.90% | 15,287 | - | - | - | 15,287 |
| **As at 31 December 2009** | | 15,471 | 163 | - | - | 15,634 |
| Obligations under finance leases | 17% | 198 | 184 | 163 | - | 545 |
| Convertible Bonds | 6.50% - 7.90% | 26,642 | 26,529 | - | - | 53,171 |
| **As at 31 December 2008** | | 26,840 | 26,713 | 163 | - | 53,716 |

| The Group | Effective interest rate % | Less than 1 year €'000 | 1 to 2 years €'000 | 2 to 4 years €'000 | More than 5 years €'000 | Total €'000 |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Convertible Bonds | 7.90% | 15,287 | - | - | - | 15,287 |
| As at 31 December 2009 | | 15,287 | - | - | - | 15,287 |
| | | | | | | |
| Convertible Bonds | 6.50% - 7.90% | 26,642 | 26,529 | - | - | 53,171 |
| As at 31 December 2008 | | 26,642 | 26,529 | - | - | 53,171 |

## Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rate. The Group has no significant interest-bearing assets and liabilities other than the two convertible bonds and obligations under finance lease.

The outstanding principal of Convertible Bond 2 of €17.5 million has a fixed interest rate at 3.0% until 25 October 2012. The effective interest amount, which the Group and the Company have to pay, could be reduced by conversion or redemption of convertible bonds.

At 31 December 2009, if there were conversions of €1 million of the convertible bonds, the effect on the income statement would have been €30K (2008: €30K) lower, as a result of the conversions.

As it is expected that remaining holders of Convertible Bonds 2 in 2009 will exercise their put option in financial year 2010, the effect of interest risk on the income statement is expected to decrease further.

## Foreign currency risk

The Group mainly operates in the Euro zone, most of the transactions in relation to the European fibre business are concluded in Euro and the functional currency of most of the subsidiaries is Euro. Accordingly, the Group's exposure to foreign currency risk is minimal.

However, in view of the Group's stronger presence in London from the build out of the London network which started in 2008 and the opening of an office in London with employees, transactions and balances denominated in Pound Sterling ("GBP") will have an increasing influence to the financial statements of the Group. To manage this foreign currency risk arising from transactions and balances denominated in GBP, the management through natural hedges matches these sales by concluding an increasing number of customer contracts in GBP to match against the costs based in GBP to reduce the foreign currency risk exposed for the United Kingdom operations.

The Group did not use derivative financial instruments to hedge its foreign currency risk.

The Group is mainly exposed to Pounds Sterling.

The following table details the Group's sensitivity to a change of 10 Euro cents against GBP. The sensitivity analysis assumes an instantaneous change of 10 cent for a GBP in the foreign currency exchange rates from the statement of financial position date, with all variables held constant.

# Notes to Financial Statements continued

| Group | ← Increase/(Decrease) → Income statement | |
|---|---|---|
| | 2009 €'000 | 2008 €'000 |
| **GBP** | | |
| Strengthens against Euro | (522) | (66) |
| Weakens against Euro | 522 | 66 |

In the case of operations in Singapore, movements in the Euro/SGD exchanges rates have an insignificant impact on the financial results of the Group, and accordingly the foreign currency risk to the Group is immaterial.

### Fair values

The fair values of the convertible bonds and the provisions have been calculated by discounting the future cash flows at market rate. For all other financial assets and financial liabilities of the Group, their carrying amounts are a reasonable approximation of their fair values due to their short-term maturities.

## 26. Capital management policies and objectives

The management's policy is to ensure that the Group is able to continue as a going concern and to maintain a strong capital base so as to maintain investors', creditors' and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group regards the equity attributable to shareholders as capital. Equity is represented by net assets.

The Group maintains an optimum capital structure by various means such as deciding on the amount of dividends paid to shareholders, return capital to shareholders, issue of new shares or sell assets to reduce debts, as it deems beneficial to the interests of its shareholders.

