




eunetworks

ANNUAL REPORT 2010

eunetworks

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Financial & Operational Highlights

32% 21% 55% 30%

Total Revenue Growth

Recurring Revenue Growth

Network Revenue Growth

Growth in Gross Profits

Financial Highlights

- Total revenues increased by 32% to €43.8m for the full year 2010.
- Generated 21% year-on-year growth in recurring revenues, reflecting the continued focus on developing the underlying business.
- Targeting of network revenues delivered 55% growth, with €30.4m network services revenues.
- Non recurring network infrastructure sales were €4.6m.
- 82 new customers were signed.
- Exited 2010 with a monthly recurring invoiced run rate of €3.0m.
- Gross profit improved 30% from 2009, to €31.5m.
- Gross margin was 72%, slightly lower than gross margin of 73% in 2009, driven by non cash costs associated with non recurring infrastructure sales and lower margins from Internet Protocol revenues.
- Delivered positive adjusted EBITDA in both 3Q 2010 and 4Q 2010. Focused to build on this trend in quarters to come whilst continuing to invest to drive top line revenue growth.
- Capital expenditure was €15.4m for the full year, with a steady increase of success based capital projects in the 2H 2010.
- Completed a renounceable, partially underwritten rights issue in April for a convertible bond (2013 bond). The gross proceeds raised were approximately S\$83.9m, which was equivalent to a euro value of approximately €44.8m at the time. The net proceeds of this were used to purchase the balance of the convertible bonds due in 2012 (approximately S\$37.8m), fund capital expenditure (approximately S\$24.2m) and for working capital (approximately S\$6.6m). The utilisation of the proceeds from the rights issue is consistent with the intended uses as disclosed in the Company's offer information statement dated 8 March 2010 in relation to the rights issue. As at the end of the 2010 financial year, approximately S\$15.3m remained unutilised. The Company will continue to make periodic announcements on the utilisation of the balance of the proceeds raised from the rights issue as and when such proceeds are materially utilised.
- The redemption of the balance of the 2012 bond in 2Q 2010 means euNetworks' only significant debt relates to the 2013 bond. This is a convertible instrument held mainly by the Company's substantial shareholders.

82

New customers

114

Employees

365

Buildings on-net

58

Buildings in progress

Financial & Operational Highlights continued

	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
	€'m	€'m	€'m	€'m	€'m	€'m
Total Revenue	8.2	9.2	8.8	10.2	11.1	13.7
Recurring Revenue	8.2	8.4	8.2	10.2	9.9	10.9
Gross Profit ⁽⁴⁾	5.8	6.9	6.4	7.5	8.0	9.6
Gross Profit Margin %	70.7%	75.0%	72.7%	73.5%	72.1%	70.1%
Adjusted EBITDA ⁽¹⁾	(1.4)	(1.2)	(1.6)	(1.9) ⁽³⁾	0.8	1.8
Capital Expenditure	2.0	5.5	2.3	3.4	4.5	5.2
Proxy Cash Flow ⁽²⁾	(3.4)	(6.7)	(3.9)	(5.3)	(3.7)	(3.4)

(1) Adjusted EBITDA means EBITDA before the deduction of share option expense and is designed to reflect the Company's operating cash flow. EBITDA is derived from operating profit/(loss) and adding back depreciation and amortisation charges and profit/(loss) on disposal of assets.

(2) Proxy cash flow is calculated as Adjusted EBITDA less capital expenditure.

(3) Adjusted EBITDA for 2Q 2010 as reported in the 2Q announcement was €0 million. The difference is due to the reclassification of specific costs treated as exceptional items in the announcement for 1Q 2010. Details of the adjustment are set out in the 2Q 2010 announcement.

(4) Gross profit is calculated as revenue less expenses directly related to revenues, or direct network expenses.

Operational Highlights

- euNetworks' core assets are the 13 operational metropolitan networks spanning 5 countries in Europe. In 2010 the Company developed the sales team, and implemented projects to begin to drive more value from the 4 core markets of London, Frankfurt, Amsterdam and Dublin.
- Developed the sales organisation to locally address the other 9 markets, where little or no business was previously done. The Company now has sales people in 7 of the 13 markets.
- Directly connected 93 buildings to the network, with progress accelerating in 2H 2010. Exited the year with 365 buildings on-net and 58 in progress.
- Invested in selective network optimisation and development, largely driven by sales opportunity. The London metro network was optimised in 1Q 2010, with low latency equipment deployed and new lower latency routes into key exchanges in London activated.
- Rolled out dedicated ultra low latency routes connecting key data centres in London to those in Slough and Frankfurt. Rolled out the London to Stockholm route in December. These developments improved our competitive position and delivered 36 new euTrade contracts.
- Undertook significant maintenance and infrastructure audits of the data centre infrastructure. Major generator and Uninterruptable Power Supply (UPS) maintenance cycles completed by the manufacturer. Full infrastructure audits ensure the continued provision of the level of service quality customers expect.
- Appointed John Franklin as Chief Operating Officer in 2Q 2010 and James Thomas as Chief Financial Officer in 3Q 2010. James Thomas also joined the Board of Directors as an Executive Director.
- Headcount moved from 106 in January to 114 at the end of the year, with development of sales, product, marketing and operations teams.
- Implemented a new operating structure and processes, positioned the product to meet the need for high bandwidth services in Europe, and developed the sales team to better align with customer needs.

In 2010 the Company developed the sales team, and implemented projects to begin to drive more value from the 4 core markets of London, Frankfurt, Amsterdam and Dublin.

Group Profile

euNetworks Group Limited (SGX: H23:SI) is a bandwidth infrastructure provider, owning and operating 13 fibre based metropolitan networks across Europe, connected with a high capacity intercity backbone. The Company offers a portfolio of metro and longhaul Ethernet and Internet Protocol services including Dark Fibre, Dedicated Fibre, Wavelengths, Ethernet, and Internet. Enterprise and carrier customers benefit from euNetworks' unique inventory of fibre and duct based assets that are tailored to fulfil their high bandwidth needs.

euNetworks Group Limited is headquartered in London and publicly listed on the Singapore Stock Exchange.

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 that, at scale, will deliver high operating leverage and ultimately 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 London, Dublin, Amsterdam, Rotterdam, Utrecht, Frankfurt, Berlin, Hamburg, Munich, Düsseldorf, Stuttgart, Cologne and Paris. These

deep metropolitan networks are fundamental to the value delivered to customers. They are also the cornerstone for euNetworks' development and ability to scale in line with market and customer demand. These metropolitan networks are connected with a high capacity long haul intercity backbone linking the United Kingdom, Belgium, the Netherlands, France and Germany.

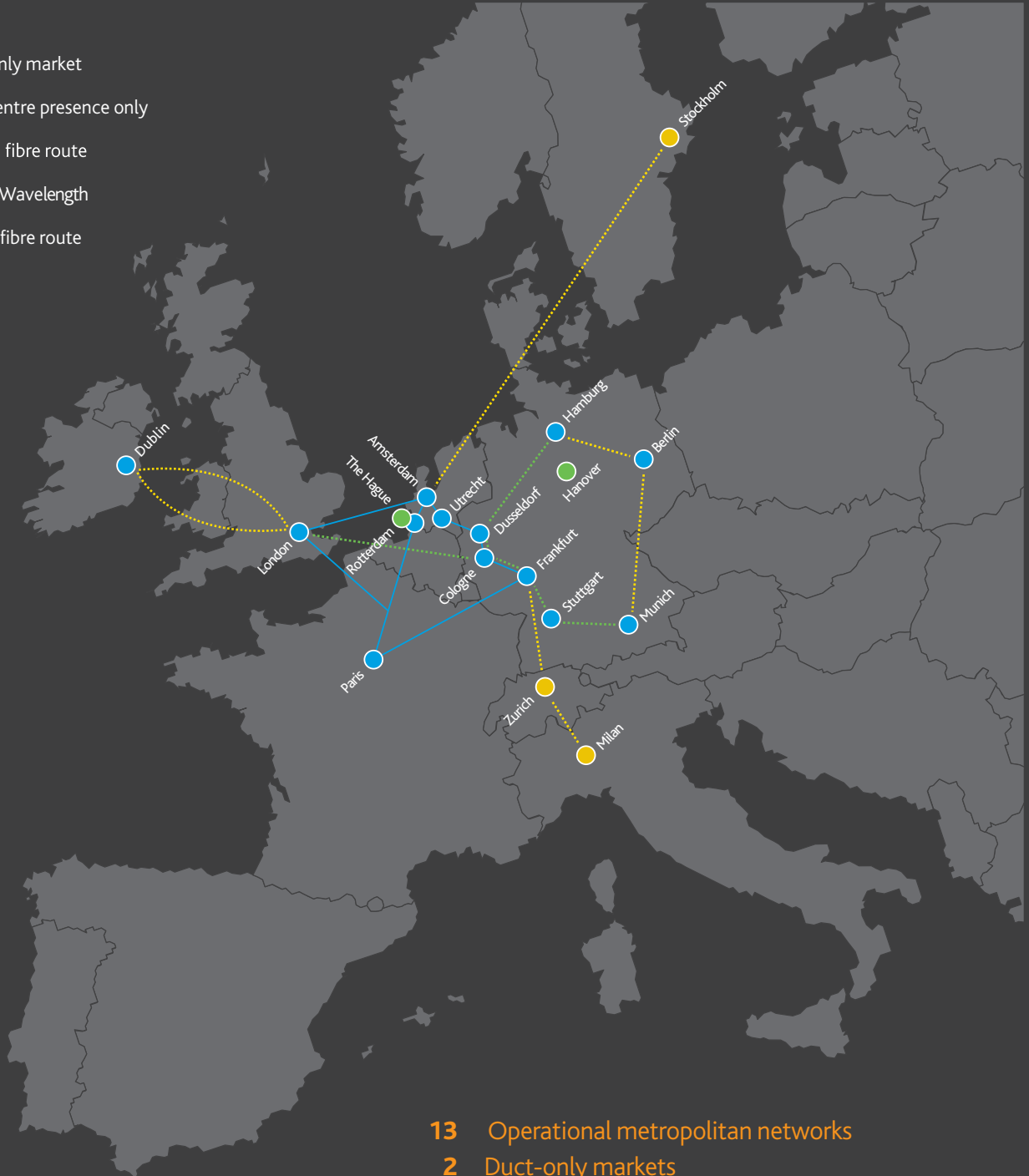
The Company serves large bandwidth users on or near the fibre footprint. Carrier customers include telecom, cable, mobile and Internet service providers. Enterprise customers include web-centric businesses, financial services, media, healthcare, legal, government and manufacturing entities. euNetworks works closely with partners to serve the bandwidth requirements of some Enterprise segments.