In financial year 2008 the Company purchased its own shares from the market and the timing of these purchases depends on market prices. Primarily, such actions are intended to enhance the return to the Company's shareholders and to be used for issuing shares under the Group's share options scheme. Buy and sell decisions are made on a specific transaction basis by the management. The Company does not have a defined share buy-back plan.

The Management believes that employees' participation in the capital of the Company will increase the shareholders' value and therefore will maintain the Group's share option scheme, which is extended to both key management personnel and to certain classes of employees of the Group.

There are no further changes in the Group's approach to capital management during the financial year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 27. Events subsequent to the reporting period

Subsequent to 31 December 2009, the following events have taken place:

(i) The Company has prepared and executed a major financial investment and Debt Reduction programme to improve the Group's and the Company's financial position, liquidity and cash flows of the financial year 2010. The details of these programmes are disclosed in Note 2.2 to the financial statements; and

(ii) In March 2010, the Company issued additional 97,569,470 share options under its 2009 ESOS.

## 28. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of euNetworks Group Limited on 12 April 2010.

34.98 % of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the SGX-ST's Listing Manual Section B: Rules of Catalist.

6

# Statistics of Shareholdings

# Shareholders' Information
## as at 12 March 2010

## Shareholders' Information as at 12 March 2010

| | | | |
|---|---|---|---|
| I. | Class of equity securities | : | Ordinary shares |
| | Number of equity securities | : | 8,645,540,367 |
| | Voting rights | : | One vote per share |
| II. | Number of treasury shares | : | 46,160,000 |
| | Voting Rights | : | None |

Percentage of this holding against total number of issued shares excluding treasury shares : 0.53%

## Statistics of Shareholdings

| Size of Shareholdings | Number of Shareholders | % | Number of Shares | % |
|---|---|---|---|---|
| 1 - 999 | 41 | 0.54 | 11,277 | 0.00 |
| 1,000 - 10,000 | 1,802 | 23.47 | 10,485,217 | 0.12 |
| 10,001 - 1,000,000 | 5,486 | 71.46 | 896,153,558 | 10.37 |
| 1,000,001 and above | 348 | 4.53 | 7,738,890,315 | 89.51 |
| Total | 7,677 | 100.00 | 8,645,540,367 | 100.00 |

## Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

| | Direct Interests | | Deemed Interests | |
|---|---|---|---|---|
| Substantial Shareholder | No. of Shares | %[1] | No. of Shares | %[1] |
| Daniel Aegerter | 810,507,129 | 9.37 | - | - |
| Cundill International Company Ltd. and Mackenzie Cundill Recovery Fund [2] | - | - | 810,000,000 | 9.37 |
| Columbia EUN Partners V, LLC | 1,266,200,143 | 14.65 | - | - |
| Columbia Capital V, LLC [3] | - | - | 1,612,622,874 | 18.65 |
| First State Investment Management (UK) Ltd [4] | - | - | 774,910,000 | 8.96 |
| First State Investments (UK Holdings) Ltd [4] | - | - | 774,910,000 | 8.96 |
| SI Holdings Ltd [4] | - | - | 774,910,000 | 8.96 |
| Colonial First State Group Ltd [5] | - | - | 850,678,000 | 9.84 |
| Commonwealth Insurance Holding Ltd [5] | - | - | 850,678,000 | 9.84 |
| Colonial Holding Company Ltd [5] | - | - | 850,678,000 | 9.84 |
| Commonwealth Bank of Australia [5] | - | - | 850,678,000 | 9.84 |
| G.K. Goh Strategic Holdings Pte Ltd | 784,217,000 | 9.07 | - | - |
| G.K. Goh Holdings Ltd [6] | - | - | 784,217,000 | 9.07 |
| GKG Investment Holdings Pte Ltd [7] | - | - | 1,064,375,000 | 12.31 |
| Goh Yew Lin [7] | 60,000,000 | 0.69 | 1,064,375,000 | 12.31 |
| Goh Geok Khim [7] | 160,000,000 | 1.85 | 1,064,375,000 | 12.31 |

Notes:

(1) *Based on 8,645,540,367 Shares (excluding treasury shares) as at 12 March 2010.*

(2) *Cundill International Company Ltd. {which is managed by Mackenzie Cundill Investment Management (Bermuda) Ltd. ("MCIMBL")} and Mackenzie Cundill Recovery Fund {which is managed by Mackenzie Cundill Investment Management Ltd. ("MCIML")} are the beneficial owners of a total of 810,000,000 Shares held by DBS Nominees (PTE). MCIMBL and MCIML are owned by Mackenzie Financial Corporation ("MFC"). Accordingly, MCIMBL, MCIML and MFC are also deemed interested in the 810,000,000 Shares held by DBS Nominees (PTE).*

(3) *Both EUN Partners V, LLC and Columbia EUN Partners, V, LLC are under the management and control of Columbia Capital V, LLC ("Columbia V"). James B. Fleming, Jr., Harry F. Hopper III and John T. Siegel, Jr. control Columbia V. Accordingly, each of Columbia V, James B. Fleming, Jr., Harry F. Hopper III and John T. Siegel, Jr. are deemed interested in the 346,422,731 Shares held by EUN Partners V, LLC and 1,266,200,143 Shares held by Columbia EUN Partners V, LLC.*

(4) *Deemed interested in the 774,910,000 Shares held by registered holders under Section 7(4) of the Companies Act.*

(5) *Deemed interested in the 850,678,000 Shares held by registered holders under Section 7(4) of the Companies Act.*

(6) *Deemed interested in the 784,217,000 Shares held by G.K. Goh Strategic Holdings Pte Ltd.*

(7) *Deemed interested in the 784,217,000 Shares held by G.K. Goh Strategic Holdings Pte Ltd and 280,158,000 Shares held by Alpha Securities Pte Ltd.*

## Twenty Largest Shareholders

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | Citibank Nominees Singapore Pte Ltd | 1,498,805,942 | 17.34 |
| 2 | Columbia EUN Partners V, LLC | 1,266,200,143 | 14.65 |
| 3 | G K Goh Strategic Holdings Pte Ltd | 784,217,000 | 9.07 |
| 4 | DBS Nominees Pte Ltd | 772,858,038 | 8.94 |
| 5 | EUN Partners V LLC | 346,422,731 | 4.01 |
| 6 | HSBC (Singapore) Nominees Pte Ltd | 305,599,000 | 3.53 |
| 7 | Alpha Securities Pte Ltd | 280,158,000 | 3.24 |
| 8 | DBSN Services Pte Ltd | 227,655,000 | 2.63 |
| 9 | CIMB-GK Securities Pte. Ltd. | 166,651,675 | 1.93 |
| 10 | Ng See Cheng | 163,888,000 | 1.90 |
| 11 | Goh Geok Khim | 160,000,000 | 1.85 |
| 12 | UOB Kay Hian Pte Ltd | 105,420,714 | 1.22 |
| 13 | Brenda Ann O'Keefe | 89,000,000 | 1.03 |
| 14 | Morgan Stanley Asia (Singapore) Securities Pte Ltd | 63,344,000 | 0.73 |
| 15 | Ho Kam Yew | 62,000,000 | 0.72 |
| 16 | Goh Yew Lin | 60,000,000 | 0.69 |
| 17 | Kim Eng Securities Pte. Ltd. | 55,910,000 | 0.65 |
| 18 | OCBC Securities Private Ltd | 53,967,000 | 0.62 |
| 19 | United Overseas Bank Nominees Pte Ltd | 49,952,000 | 0.58 |
| 20 | DBS Vickers Securities (S) Pte Ltd | 48,979,000 | 0.57 |
| | **Total** | 6,561,028,243 | 75 |

*Real Capital International Limited, in which Noel Meaney has interests, is a beneficial owner; the shares are held by Nominees.*

## Percentage of shareholding in public's hands

34.98 % of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the SGX-ST's Listing Manual Section B: Rules of Catalist.