The euNetworks product portfolio includes Dark Fibre, Dedicated Fibre, Wavelengths, Ethernet and Internet services. Segment specific solutions such as euTrade ensure tailored bundling of the product set to meet specific vertical requirements.

euNetworks has high-density last mile fibre networks in 15 major European cities, with 13 of these operational today.

Group Profile continued

- MAN
- Duct-only market
- Data centre presence only
- Owned fibre route
- ⋯ Leased Wavelength
- ⋯ Leased fibre route



- 13** Operational metropolitan networks
- 2** Duct-only markets
- 611** Metro route miles
- ~250,000** Metro fibre miles
- 365** On-net buildings
- 432** Fibre strand count
- 6** Ducts in most markets
- 3** Ultra low latency markets served with leased network
- 3** Data centres

Chairman's Statement

Nicholas George, Non- Executive Chairman



Throughout 2010 the euNetworks team focused on implementing and driving key transformational programmes to improve the underlying business. Network developments were made to directly serve customer demand, and work was undertaken to align our service offering with customer needs.

The foundations of a scalable operational model were implemented. This is important as we continue to gain more customers. With a growing market opportunity, and our resources aligned to that, we have delivered strong sales growth in 2010. This has been achieved despite continued competitive pressure and macroeconomic challenges in Europe.

In 2010 the Group grew total revenues by 32% to €43.8m, with recurring revenues of €39.2m, up 21% from 2009. In 2010 we focused on network revenue growth, delivering €30.4m, a 55% uplift from 2009. In addition, recurring network revenues grew by 37% to €25.8m. Non recurring network infrastructure sales in the year were €4.6m. Gross profit increased by 30% to €31.5m. Gross margin was 72%, slightly lower than 73% in 2009, driven by non cash costs associated with non recurring infrastructure sales and lower margins from Internet Protocol (IP) revenues. Adjusted EBITDA in 2010 was €(0.9)m ; the 1H 2010 adjusted EBITDA loss was followed by two consecutive quarters of positive adjusted EBITDA. This was a good achievement and we remain focused on this trend in quarters to come, whilst continuing to invest to drive top line revenue growth.

During the year we also successfully completed a fund raising activity of a renounceable partially underwritten issue for a convertible bond (2013 bond). The Company raised \$83.9m, with an equivalent euro value of €44.8m at the time. The net proceeds of this were used to purchase the balance of the convertible bonds due in 2012 at a price below the put which holders had in 2010, and to fund capital expenditure and working capital. Following this, euNetworks' only significant debt relates to the 2013 bond.

Overall, the business of euNetworks is in a much stronger position today than a year ago, and the Board and I are very positive for the future. The leadership team is now in place and results are being delivered. James Thomas, our Chief Financial Officer, joined the Board at his appointment date on 14 September 2010. All other members of our Board remain unchanged since last year's Annual General Meeting and as reported in the 2009 Annual Report.

As we look to 2011 and the growing opportunity ahead for euNetworks, both the Board of Directors and leadership team of the Company thank you for your ongoing commitment to the business, and to the strategy we have been implementing. The right steps have been taken in the year, with strong results. We will continue with the same focus on our key financial metrics demonstrated in 2010, while leveraging our assets and growing the opportunity across our network footprint.

NICHOLAS GEORGE
Non-Executive Chairman

Chief Executive's Message

Brady Rafuse, CEO

2010 was a year of great progress for the company. We welcomed many new customers, and grew our relationship with existing customers. We added some great people to our team, grew our sales and revenues significantly, and we demonstrated real diligence in our management of our costs whilst driving our operational capability forward. I wanted to reflect on some of these matters whilst looking forward to our prospects in 2011.

Just to reacquaint you with euNetworks, who we are and what we do, we are a bandwidth infrastructure company. That is a facilities based telecommunications company ("telco") with strong metropolitan assets. Our company is founded in its deep metro networks. We have 15 Western European city networks in Germany, the Netherlands, France, the United Kingdom and Ireland, of which 13 are fully operational. In each of these cities we have a duct network of between 1 and 6 ducts, through which our fibre optic cables travel. We operate a very thin slice of the overall communications stack. We sell Dark Fibre, Dedicated Fibre, Wavelengths, Ethernet and Internet Protocol (IP) services to enterprises and wholesale customers. Hence we are a horizontally integrated company.

Being a horizontally integrated company is an important fundamental of our business. There are many successful companies who offer a full vertical stack of telecommunications services. Our premise is just different. Our major assets are our network of metro fibre and duct. I noted in my letter last year that the bandwidth infrastructure sub-segment in the communications market was an increasingly defined and attractive one. I think that accelerated in 2010. Shayndi Raice wrote in the Wall Street Journal in December 2010:

"After the telecom bubble burst a decade ago, fibre was a dirty word. Now, the fibre-optic network business is enjoying a resurgence, particularly for metro fibre, the high-capacity lines that connect a city's office buildings, data centres and cellular towers to the Internet. There have been 14 acquisitions in the industry this year alone and 45 since the fibre market began its turnaround in 2006, according to investment bank Cowen & Co."

A metro fibre company that connects a 'city's office buildings, data centres and cellular towers to the Internet' is exactly what we are and what we do. What these companies have in common is high growth, high gross margins and high EBITDA margins when they are at scale. They generate significant operating cash flow and tend to spend a relatively high percentage of revenue as capital relative to the more services based telcos. The bandwidth infrastructure segment shares many of the same characteristics as the data centre and cell tower segments, which have both been kind to investors in recent times. I labour this point because the fundamentals of the



business are different from what caused the telecom crash around 1999-2000. Demand is different and the underlying economic model is attractive. At scale we believe that we can generate adjusted EBITDA margins of 40+%. This is not unusual in the bandwidth infrastructure space. At scale we believe we will deliver operating cash flow margins in the region of 15%. We believe that is an exciting business for all our stakeholders. This implies capital expenditure of around 30%. I am often asked about capital expenditure and how to constrain it. Again, we don't see our business like that. Warren Buffett has said:

"The ideal business is one that earns very high returns on capital and that keeps using lots of capital at those high returns. That becomes a compounding machine."⁽⁴⁾

We seek to deploy capital. It fuels our growth. Growth will take us to scale and that will deliver the returns I laid out above. The crucial point about capital is that you measure and manage your expenditure to generate high returns. I will return to this point.

The Nature of Demand

We saw good sales growth in 2010. Our strongest segment was the financial services vertical, particularly driven by our euTrade low latency services. There is a school of thought that this is a somewhat transitory business. I feel differently. I think that the idea that high-frequency trading will be regulated out of the market is unlikely and agree with Felix Salmon who wrote on wired.com in January 2011:

"Over the past decade, algorithmic trading has overtaken the industry. From the single desk of a startup hedge fund to the gilded halls of Goldman Sachs, computer code is now responsible for most of the activity on Wall Street. (By some estimates, computer-aided high-frequency trading now accounts for about 70 percent of total trade volume.) [...]"

"Algorithms have become so ingrained in our financial system that the markets could not operate without them."

Our view is that the more likely development would be different asset classes being traded in this way, such as foreign exchange and

derivatives. That doesn't mean that it isn't a highly competitive space, but the idea that it will just evaporate doesn't reflect our thinking.

We have seen growth across many other sectors too. I commented last year that the tipping point for our services tended to be at the Gigabit level and that was probably still a little beyond the European market, but was well established in the United States, and that we tended to trail them by 18-24 months. The growth in the United States goes from strength to strength but certainly the progression has been marked in Europe in 2010. The institutional finance industry is well established, and we have also seen demand from many other segments. We will serve parts of most verticals directly, but indirect channels are a very important part of our mix. That is particularly so in Germany where companies who take our products and package them into broader solutions represent a growing proportion of our business, and are particularly important in our newer markets. These partnerships work well for us.

I would also like to reflect on two of the forces that dominate the technology industry at this time, cloud computing and mobile data, and what they mean to euNetworks.

Cloud Computing

There is much said of cloud computing to the point that it is actually quite difficult to find two people who would define it in the same way. Terms such as software as a service, platform as a service, virtualisation, hosted services, and managed services are frequently used. As I have previously noted, we are not a cloud computing company. It is not the same business as running a bandwidth infrastructure company. But whether it is using Gmail and Google Apps rather than PC loaded Exchange and Office, or force.com instead of Siebel or Oracle, through to a Fortune 100 company virtualising their .Net architecture, all of these shifts have a positive impact on our business. They rely on a distributed architecture and significantly larger amounts of data being moved. The capacity and security of dedicated fibre offers customers and vendors real peace of mind when moving mission critical applications to a cloud or virtualised environment. Guarantees around latency, security and availability are critical elements to the proposition. This is a positive trend for us.

(4) *The Snowball: Warren Buffett and the Business of Life*; by Anne Schroeder, 2008

I consider that we have made a great deal of progress in 2010 and are building a great business for our shareholders, our people and the communities in which we operate. That work will continue and accelerate in 2011.

Mobile Data

There were 94 million smartphones sold in 2010 and there are now 5 billion mobile subscriptions worldwide⁽⁵⁾. When I wrote this letter last year, the mobile companies were already struggling to manage the surge in data growth. The iPad was not even launched then. Mobile video is now here to stay. Cisco project all mobile data growing 26 times by 2015, with mobile video growing at a staggering 35 times. The US experience suggests that the mobile operators believe that fibre is the way to manage that, and increasingly that trend is playing out in Europe. Whilst other technologies such as microwave are being utilised, there is a point at which you need fibre to carry the sheer weight of traffic. That growth in traffic is exponential, which increases the demand for that fibre. Our deep metro networks position us well as a partner to those companies.