Notice is hereby given that the Annual General Meeting of euNetworks Group Limited (the "Company") will be held at CIMB-GK Investment Centre, 50 Raffles Place, #01-01 Singapore Land Tower, Singapore 048623 on Wednesday, 28 April 2010 at 10.00 a.m

# Notice of AGM

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of euNetworks Group Limited (the "Company") will be held at CIMB-GK Investment Centre, 50 Raffles Place, #01-01 Singapore Land Tower, Singapore 048623 on Wednesday, 28 April 2010 at 10.00 a.m. for the following purposes:

## As ordinary business

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2009 together with the Auditors' Report thereon.
**(Resolution 1)**

2. (a) To re-elect the following Directors of the Company retiring pursuant to Article 97 of the Articles of Association of the Company:

| | | |
|---|---|---|
| Mr Brady Reid Rafuse | (Retiring under Article 97) | **(Resolution 2)** |
| Mr William Gregory Mesch | (Retiring under Article 97) | **(Resolution 3)** |
| Mr Nicholas George | (Retiring under Article 97) | **(Resolution 4)** |
| Mr John Tyler Siegel Jr | (Retiring under Article 97) | **(Resolution 5)** |
| Mr Daniel Aegerter | (Retiring under Article 97) | **(Resolution 6)** |
| Mr Kai-Uwe Ricke | (Retiring under Article 97) | **(Resolution 7)** |

Mr Brady Reid Rafuse will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee and will be considered non-independent.

Mr William Gregory Mesch will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit Committee, Remuneration Committee and ESOS Committee and will be considered independent.

Mr Nicholas George will, upon re-election as a Director of the Company, be appointed as the Non-Executive Chairman of the Company and remain as the Chairman of the Audit Committee and a member of the Remuneration Committee and ESOS Committee and will be considered independent.

Mr John Tyler Siegel Jr will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, Remuneration Committee and ESOS Committee and will be considered non-independent.

Mr Daniel Aegerter will, upon re-election as a Director of the Company, be considered non-independent.

Mr Kai-Uwe Ricke will, upon re-election as a Director of the Company, be considered independent.

(b) To note that Mr Thomas Byrnes will be retiring by rotation pursuant to Article 91 of the Articles of Association of the Company and he will not be seeking re-election at this Meeting.

3. To approve the payment of Directors' fees of €148,500 (equivalent to S$289,575) for the year ended 31 December 2009 (2008: €115,500 (equivalent to S$231,000)).
**(Resolution 8)**

4. To approve the payment of Directors' fees of up to €230,000 (equivalent to S$448,500) for the financial year ending 31 December 2010. [See Explanatory Note (i)]
**(Resolution 9)**

5. To re-appoint BDO LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
**(Resolution 10)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## As special business

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares**
That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Section B: Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited Listing Manual (the "Catalist Rules"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (ii)]
**(Resolution 11)**

# Notice of Annual General Meeting continued

8. **Authority to issue shares under the euNetworks Group Limited 2009 Share Option Scheme**
That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be authorised and empowered to offer and grant options under the euNetworks Group Limited 2009 Share Option Scheme (the "2009 Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the 2009 Scheme, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the 2009 Scheme shall not, when aggregated with any shares (a) capable of issue pursuant to outstanding options and awards granted under the euNetworks Group Limited Share Option Scheme, the 2009 Scheme, the euNetworks Group Limited Share Performance Plan and such other share incentive schemes as may be operated by the Company from time to time (collectively, the "Share Incentive Schemes") and (b) held by the trustee of any employee share trust as may be established by any member of the Group (being the Company, its subsidiaries and, if any, its associated companies over which the Company has control) from time to time, in connection with any Share Incentive Scheme or otherwise (the "Trustee"), exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (iii)]
**(Resolution 12)**

9 **Authority to issue shares under the euNetworks Group Limited Share Option Scheme**
That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be authorised and empowered to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the euNetworks Group Limited Share Option Scheme ("2000 Scheme"), provided always that the aggregate number of additional ordinary shares to be issued pursuant to the 2000 Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (iv)]
**(Resolution 13)**