Operations

You can read more about our operations elsewhere in this document. There was an advertising campaign that was run in our industry several years ago saying that the provider was the least bad in the industry: "We drop less calls than anyone." We just don't think that way. We are a 21st century telco. The standards to which we wish to be held are to be the best in the technology industry. To do that we need our operations to be 'friction free'. Our data and our systems need to underpin that. Data is everything to a business like euNetworks. No amount of systems development will mask bad data. We have a long way to go, but we have made significant progress. We manage our business end-to-end from the identification of a prospect to an output to billing in force.com. We define our processes, measure how we perform, baseline that performance and then work tirelessly to drive out variation. 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.

Capital Expenditure & the Economics of Adding Buildings

Ultimately what matters to you, our shareholders, is that we manage your investment in euNetworks with care and discipline. To this end, we aim to spend the majority of available capital on a success basis (i.e. on new or upgraded customer contracts).

Network development capital investments are currently a higher percentage than we would like but, when done, they further leverage the uniqueness and depth of the in-place networks. Further, we have significantly improved the rigour behind capital deployment decision making, actual spending approvals and assessment metrics which improves confidence that we are investing properly.

We entered 2010 with 272 buildings on-net and exited with 365 on-net and 58 in progress. We were relatively happy with the progress, despite the normal implementation difficulties faced day-to-day, particularly in London. Bringing buildings on-net is core to our strategy. As such, euNetworks has developed a new building add core competency. On-net buildings allow us to sell on-net services. This gives us a much lower cost of goods sold because we are not paying out large proportions of our revenue to other telecom providers and can hence drive high adjusted EBITDA margins.

In 2010, the proportion of success based capex spend to network development capex spend was 2 to 1. Our network development enabled us to add over 15 kilometres of fibred duct to our metro networks in London, Frankfurt, Munich, Hamburg and Berlin and create a low latency fibre route from London to Frankfurt. Adding kilometres to our network puts us closer to more buildings, adding new targets for our sales teams. As our sales teams close deals with customers, we place their building on-net via success based spend. Once a building is on-net, we are able to quickly target other customers within the building via our direct and indirect channels.

The value creation we drive from this process of expanding our footprint via network development kilometres and success based building additions is best measured by the payback against incremental revenues.

In 2010, the payback for services sold into on-net buildings against our success based spend was approximately 6 months. The payback of sales against spend associated with success based building additions and network development was around 11 months. Given the average customer contract for the period was 27 months, and considering the long asset lives associated with this spend, the value creation is clear. Over time, the value from increasing our footprint and adding buildings will drive an increasing addressable market that we believe we can continue to penetrate with very attractive, short payback sales.

⁽⁵⁾ Cisco Visual Networking (VNI) Global Mobile Data Traffic Forecast, 2010-2015; 2011.

Organisation

We strengthened our team significantly during 2010. John Franklin joined as our Chief Operating Officer in 2Q 2010. James Thomas joined the company in 3Q 2010 as our Chief Financial Officer and was also appointed as an Executive Director to our Board of Directors.

Finally, the values we hold as a company are fundamental. I appreciate that there is repetition in this year's letter from last. But, we do believe our values are fundamental. They guide the way that we make decisions. 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 2010 and are building a great business for our shareholders, our people and the communities in which we operate. That work will continue and accelerate in 2011. We all thank you for your support.

BRADY RAFUSE
Chief Executive Officer

Operational Review & Outlook

Following a year of steady transformation, with new teams and processes in place, euNetworks delivered strong results and is positioned for further growth.

Financial Highlights

In 2010 total revenues grew by 32%, from €33.1m in 2009 to €43.8m in 2010, with recurring revenues for the year of €39.2m, up 21% from 2009. euNetworks targeted network revenue growth, both to leverage the significant fibre assets held by the Company, and because data centre space was near full capacity. Network revenues increased significantly from 2009, growing by 55% to €30.4m and recurring network revenues grew by 37% from 2009, to €25.8m. Non recurring network infrastructure sales in the year were €4.6m, up from €0.8m in 2009.

Prior year adjustments were made to reported results, with 2009 and 2010 figures reported on 1 March 2011 and stated in this Annual Report in line with these. Adjustments were of a non cash nature, and hence have not affected the cash position of the Group, or its operating ability. The most notable adjustment has been to report the recharges of power within the data centre business as an element of revenue, with the associated cost of supply within direct network expense. For the full year 2010 this added €3.2m to total revenues and to costs (€3.0m in 2009). This did not impact the overall level of reported profitability for euNetworks, but did dilute the overall reported gross margin for the business.

In 2010, euNetworks began reporting gross profit of the business determined as revenue less expenses directly related to revenues, or direct network expenses. This more accurately reflects the profitability of the customer contract base, indicating the costs directly associated to servicing customer revenues. Gross profit steadily improved through the year; the Company delivered €31.5m in gross profit in 2010, up 30% from 2009.

Gross margin for the year was 72%, slightly lower than 73% achieved in 2009. This was driven by non cash costs associated with non recurring infrastructure sales and lower margins from Internet Protocol (IP) revenues. Underlying gross margin, excluding non-recurring infrastructure sales, was 72.7%. The Company's continued focus on sales of on-net fibre and bandwidth services will, over time, trend towards 80% gross margins as the business reaches scale.

The Company delivered positive adjusted EBITDA in both 3Q 2010 and 4Q 2010, and had an adjusted EBITDA of €(0.9)m for the year. This is a key financial indicator for the business and a trend to build on in quarters to come, whilst continuing to invest to drive top line revenue growth.

Capital expenditure was €15.4m for the full year, reflecting a steady increase of success based capital projects towards the end of 2010.

Staff costs increased by 72%, from €12.6m in 2009 to €21.7m in 2010. The increase was primarily driven by two areas. Firstly, share option costs in 2010 were €5.4m, up from €2.6m in 2009 due to an exceptional charge of €1.2m relating to the former Executive Chairman who retained entitlement to exercise the share options granted to him following the cessation of his employment in April 2010 and the issuance of share options mostly in relation to the recruitment and as an incentive for the new leadership team now in place. Secondly, termination costs increased from €0.5m in 2009 to €1.9m in 2010, due to an exceptional charge of

€1.4m relating to settlements with former employees, including Directors. The residual increase in other staff costs was due to the employment of additional executives within the leadership team as well as increases in sales and operational personnel to help drive the growth of the business.

Depreciation and amortisation was €14.5m in 2010, growing 16% from 2009 due to the increased scope of the Company's network.

Other administrative expenses decreased from €5.2m in 2009 to €4.5m in 2010 principally due to a fall in the level of professional fees paid to external advisers.

While focusing on driving up the performance of key financial indicators and growing the business organically, euNetworks also completed fund raising activity, improving the net current asset position of the Company. In April the Group completed a renounceable partially underwritten issue for a convertible bond (2013 bond). The gross proceeds of this were S\$83.9m, with an equivalent euro value of €44.8m at the time. The net proceeds of this were used to purchase the balance of the convertible bond due in 2012 (approximately S\$37.8m), fund capital expenditure (approximately S\$24.2m) and for working capital (approximately S\$6.6m). The utilisation of the proceeds from the rights issue is consistent with the intended uses as disclosed in the Company's offer information statement dated 8 March 2010 in relation to the rights issue. As at the end of the 2010 financial year, approximately S\$15.3m remained unutilised. The Company will continue to make periodic announcements on the utilisation of the balance of the proceeds raised from the rights issue as and when such proceeds are materially utilised. The redemption of the balance of the 2012 bond in 2Q 2010 means euNetworks' only significant debt relates to the 2013 bond. This is a convertible instrument held mainly by the Company's substantial shareholders.

Operational Highlights

While the macroeconomic market remained challenging in Europe, the market opportunity for euNetworks grew through 2010. The Company implemented a new operating structure and processes. The product portfolio was positioned to meet the need for high bandwidth services in Europe, and the sales team was developed, both locally and by segment, to better align offerings with customer needs. The team continued to focus on leveraging the network assets, deploying capital to connect more buildings, expanding the addressable market and growing recurring revenues across the footprint.

Developing Market Opportunity

The Company increased its market opportunity and position through steps taken in the year, increasing penetration in key segments, such as financial services, expanding into new segments through partners and resellers, and expanding the metro networks on a success basis.

Low latency connectivity was a key growth offering in Europe in 2010, particularly targeted at the financial services sector. Developments in euNetworks' euTrade portfolio of ultra low latency services improved the Company's service reputation and competitive position, strengthened the sales funnel and supported revenue growth. In 1Q 2010 the London

In 2010 total revenues grew by

32%

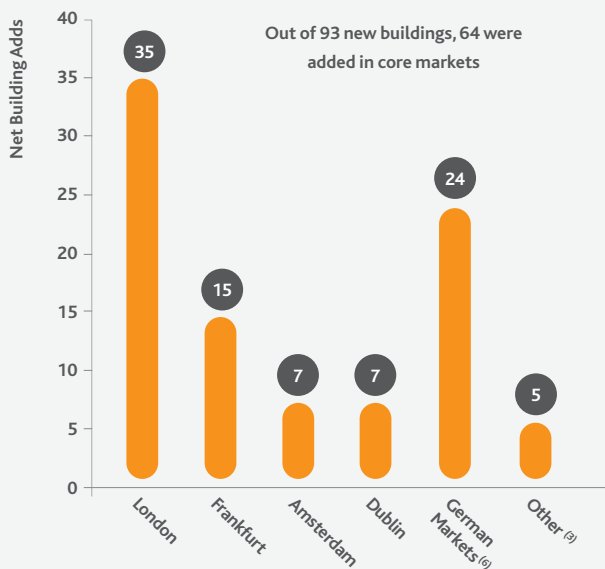
from €33.1m in 2009 to €43.8m in 2010

with recurring revenues for the year of

€39.2m

up 21% from 2009

New Buildings Added by Market in 2010



euNetworks will continue to invest to drive top line revenue growth through the year ahead, carefully managing against key financial indicators.

metropolitan network was optimised, with deployment of low latency equipment and activation of new lower latency routes into key financial exchanges in London. In 3Q 2010 dedicated ultra low latency routes were rolled out, connecting key data centres in London to those in Slough and Frankfurt. In December a new London to Stockholm route was launched. By year end, 36 new euTrade contracts were signed, associated with the network developments made in 3Q 2010 and 4Q 2010.

euNetworks' view of market trends towards high bandwidth products across multiple sectors remains. The Company's services come into their own at the Gigabit level. Enterprise customers in specific sectors embraced this in 2010, as more activity moved to the cloud. There are still, however, many enterprises in the European market who see the transition from 100Mb services to Gigabit as too much. Bandwidth infrastructure providers in the United States have seen this transition in the market. With the European telecoms market lagging the US market by 18 or so months, the bandwidth transition is expected to drive up demand for euNetworks' services.

Increasing Sales Productivity

At the core of the Company's business are the 13 operational metropolitan networks spanning 5 countries in Europe. In 2010 euNetworks developed the sales team, and implemented projects to begin to drive more value from the 4 core markets of London, Frankfurt, Amsterdam and Dublin. The Company also started to develop the sales organisation to address the other 9 markets, where little or no business was previously done.

In 1Q 2010, 10 new sales people were recruited in Germany, the United Kingdom and the Netherlands, developing a local focus in growth markets. For the first time the Company had sales people in Hamburg and Munich and exited the quarter with sales presence in 7 of the 13 operational markets. Following this investment, a strong uplift in sales productivity was seen in 3Q 2010, with this level of productivity maintained in 4Q 2010. The sales funnel has strengthened, indicating an encouraging pipeline for sales in the future.

Average contract term for the year declined to 27 months in 2010, from 33 in 2009. This decline was largely due to the volume of low latency contracts signed in the year. Typically such contracts run for a 12 month term, but are for a premium service.

Driving Value from the Network

Having key buildings on-net drives value onto the network, and positions euNetworks to serve bandwidth demand. In the year the Company connected 93 buildings to the network, with progress accelerating in 2H 2010. While London and Frankfurt metropolitan markets dominated in volume, there was also progress made across the footprint. By year end, 365 buildings were on-net, with a pipeline of 58 in progress.

While the Company is adding buildings and increasing sales, this is being done in a disciplined and capital efficient manner. euNetworks aims to sign contracts where the initial capital spend generates a payback⁽⁶⁾ for success based capital expenditure of 6 months or a return on capital⁽⁷⁾ of approximately 2x. euNetworks defines return on capital as the total contract value divided by the initial capital investment, an alternative metric that allows the Company to normalise against longer payback opportunities with longer term contracts. In 2010 euNetworks invested in selective network optimisation and development projects, largely driven by sales opportunity. Paybacks for success based capital and network development combined were circa 11 months, with a return on capital employed of approximately 1.8x. The Company expects to drive further monthly recurring revenues from these investments.

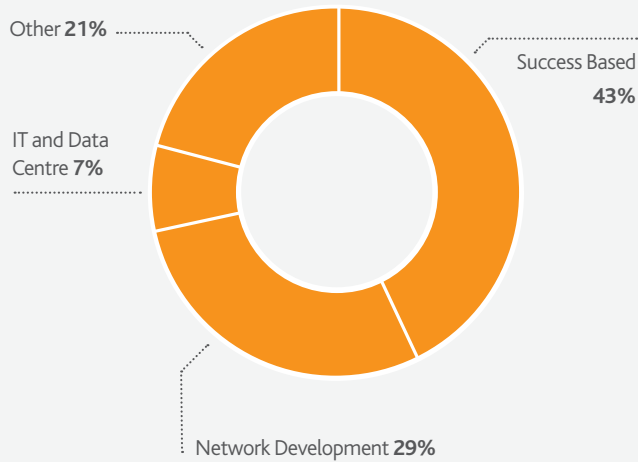
As well as developing the metro networks and low latency routes in the year, euNetworks undertook significant maintenance and infrastructure audits of the data centres. Major generator and

(6) Payback is defined as: $(\text{Capex} - \text{Non Recurring Revenues}) / (\text{Monthly Recurring Revenues} - \text{Direct Network Expenses})$

(7) Return of Capital is defined as: $[\text{Non Recurring Revenues} + (\text{Average term of sales} \times (\text{Monthly Recurring Revenues} - \text{Direct Network Expenses}))] / \text{Capex}$

Operational Review & Outlook continued

2010 Capital Investment



Uninterruptable Power Supply (UPS) maintenance cycles were completed by the manufacturer. Full infrastructure audits were also undertaken to ensure the Company continues to provide the level of service quality customers expect. This was also an important effort for revenue retention.

Delivering a Friction Free Service

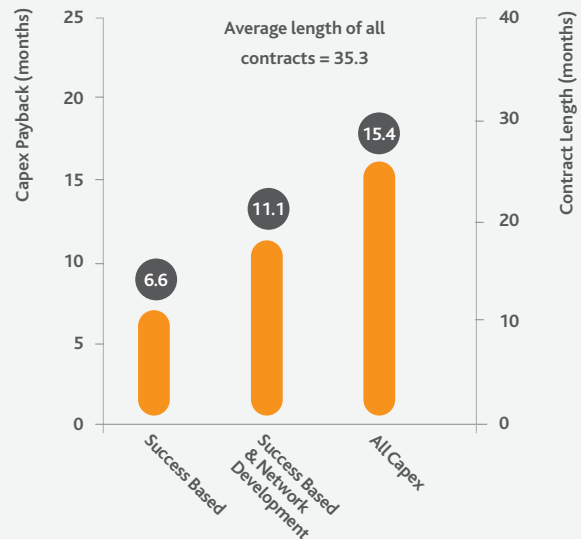
At the heart of providing an excellent customer experience is accurate data, efficient processes and the ability to access and correlate that data in real time. euNetworks calls this a 'friction free' service. In 2010 the Company set a goal to move euNetworks towards a 'friction free' environment that would bring benefits to both the customer experience and to the efficiency of the Company as a whole, thus enabling significant scalability.

Where this makes sense, euNetworks has four simple rules:

1. Minimise the number of systems
2. Make them available to all, from any location
3. Integrate processes and systems
4. And finally, use that interrelationship to drive data quality

Significant progress was made in the year, but there is still much to do. Underpinning the programme was the consolidation of business applications onto cloud based platforms where appropriate. Salesforce.com and Google Apps for Business are the two key applications used by euNetworks. Since the programme launch in 2Q 2010, Sales and Customer Service Delivery processes have moved into these applications. Both have benefited from process improvements, enhanced work flow, functionality and availability of data. Through improved process definition and data availability, the Company's ability to understand the commercial viability and expected delivery steps for opportunities has been significantly enhanced. Customer service delivery has benefited from faster and more reliable setting of customer commitment dates. There is a

Payback by Month



better work flow and the ability to monitor the multitude of internal and external tasks that make up a complex service delivery plan, thereby providing better communication and risk management.

With greater efficiencies and data on how the Company is operating, the team has been able to address areas of improvement and provide the customer with an improved end-to-end experience. The leadership team can now rapidly assess and manage monthly performance through a number of key real time dashboards.

The success of this programme comes into its own as the business continues to scale and the interrelationship of data grows as more functions are moved into the platform. Product configuration, customer care and network inventory management are the next areas of focus as euNetworks continues to develop the Salesforce.com platform in quarters to come.

2011 Outlook

In 2011 euNetworks expects to grow its market opportunity and strengthen the positioning of the Company in the European market, despite macroeconomic conditions continuing to be a challenge for the region. Connecting further bandwidth intensive buildings to the network, developing productive local sales teams, investing in a product portfolio aligned to customer needs, and systems and processes to improve the customer experience will continue to drive the business forward.

The team will also continue to explore new and emerging opportunities such as mobile data, where demand for fibre based connectivity between buildings, across cities and countries are required.

euNetworks will continue to invest to drive top line revenue growth through the year ahead, carefully managing against key financial indicators.

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Corporate Profile

Non-Executive Chairman

Nicholas George Independent

BOARD OF DIRECTORS

Executive

Brady Reid Rafuse Chief Executive Officer

James Robert Thomas Chief Financial Officer
(appointed on 14 September 2010)

Non-Executive

Lam Kwok Chong Independent

William Gregory Mesch Independent

Kai-Uwe Ricke Independent (appointed on
12 April 2010)

Daniel Simon Aegerter Non-Independent (appointed
on 12 April 2010)

John Tyler Siegel Jr. Non-Independent

Simon Daniel Koenig Alternate Director to Daniel
Simon Aegerter (appointed
on 12 April 2010)

Jason Robert Booma Alternate Director to
John Tyler Siegel Jr.

AUDIT COMMITTEE

Lam Kwok Chong (Chairman)

Nicholas George
William Gregory Mesch
John Tyler Siegel Jr.

NOMINATING COMMITTEE

William Gregory Mesch (Chairman)

Nicholas George
Brady Reid Rafuse
Kai-Uwe Ricke
John Tyler Siegel Jr.

REMUNERATION COMMITTEE

Nicholas George (Chairman)

John Tyler Siegel Jr.
Kai-Uwe Ricke

ESOS COMMITTEE

Nicholas George (Chairman)

John Tyler Siegel Jr.
Kai-Uwe Ricke

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
19 Keppel Road
#02-01 Jit Poh Building
Singapore 089058

AUDIT PARTNER-IN-CHARGE

Lim Ai Leen
(Year of appointment: 2010)

BANKERS

The Royal Bank of Scotland N.V.
Level 26
One Raffles Quay
South Tower
Singapore 048583

SPONSOR

CIMB Bank Berhad
Singapore Branch
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623

Board of Directors



NICHOLAS GEORGE

Non-Executive Chairman

Nicholas George is the Non-Executive Chairman and Chairman of the Remuneration and ESOS Committees. 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, and Millennium and Copthorne Hotels PLC and Aberdeen New Dawn Investment Trust PLC, both listed in London.

In 2003 Mr. George 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.

He was appointed to the Board on 22 May 2009 and was re-elected on 28 April 2010. Mr. George will be seeking re-election to the Board at the forthcoming Annual General Meeting.



BRADY REID RAFUSE

Chief Executive Officer

Brady Rafuse is the 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 becoming 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.

Mr. Rafuse began his career in telecom in BT in 1986. He holds a Masters degree from McGill University and a Diploma from Insead.

He was appointed to the Board on 30 April 2009 and was re-elected on 28 April 2010. Mr. Rafuse will be seeking re-election to the Board at the forthcoming Annual General Meeting.