By Order of the Board

Yip Ming Fai
Secretary
Singapore, 12 April 2010

# Explanatory Notes

(i) The Ordinary Resolution 9 in item 4 above, if passed, will facilitate the payment of Directors' fees during the financial year in which the fees are incurred, that is during the financial year ending 31 December 2010. The amount of Directors' fees proposed is calculated based on anticipated payments to three independent Non-executive Directors, a Non-executive Chairman and additional payments to the Chairmen of the Audit and Nominating Committees and the new Chairman of the Remuneration Committee to be appointed (in place of Mr Thomas Byrnes) in the financial year ending 31 December 2010. The amount also caters for unforeseen circumstances, for example, the appointment of additional Directors, additional board meetings and/or the formation of additional Board Committees.

(ii) The Ordinary Resolution 11 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Ordinary Resolution 12 in item 8 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the 2009 Scheme, up to a number, when aggregated with any shares (a) capable of issue pursuant to outstanding options and awards granted under the Share Incentive Schemes and (b) held by the Trustee, not exceeding in total (for the entire duration of the 2009 Scheme) twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

As at the date of this Notice, no member of the Group has established any trust in connection with the Share Incentive Schemes and, accordingly, no shares are currently held by the Trustee for purposes hereof.

For the avoidance of doubt, while the euNetworks Group Limited Share Performance Plan (the "Plan") that was adopted by the Company on 4 October 2006 is still in force, no authority for granting new awards and issuing new shares pursuant thereto are being sought as the Company does not intend to grant any new awards under the Plan and no authority for issuing new shares pursuant to outstanding awards is being sought as no outstanding awards remain
(and, accordingly, no Shares are capable of issue under the Plan).

(iv) Although the 2000 Scheme has expired on 4 January 2010, outstanding options granted prior to that date subsist and remain exercisable in accordance with the rules of the 2000 Scheme.

The Ordinary Resolution 13 in item 9 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted under the 2000 Scheme, up to a number not exceeding in total (for the entire duration of the 2000 Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

**Notes:**

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight hours before the time appointed for holding the Meeting.


EUNETWORKS

# Proxy Form

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. For investors who have used their CPF monies to buy euNetworks Group Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

**euNetworks Group Limited** (Incorporated in Singapore with limited liability) (Company Registration No. 199905625E)

I/We, ____________________ of ____________________
being a member/members of euNetworks Group Limited (the "Company"), hereby appoint:

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

and/or (delete as appropriate)

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

or failing the person, or either or both of the persons, referred to above , the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at CIMB-GK Investment Centre, 50 Raffles Place, #01-01 Singapore Land Tower, Singapore 048623 on Wednesday, 28 April 2010 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

| No. | Resolutions relating to: | For | Against |
|---|---|---|---|
| 1 | Directors' Report and Audited Accounts for the year ended 31 December 2009 | | |
| 2 | Re-election of Mr Brady Reid Rafuse as a Director | | |
| 3 | Re-appointment of Mr William Gregory Mesch as a Director | | |
| 4 | Re-appointment of Mr Nicholas George as a Director | | |
| 5 | Re-appointment of Mr John Tyler Siegel Jr as a Director | | |
| 6 | Re-appointment of Mr Daniel Aegerter as a Director | | |
| 7 | Re-appointment of Mr Kai-Uwe Ricke as a Director | | |
| 8 | Approval of Directors' fees amounting to €148,500 (equivalent to S$289,575) for the financial year ended 31 December 2009 | | |
| 9 | Approval of Directors' fees of up to €230,000 (equivalent to S$448,500) for the financial year ending 31 December 2010 | | |
| 10 | Re-appointment of Messrs BDO LLP as Auditors | | |
| 11 | Authority to issue new shares | | |
| 12 | Authority to issue shares under the euNetworks Group Limited 2009 Share Option Scheme | | |
| 13 | Authority to issue shares under the euNetworks Group Limited Share Option Scheme | | |

Dated this ____________ day of ________________ 2010

| Total number of Shares in: | No. of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

________________________________________
Signature of Shareholder(s) or, Common Seal of Corporate Shareholder

*Delete where inapplicable

# Proxy Form continued

**Notes :**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

# Notes