Board of Directors continued



JAMES ROBERT THOMAS

Chief Financial Officer

James Thomas is the Chief Financial Officer and an Executive Director of euNetworks Group Limited. He joined the company in September 2010.

Prior to joining euNetworks, Mr. Thomas worked for the Carphone Warehouse Group Plc. He was Finance Director for the TalkTalk operating business, where he oversaw the financial and commercial development of TalkTalk's rapid growth to become one of the largest consumer phone and broadband providers in the United Kingdom. Mr. Thomas led the de-merger activities of TalkTalk from the Carphone Warehouse Group Plc and became Group Finance Director for TalkTalk Telecom Group Plc where he was responsible for financial control, planning, performance management and reporting.

Mr. Thomas was a management consultant with Deloitte from 2001 to 2004, providing strategy, operational and financial services to technology, media and telecoms businesses. From 1996 to 2001 he worked as a consultant for Andersen after spending five years in their Audit practice.

He is a qualified chartered accountant in the United Kingdom and holds a Master of Business Administration from Manchester Business School.

Mr. Thomas was appointed to the Board on 14 September 2010 and will be seeking re-election to the Board at the forthcoming Annual General Meeting.



DANIEL SIMON AEGERTER

Non-Independent, Non-Executive Director

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

As Chairman and Chief Executive Officer 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 2000, Mr. Aegerter 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 entrepreneur.

Mr. Aegerter 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.

Mr. Aegerter was appointed to the Board on 12 April 2010 and was last re-elected on 28 April 2010.



LAM KWOK CHONG

Independent, Non-Executive Director

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

Mr. Lam 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.

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

He was appointed to the Board on 29 April 2008 and was last re-elected on 29 April 2009. Mr. Lam will be seeking re-election to the Board at the forthcoming Annual General Meeting.



WILLIAM GREGORY MESCH

Independent, Non-Executive Director

Greg Mesch currently serves as Non-Executive Director, management consultant and investor to European technology-based companies.

Prior to this, Mr. Mesch was a founding Director of Versatel, a local access fibre provider in the Netherlands, Germany and Belgium. He later became the Group 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 has over 25 years of experience in direct telecom, fibre based infrastructure and high growth companies.

Mr. Mesch studied mathematics and computer sciences at the University of Colorado and has a Master of Business Administration from the University of Denver.

He was appointed to the Board on 22 May 2009 and was last re-elected on 28 April 2010.



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. Mr. Ricke serves as a member of the Supervisory Board of United Internet AG, Germany. 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.

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.

Mr. Ricke was appointed to the Board on 12 April 2010 and was last re-elected on 28 April 2010.



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 GTS Central Europe, Virtustream, Cologix, mindSHIFT Technologies 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 Bachelor of Arts from Princeton University and his Master of Business Administration from Harvard Business School.

He was appointed to the Board on 6 August 2009 and was last re-elected on 28 April 2010.

Board of Directors continued



JASON ROBERT BOOMA

Non-Independent, Alternate Non-Executive Director to John Tyler Siegel Jr.

Jason Booma has been a Principal at Columbia Capital since 2008 and focuses on investments in the communications and information services sectors. He is a member of the Board of Directors of Envysion, Inc and is directly involved in Columbia's investments in Endgame Systems, Zayo Group LLC, and GTS Central Europe.

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 Bachelor of Science in Computer Engineering from Northwestern University and a Master of Business Administration from the Kellogg School of Management.

He was appointed to the Board as alternate to Mr. Siegel on 6 August 2009.



SIMON DANIEL KOENIG

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

Simon Koenig joined Armada Investment Group, a Swiss based single Family Office, in May 2009. He leads the Künsnacht (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 Bachelor of Arts from the University of Applied Sciences Zurich and is a member of the CFA Institute and the Swiss CFA Society.

He was appointed to the Board as alternate to Mr. Aegerter on 12 April 2010.

Key Management



UWE NICKL

Chief Marketing Officer

Uwe Nickl is the 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.



JOHN FRANKLIN

Chief Operating Officer

John Franklin is the Chief Operating Officer of euNetworks Group Limited. He joined the Company in June 2010 and is responsible for the Company operations across architecture, engineering, IT, field services, customer care and service delivery.

Mr. Franklin has more than 20 years of experience in telecommunications covering a variety of engineering, planning and product roles both within network operators and telecommunication equipment manufacturers. His international experience includes Europe, Asia, South America and the United States.

Prior to joining euNetworks he was Director at British Telecom, responsible for leased access engineering globally, including inventory strategy and network optimisation. He also worked for Level 3 Communications as Senior Vice President of Network Planning & Deployment.



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, human resources 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.

Key Management continued



JOHN SCARANO

Strategic and Corporate Development Adviser

John Scarano is the Strategic and Corporate Development Adviser of euNetworks Group Limited. He joined the Company in February 2011.

Mr. Scarano has over 20 years experience in the telecoms industry. He is the Co-Founder of Zayo Group and former President and Chief Operating Officer of Zayo Bandwidth. Under Mr. Scarano's leadership, Zayo acquired and integrated 16 facilities-based telecom businesses while maintaining double digit organic growth in less than four years.

Prior to Zayo, Mr. Scarano led Corporate Development activities, resulting in a turnaround of ICG communications, returning 25 times on invested capital to investors. Prior to ICG, Mr. Scarano led the network development and build-out of Level 3 Communications' North American networks, and then led Level 3's global business development group responsible for transactions in the United States and Europe.

Mr. Scarano began his career in telecom at AT&T in 1989. He holds a Bachelors of Science degree in Business Administration and Computer Science from State University of New York at Albany.



DAVID SELBY

Vice President Product & Strategy

David Selby is Vice President of Product & Strategy of euNetworks Group Limited. He joined the Company in August 2009 and is responsible for products, strategy and carrier relations activities of the Company.

Prior to joining euNetworks, Mr. Selby worked for Level 3 Communications for 10 years, where he held key positions. In his most recent role as Vice President for Product Delivery in Europe, Mr. Selby delivered industry leading results for the European Transport, Infrastructure and Internet businesses while also leading Level 3's European business development activities. Prior to this and as Senior Director for Transport Services, he oversaw the growth of Level 3's North American transport business, including expansion of the Level 3 network through 7 major acquisitions.

He started his career in consulting with Accenture in the United States in 1996. Mr. Selby received a Bachelors of Arts in Economics from Northwestern University.

Products & Services

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Products & Services

The attractions and characteristics of the bandwidth infrastructure sub-segment present euNetworks with the opportunity to achieve the goal of being a high gross margin and high EBITDA margin company. The product set supports this strategy, providing services to customers that directly leverage euNetworks' metropolitan and longhaul fibre footprint.

The clear advantage for euNetworks is the combination of metropolitan network assets, placing euNetworks within a short distance of a high number of data centres, financial exchanges, carrier hotels and corporate office buildings. In addition, the Company has the advantage of having a high-capacity fibre network that allows the building of high capacity network solutions for customers.

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. euNetworks consistently sees companies looking to increase their connectivity to data centres to support these requirements, purchasing ever larger pipes as they continue to execute their IT strategies. Data centres have replaced carrier hotels as the key traffic aggregation points and euNetworks has a clear focus on extending the network to these locations and providing services that meet the needs of the Chief Information Officer.

euNetworks' bandwidth infrastructure 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. The fourth key product, Internet, provides Internet connectivity over a shared infrastructure, providing a better cost model for smaller customers who have similar application requirements but with less traffic demand.

Dark Fibre

Leveraging the metropolitan networks, euNetworks builds and manages private fibre connections for clients to connect networks, partners and data centres, and thereby enabling clients with the unique scalability, reliability, and security benefits only private fibre networks can deliver. 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

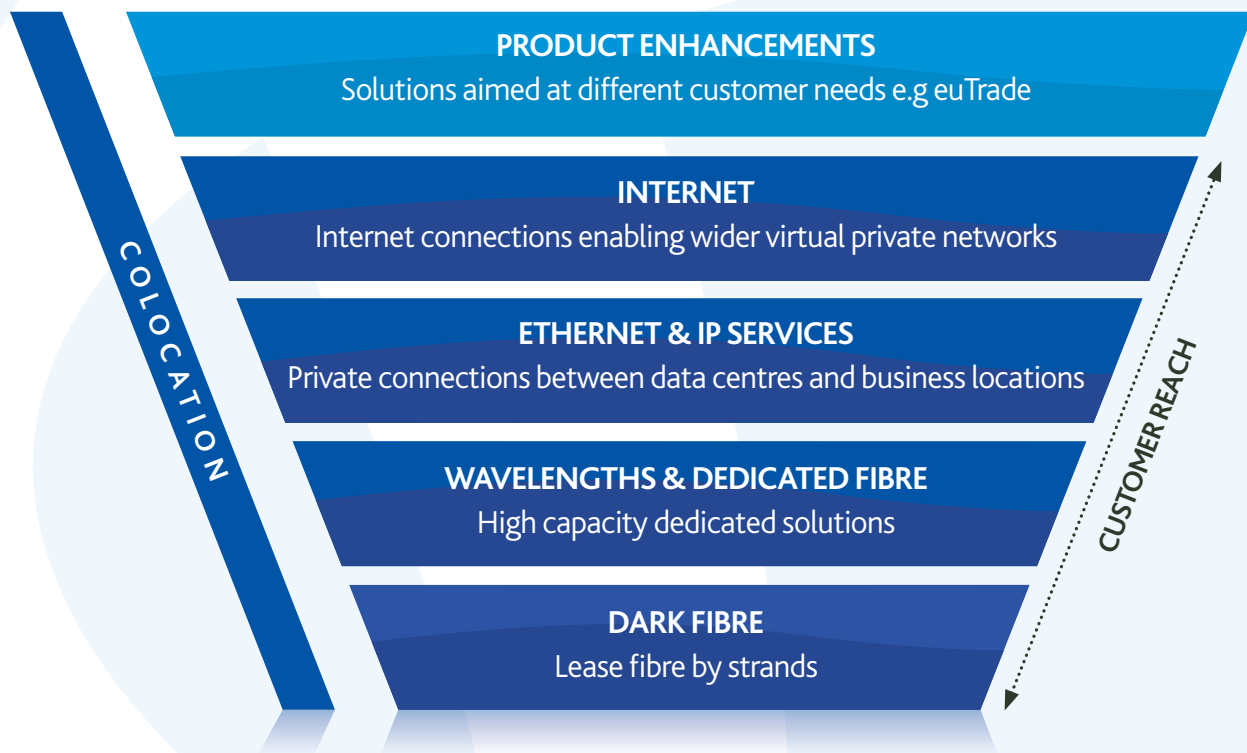
Positioned between the Dark Fibre product and the standard Wavelengths offering, euNetworks provides Dedicated Fibre solutions across the metro networks whereby the Company provides the fibre connection but also designs, procures and manages a dedicated network solution for the customer. In this instance, 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 data centres. The connections customers require can be Wavelengths, Ethernet, Enterprise protocols (i.e. fibre channel) or even Video transmission, all designed based on the customer's specific needs.

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 the euNetworks metropolitan and pan-European networks. This enables clients to implement custom solutions over euNetworks' dedicated fibre infrastructure, using Wavelengths to enable high capacity applications.

euTrade – Wavelengths solution for financial markets

euNetworks' 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 criterion remains paramount for the Company's financial trading customers – latency. Low latency connections directly drive value to algorithmic traders where immediate access to market feeds provides the opportunity to execute trades faster than their competitors. Built upon the Wavelengths product, euTrade is euNetworks' segment specific offering serving this demanding, high growth segment, providing connections across



ultra low latency routes between all major exchanges and data centres in Western Europe, including exchanges in London, Frankfurt, Stockholm, Zurich and Milan.

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 data centres, all major financial exchanges and numerous corporate buildings across Europe, euNetworks' Ethernet enables customers to connect their offices to data centres for the real-time sharing of applications, speedy transfer of data or the storage and replication of mission critical information.

Internet

euNetworks Internet connectivity service provides high-performance global Internet connectivity for customers. As a Tier 2 ISP, euNetworks leverages the combination of direct peering relationships and upstream transit from leading Tier 1 Internet Service Providers (ISPs) to provide the most highly connected and redundant solution possible.

Colocation

Outside of bandwidth infrastructure, euNetworks also provides colocation services in the data centre facilities in Amsterdam and Frankfurt. Similarly to bandwidth infrastructure, colocation services demonstrate high margins and an attractive return on capital investment, as reflected in the continued strong financial results in the data centre market across Europe and North America.

Within the Company's Amsterdam and Frankfurt data centres, euNetworks provides enterprise and partner customers with colocation space and power as either larger suites or individual racks. The Company sees colocation and bandwidth infrastructure services as strong complements as customers require connectivity from the data centre to redundant sites or office locations. This enables euNetworks to sell bundles of Colocation and Fibre, Wavelengths and/or Ethernet.

Corporate Governance

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Corporate Governance Report

The Company is committed to high standards of corporate governance in order to protect shareholders' 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.

In financial year 2010 the Board reviewed and updated its formal Delegation of Authority to Management. The Board retained 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 €750,000 per annum, sales with a total contract value above €7,500,000 and disposals of assets or acquisitions in excess of €5,000,000.

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 of the Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. All of 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 2010 is as set out below. In addition, the Board and certain Committees met on an ad hoc basis on a number of occasions.

Corporate Governance Report continued

Name	Board		Audit Committee		Remuneration Committee		ESOS Committee		Nominating Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Nicholas George	10	10	7	7	3	3	4	4	N/A	N/A
Brady Reid Rafuse	10	10	N/A	N/A	N/A	N/A	N/A	N/A	2	2
James Robert Thomas ¹	2	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Daniel Simon Aegerter ²	7	7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lam Kwok Chong	10	10	7	7	N/A	N/A	N/A	N/A	2	2
William Gregory Mesch	10	9	7	7	2	2	3	3	2	2
John Tyler Siegel Jr. ³	10	10	7	7	3	2	4	3	N/A	N/A
Kai-Uwe Ricke ⁴	7	6	N/A	N/A	1	1	1	1	N/A	N/A
Thomas Byrnes ⁵	3	3	N/A	N/A	2	2	3	3	2	2
Noel Meaney ⁶	3	2	N/A	N/A	N/A	N/A	N/A	N/A	2	1
Brenda O'Keefe ⁷	1	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

¹ Mr James Thomas was appointed Executive Director on 14 September 2010.

² Mr Daniel Aegerter was appointed as Non-Executive Director on 12 April 2010. The attendance includes attendances by Mr Aegerter's alternate, Mr Simon Koenig.

³ The attendance includes attendances by Mr John Siegel's alternate, Mr Jason Booma.

⁴ Mr Kai-Uwe Ricke was appointed Independent Director on 12 April 2010. He was also appointed as a member of the Remuneration Committee, ESOS Committee and Nominating Committee on 11 May 2010.

⁵ Mr Thomas Byrnes resigned as Independent Director, Chairman of Remuneration Committee and ESOS Committee and member of the Nominating Committee on 28 April 2010.

⁶ Mr Noel Meaney resigned as Executive Director and as a member of the Nominating Committee on 28 April 2010.

⁷ Ms Brenda O'Keefe resigned as Executive Director on 15 February 2010.

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 are also provided with formal letters, setting out their duties and obligations.

The Board engaged in a full day's strategy meeting in September 2010 at which senior members of Management presented an in depth review of the Group's proposed Strategic Plan for value creation, which was considered and approved by the Board. The Board proposes to hold in depth strategy meetings at least annually.

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. The Directors' 2010 programme included training elements and further training for Directors will extend to relevant new laws, regulations and changing commercial risks from time to time.

PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

The Board currently has a balance of Independent Directors, with four out of eight Directors (including the Chairman and 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 may be 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

Corporate Governance Report continued

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.

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, led by the Non-Executive Chairman, 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 28 April 2010, Noel Meaney was the Executive Chairman of the Company. On that date Noel Meaney stepped down from the Board and Nicholas George was appointed as Non-Executive Chairman. This division between Non-Executive Chairman and CEO ensures an appropriate balance of power, accountability and independent decision making by the Board. The Non-Executive Chairman's role and responsibilities are set out in his appointment letter and include acting as Chairman of the Board and Remuneration and ESOS Committees as follows:

- (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;
- (f) encouraging constructive relations between Executive Directors and Non-Executive Directors;
- (g) ensuring that the performance of the Board, its committees and individual Directors is evaluated at least once a year;

- (h) ensuring clear structure for, and the effective running of, Board committees; and
- (i) promoting the highest standards of integrity, probity and corporate governance.

The Chairman and CEO are not related to each other.

The Non-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.

PRINCIPLE 4: BOARD MEMBERSHIP

The members of the Board during the financial year ended 31 December 2010 are set out on page 16.

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:

William Gregory Mesch (Chairman) (Independent Director)

Nicholas George (Independent Director)

Kai-Uwe Ricke (Independent Director)

John Tyler Siegel Jr. (Non-Independent Director)

Brady Reid Rafuse (Executive Director)

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

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.

Corporate Governance Report continued

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:

- (a) integrity.
- (b) independent mindedness.
- (c) 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.
- (d) ability to commit time and effort to carry out duties and responsibilities effectively.
- (e) track record of making good decisions.
- (f) experience in high-performing companies.
- (g) 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 16 - 20: 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;

Pages 16 - 20: 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 37: Shareholding in the Company and its subsidiaries.

Biographies of the Directors appear at pages 17 - 20.

PRINCIPLE 5: BOARD PERFORMANCE

The Board has undertaken its annual formal assessment of the effectiveness of the Board as a whole and for assessing the contribution by each individual Director, led by the Nominating Committee. The performance criteria 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 Non-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. This approval was given for the appointment of Mr Yip Ming Fai in place of Ms Sophia Ng Lai Ying as of 4 February 2010.

Corporate Governance Report continued

Remuneration Matters

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Nicholas George (Chairman) (Independent Director)

Kai-Uwe Ricke (Independent Director)

John Tyler Siegel Jr. (Non-Independent 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 worked closely 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 RC has access to third party and 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.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The Company's Chief Executive Officer, Mr Brady Rafuse and Chief Financial Officer, Mr James Thomas, have rolling contracts with the Company of a duration that is not fixed, with 12 month and 9 month notice periods respectively.

In setting remuneration package of the CEO and CFO, 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. Independent Non-Executive Directors are paid Directors' fees which are subject to the approval of the shareholders at the Annual General Meeting. The remuneration of Non-Executive Directors is 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 and Non-Independent Non-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.

Corporate Governance Report continued

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

Remuneration of the Directors of the Company for the year ended 31 December 2010

Remuneration Band & Name of Director	Base/Fixed Salary	Director's Fees	Consultancy Fee	Benefits-in-Kind	Performance Based Bonuses	Share Options	Payments on Termination
From S\$4,000,000 to Below S\$4,250,000							
Executive Directors							
Brady Reid Rafuse	13%	-	-	3%	14%	70%	-
From S\$3,000,000 to Below S\$4,000,000							
From S\$2,750,000 to Below S\$3,000,000							
Executive Directors							
Noel Meaney	3%	-	32%	-	-	58%	7%
From S\$2,000,000 to Below S\$2,750,000							
From S\$1,750,000 to Below S\$2,000,000							
Executive Directors							
Brenda O' Keefe	3%	-	-	-	-	-	97%
From S\$500,000 to Below S\$1,750,000							
From S\$250,000 to Below S\$500,000							
James Robert Thomas	29%	-	-	3%	16%	52%	-
Non Executive Directors							
Nicholas George	-	35%	11%	-	-	54%	-
Kai-Uwe Ricke	-	15%	10%	-	-	74%	-
Below S\$250,000							
Non Executive Directors							
William Gregory Mesch	-	29%	16%	-	-	55%	-
Lam Kwok Chong	-	28%	17%	-	-	55%	-
Thomas Byrnes	-	46%	54%	-	-	-	-

Corporate Governance Report continued

Remuneration of top 5 Executives of the Company for the year ended 31 December 2010

Remuneration Band & Name of Director	Base/Fixed Salary	Benefits-in-Kind	Performance Based Bonuses	Share Options
From S\$1,750,000 to Below S\$2,000,000				
Uwe Nickl	23%	1%	11%	65%
From S\$750,000 to Below S\$1,000,000				
David Selby	43%	-	27%	30%
Richard Taylor	37%	2%	23%	38%
From S\$500,000 to Below S\$750,000				
John Franklin	35%	3%	18%	44%
Claire Leake	71%	6%	-	24%
From S\$250,000 to Below S\$500,000				
Below S\$250,000				

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 2010.

Details of Employee Share Option Scheme

During the financial year ended 31 December 2010, 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 are administered by the ESOS Committee. Please refer to pages 38 - 42 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.

Corporate Governance Report continued

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 access to 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") is currently comprised entirely of Non-Executive Directors (including the Chairman), the majority of whom are also Independent:

Lam Kwok Chong (Chairman) (Independent Director)

Nicholas George (Independent Director)

William Gregory Mesch (Independent Director)

John Tyler Siegel Jr. (Non-Independent Director)

The AC members all have extensive senior management experience 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, as explained below.

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 ("IPs") reported by Management to ensure that they were carried out on normal commercial terms and are not prejudicial to the interest of shareholders.

In 2009 the AC approved a 'whistle blowing' policy which was implemented by the Company. Through this policy, all employees are encouraged and enabled to report any concerns regarding impropriety in financial matters directly to the AC for consideration and review.

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.

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 FY2010 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

Throughout the financial year ended 31 December 2010, the Company engaged the services of an Internal Audit Director who established an Internal Audit Function during the financial year ended 2009. The Internal Audit Director was a qualified chartered accountant (Institute of Chartered Accountants England and Wales), certified internal auditor

Corporate Governance Report continued

(Institute of Internal Auditors), certified fraud examiner (Association of Certified Fraud Examiners) and certified information systems auditor (Information Systems Audit and Control). The Company was 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.

The Internal Audit Director reported directly to the AC and his primary line of reporting was to the Chairman of the AC. This structure will be maintained.

The AC reviewed and approved Internal Audit plans based on the 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. This will continue to be implemented in the financial year ending 31 December 2011.

The AC reviewed and was satisfied with the adequacy of the internal audit function and will continue to do so, in particular during the transition period and appointment of a replacement Internal Auditor. In December 2010 the Company's Internal Audit Director resigned, effective January 2011. The AC has approved the outsourcing of the internal audit for action to a professional firm pending the appointment of a suitable replacement.

Communication with Shareholders

PRINCIPLE 14: COMMUNICATION WITH SHAREHOLDERS

During the financial year ended 31 December 2010, 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 Annual General Meeting which is also published through SGXNET.

The Notice of the Annual General Meeting is also advertised in a daily newspaper.

PRINCIPLE 15: GREATER SHAREHOLDER PARTICIPATION

At the Annual General Meeting, the Company's shareholders have the opportunity to participate effectively through open discussions and to vote on the resolutions tabled at the Annual General Meeting. At General Meetings, separate resolutions are put up for approval on each distinct issue.

Shareholders can vote either in person or through proxies.

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 including at least the Non-Executive Chairman (who chairs the RC and ESOS Committee), Chairman of the Audit Committee, CEO and CFO.

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 with price sensitive information.

During the financial year ended 31 December 2010, the Company has complied with the best practices on dealings in securities in accordance 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

Save for the following material contracts entered into in relation to the rights issue of convertible bonds, no material contract involving the interests of any Director or controlling shareholder of the Company has been entered into by the Company or any of its subsidiary companies since the end of the previous financial year and no such contract subsisted at the end of the financial year:

- (1) On 22 December 2009, euNetworks Group Limited entered into a Management and Underwriting Agreement with CIMB Bank Berhad, Singapore Branch (as manager) and CIMB-GK Securities Pte. Ltd (as underwriter).
- (2) On 1 April 2010, euNetworks Group Limited entered into a Trust Deed with DBS Trustee Limited.

Interested Person Transactions

The aggregate value of interested person transactions entered during the financial year ended 31 December 2010 is as follows:

Corporate Governance Report continued

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	Not applicable	€122,798 paid during the year in respect of colocation and power.
Noel Meaney and Brenda O'Keefe as partners in the Banjo Co-ownership	Not applicable	€137,034 paid during the year in respect of the lease of the Group's Irish office.
Short term loan received from Columbia Capital V, LLC, and its affiliated funds, a substantial shareholder in the Company	Not applicable	Short term loan of €2.4m, on which interest costs of €26,234 were incurred. The loan was repaid in April 2010.
Glenfarne IT Consultancy Limited. Noel Meaney as owner of the company and prime service provider under the contract.	Not applicable	€675,000 paid during the year.
Agreement per Noel Meaney's employment settlement to continue to provide advice to the Company until June 30, 2012 at a total cost of €675,000.		

Note: Noel Meaney and Brenda O'Keefe are no longer Directors of the Company but were Directors during 2010.

Non-audit Fees

Fees of approximately €126,000 (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 2010 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 2010, non-sponsorship related fees of an aggregate of approximately €1.1 million were paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch, or its related entities, almost all of which was paid in connection with its role as the Manager and underwriter of the Company's rights issue completed in 2010.

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 2010, and the statement of financial position of the Company for the financial year ended 31 December 2010.

1. Directors

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

Nicholas George
 Brady Reid Rafuse
 James Robert Thomas (appointed on 14 September 2010)
 Daniel Simon Aegerter (appointed on 12 April 2010)
 Lam Kwok Chong
 William Gregory Mesch
 Kai-Uwe Ricke (appointed on 12 April 2010)
 John Tyler Siegel Jr.
 Jason Robert Booma (alternate Director to John Tyler Siegel Jr.)
 Simon Daniel Koenig (alternate Director to Daniel Simon Aegerter, 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:

Name 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 the year or date of appointment, if later	At end of the year	At beginning of the year or date of appointment, if later	At end of the year
The Company (Ordinary shares)				
Daniel Simon Aegerter	815,607,129	815,607,129	-	-
Nicholas George	-	2,627,000	-	-
John Tyler Siegel Jr.	-	-	1,612,622,874	1,658,622,874
Lam Kwok Chong	3,000,000	3,000,000	1,500,000	1,500,000
The Company (Options to subscribe for number of ordinary shares)				
James Robert Thomas	-	138,328,625 ⁽¹⁾	-	-
Kai-Uwe Ricke	-	43,227,702	-	-
Nicholas George	-	43,227,702	-	-
William Gregory Mesch	21,613,850	21,613,850	-	-
Brady Reid Rafuse	345,821,614	453,807,673 ⁽²⁾	-	-
Lam Kwok Chong	21,613,850	21,613,850	-	-
The Company (Number of convertible bonds due 2013)				
Daniel Simon Aegerter	8,156,071	8,156,071	-	-
John Tyler Siegel Jr.	-	-	-	50,019,283
Lam Kwok Chong	-	120,000	-	75,000

(1) Out of the 138,328,625 options to subscribe for or purchase, 17,291,080 ordinary shares are subject to a Performance Target.

(2) Out of the 453,807,673 options to subscribe for or purchase, 30,347,947 ordinary shares are subject to a Performance Target.

Report of the Directors continued

By virtue of Section 7 of the Act, all of the Directors, namely Nicholas George, Brady Reid Rafuse, James Robert Thomas, Daniel Simon Aegerter, Lam Kwok Chong, William Gregory Mesch, John Tyler Siegel Jr. and Kai-Uwe Ricke, 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 2011.

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. The shareholders of the Company approved the change of name of the Scheme to the GlobalVoice Group Limited Share Option Scheme on 7 June 2005 and to the euNetworks Group Limited Share Option Scheme on 29 April 2009 (the "2000 Scheme"). The 2000 Scheme expired for the grant of new options on 4 January 2010 and no grants of options were made during 2010.
- (b) The euNetworks Group Limited 2009 Share Option Scheme (the "2009 Scheme") was approved by the shareholders of the Company at an Extraordinary General Meeting held on 17 July 2009 and amended by the shareholders at an Extraordinary General Meeting held on 28 April 2010.
- (c) The 2000 Scheme and 2009 Scheme are administered by the Company's ESOS Committee, comprising three Directors namely, Nicholas George (Chairman), Kai-Uwe Ricke and John Tyler Siegel Jr.

Report of the Directors continued

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 2010 were as follows:

Date of grant	Balance at 1 January 2010 or date of grant if later	Cancelled/ expired	Balance at 31 December 2010 SGD	Subscription price	Vesting date
2000 Scheme					
28 February 2005	26,625,000	(7,100,000)	19,525,000	0.03	27 February 2008
07 July 2005	179,674,428	-	179,674,428	0.0183	06 July 2008
01 October 2006	5,035,500	-	5,035,500	0.04	30 September 2009
01 January 2007	32,560,713	-	32,560,713	0.0467	31 December 2008
01 January 2007	37,404,923	(19,170,023)	18,234,900	0.0433	31 December 2009
01 January 2007	22,500,000	-	22,500,000	0.0333	31 December 2009
27 August 2007	69,680,139	(69,680,139)	-	0.055	26 August 2010
30 June 2009	64,841,550	(14,409,233)	50,432,317	0.03	29 June 2012
	<u>460,507,253</u>	<u>(110,359,395)</u>	<u>327,962,858</u>		
2009 Scheme					
27 October 2009	92,705,792	(4,444,444)	88,261,348	0.025	26 October 2010
27 October 2009	92,705,792	(4,444,444)	88,261,348	0.025	26 October 2011
27 October 2009	84,060,252	(4,444,445)	79,615,807	0.025	26 October 2012
27 October 2009	57,636,936	-	57,636,936	0.015	16 February 2010
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2010
27 October 2009	57,636,936	-	57,636,936	0.015	16 February 2011
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2011
27 October 2009	57,636,936	-	57,636,936	0.015	16 February 2012
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2012
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2013
16 March 2010	52,881,847	-	52,881,847	0.015	16 March 2011
16 March 2010	2,881,847	-	2,881,847	0.015	16 March 2012
16 March 2010	2,881,847	-	2,881,847	0.015	16 March 2013
26 March 2010	12,971,643	-	12,971,643	0.015	26 March 2011
26 March 2010	12,971,643	-	12,971,643	0.015	26 March 2012
26 March 2010	12,971,643	-	12,971,643	0.015	26 March 2013
28 April 2010	34,582,161	-	34,582,161	0.020	28 April 2011
28 April 2010	34,582,161	-	34,582,161	0.020	28 April 2012
28 April 2010	34,582,161	-	34,582,161	0.020	28 April 2013
28 April 2010	265,685,694	-	265,685,694	0.020	28 April 2014
06 July 2010	21,613,851	-	21,613,851	0.015	06 July 2011
06 July 2010	21,613,851	-	21,613,851	0.015	06 July 2012
06 July 2010	21,613,851	-	21,613,851	0.015	06 July 2013
06 July 2010	8,310,397	-	8,310,397	0.015	06 July 2014
14 September 2010	46,744,693	-	46,744,693	0.015	14 September 2011
14 September 2010	46,744,693	-	46,744,693	0.015	14 September 2012
14 September 2010	46,744,693	-	46,744,693	0.015	14 September 2013
14 September 2010	17,291,080	-	17,291,080	0.015	14 September 2014
02 December 2010	15,866,657	-	15,866,657	0.016	02 December 2011
02 December 2010	15,866,658	-	15,866,658	0.016	02 December 2012
02 December 2010	15,866,658	-	15,866,658	0.016	02 December 2013
	<u>1,533,473,988</u>	<u>(13,333,333)</u>	<u>1,520,140,655</u>		
Total	<u>1,993,981,241</u>	<u>(123,692,728)</u>	<u>1,848,103,513</u>		

Note: The grants have all been announced on the SGX NET

Report of the Directors continued

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 Catalyst Rule 851, the reproduced and required disclosures in the 2000 Scheme and 2009 Scheme are as follows:

(1) 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	Aggregate options granted since commencement of Scheme	Aggregate options outstanding as at end of financial year
Lam Kwok Chong	21,613,850	21,613,850
William Gregory Mesch	21,613,850	21,613,850

Note: No options have been exercised, cancelled or expired in respect of the above Directors since the commencement of the Scheme.

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

(iii) Other participants under the 2000 Scheme who received 5% or more of the total number of options available under the 2000 Scheme are as follows:

Name	Options granted during the financial year under review	Aggregate options granted since commencement of Scheme	Aggregate options outstanding as at end of financial year
Noel Meaney	-	89,837,214 (exercise price of SGD 0.0183 per share, fully vested)	89,837,214
Brenda O'Keefe	-	89,837,214 (exercise price of SGD 0.0183 per share, fully vested)	89,837,214

(iv) No options were granted during the financial year ended 31 December 2010.

(v) 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 327,962,858 options remained outstanding (i.e. not exercised or cancelled) as at the end of the financial year.

(vi) There were no options granted at a discount during the financial year ended 31 December 2010.

Report of the Directors continued

(2) 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	Options granted during the financial year under review	Aggregate options granted since commencement of Scheme	Aggregate options outstanding as at end of financial year
Brady Reid Rafuse	107,986,059 (exercise price of SGD 0.02 per share, vesting on 28 April 2014)	453,807,673	453,807,673
James Robert Thomas	138,328,625 (exercise price of SGD 0.015 per share, vesting in amounts of 40,345,848 each on the 1st, 2nd and 3rd anniversary of 14 September 2010 and one amount of 17,291,080 on 14 September 2014)	138,328,625	138,328,625
Nicholas George	43,227,702 (exercise price of SGD 0.02 per share, vesting in equal amounts on the 1st, 2nd and 3rd anniversary of 28 April 2010)	43,227,702	43,227,702
Kai-Uwe Ricke	43,227,702 (exercise price of SGD 0.02 per share, vesting in equal amounts on the 1st, 2nd and 3rd anniversary of 28 April 2010)	43,227,702	43,227,702

Note: No options have been exercised, cancelled or expired in respect of the above Directors since the commencement of the Scheme.

- (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	Options granted during the financial year under review	Aggregate options granted since commencement of Scheme	Aggregate options outstanding as at end of financial year
Uwe Nickl	37,228,594 (exercise price of SGD 0.02 per share, vesting on 28 April 2014)	158,266,159	158,266,159

Note: No options have been exercised, cancelled or expired in respect of Uwe Nickl since the commencement of the Scheme.

- (iv) During the financial year ended 31 December 2010, options over 745,269,726 shares were granted.
- (v) From the commencement of the 2009 Scheme to the end of the financial year, options over a total of 1,533,473,988 shares were granted, of which options over 1,520,140,655 shares remained outstanding (i.e. not exercised or cancelled) as at the end of the financial year.
- (vi) There were no options granted at a discount during the financial year ended 31 December 2010.
- (vii) No options were exercised during the financial year.
- (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 in the case of some options upon a performance target being met, and after one year or two years in stages except under certain circumstances but not later than:

Report of the Directors continued

- (i) six years for options granted under the 2000 Scheme;
- (ii) ten years for options granted under the 2009 Scheme; and
- (iii) five years for options granted to individuals who were Non-Executive Directors or employees of associated companies on the date the 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:

- (a) one warrant group comprising 43,227,700 warrants;
- (b) one warrant group comprising 21,613,850 warrants; and
- (c) 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 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 1.1.2010	Issued	Exercised	Cancelled/ expired	Balance at 31.12.2010	Subscription price SGD	Expiry date
15 December 2009	86,455,400	-	-	-	86,455,400	0.05	15 October 2014
Total	86,455,400	-	-	-	86,455,400		

Report of the Directors continued

7. Audit Committee

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

Lam Kwok Chong	(Chairman) (Independent Director)
Nicholas George	(Independent Director)
William Gregory Mesch	(Independent Director)
John Tyler Siegel Jr.	(Non-Independent 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 seven meetings in the financial year ended 31 December 2010. 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 Reid Rafuse
Director



James Robert Thomas
Director

Singapore
1 April 2011

Statement of the 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 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 2010, and of the results, changes in equity and cash flows of the Group 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 Reid Rafuse

Director



James Robert Thomas

Director

Singapore
1 April 2011

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Independent Auditors' Report

to the members of euNetwork Group Limited

Report on the Consolidated Financial Statements

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 of the Group and of the Company as at 31 December 2010, the consolidated income statement, and consolidated statements of comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a 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 profit and loss accounts and statements of financial position and to maintain accountability of assets.

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 about 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' judgement, 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 internal control relevant to the entity's preparation of financial statements that give a true and fair view 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, the consolidated financial statements of the Group and the statement of financial position of the Company 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 2010 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries 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
1 April 2011

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Financial Statements

Consolidated income statement for the financial year ended 31 December 2010

		2010	2009 Restated (Note 4.8)
	Note	€'m	€'m
Revenue	6	43.8	33.1
Direct network expenses	7	(12.3)	(8.9)
Network operating expenses	7	(11.5)	(10.6)
Staff costs	8	(21.7)	(12.6)
Other administration expenses	9	(4.5)	(5.2)
Depreciation and amortisation		(14.5)	(12.5)
Other operating (expenses) / income	10	(0.1)	1.4
Loss on disposal of plant and equipment	15	(0.6)	-
Operating loss		(21.4)	(15.3)
Financial costs	11	(10.9)	(3.9)
Exceptional financial (costs) / income	12	(2.6)	10.3
Loss before income tax		(34.9)	(8.9)
Income tax credit	13	0.7	0.2
Loss for the period		(34.2)	(8.7)
Attributable to:			
Shareholders of the parent company		(34.2)	(8.7)
Loss per ordinary share (eurocent)			
- basic and diluted	14	(0.40)	(0.14)

Consolidated statement of comprehensive income for the financial year ended 31 December 2010

		2010	2009 Restated (Note 4.9)
		€'m	€'m
Loss for the period		(34.2)	(8.7)
Exchange losses on translating foreign currencies		-	0.2
Total comprehensive loss for the year		(34.2)	(8.5)
Attributable to:			
Shareholders of the parent company		(34.2)	(8.5)

Financial Statement continued

Statement of financial position of the Group as at 31 December 2010

		As at 31/12/2010	As at 31/12/2009 Restated (Note 4.10)	As at 31/12/2008 Restated (Note 4.11)
	Note	€'m	€'m	€'m
Assets				
Non-current assets				
Property, plant and equipment	15	155.6	157.7	158.0
Intangible assets	16	3.1	3.3	3.6
Prepayments		0.3	-	-
		<u>159.0</u>	<u>161.0</u>	<u>161.6</u>
Current assets				
Infrastructure assets held for resale	18	1.1	-	-
Trade receivables	19	7.4	5.3	7.2
Other receivables and prepayments	20	6.3	3.8	3.5
Receivables from related parties	35	-	0.4	0.4
Cash and cash equivalents	21	9.5	6.7	5.3
		<u>24.3</u>	<u>16.2</u>	<u>16.4</u>
Total assets		<u>183.3</u>	<u>177.2</u>	<u>178.0</u>
Equity and liabilities				
Capital and reserves				
Share capital	22	149.5	149.5	102.9
Treasury shares	23	(1.9)	(1.9)	(1.9)
Employee share option reserve	25	11.2	5.8	4.2
Foreign currency translation reserve	25	0.7	0.7	0.5
Accumulated losses		(54.5)	(20.3)	(11.6)
Total equity		<u>105.0</u>	<u>133.8</u>	<u>94.1</u>
Non-current liabilities				
Obligations under finance lease	26	-	0.2	0.4
Interest bearing borrowings	27	44.0	-	27.3
Option embedded in bond	27	8.5	-	-
Provisions	28	-	0.1	0.2
Deferred revenue	29	5.0	5.8	6.0
Deferred tax liabilities	33	3.7	5.4	5.8
Total non-current liabilities		<u>61.2</u>	<u>11.5</u>	<u>39.7</u>
Current liabilities				
Obligations under finance lease	26	0.2	0.2	0.2
Interest bearing borrowings	27	-	16.8	28.9
Deferred revenue	29	6.9	7.3	4.7
Trade payables	30	4.2	4.0	6.2
Other payables and accruals	30	5.0	3.4	4.2
Income tax payable		0.8	0.2	-
Total current liabilities		<u>17.1</u>	<u>31.9</u>	<u>44.2</u>
Total equity and liabilities		<u>183.3</u>	<u>177.2</u>	<u>178.0</u>

Financial Statement continued

Statement of financial position of the Company as at 31 December 2010

	Note	As at 31/12/2010 €'m	As at 31/12/2009 Restated (Note 4.12) €'m	As at 31/12/2008 Restated (Note 4.13) €'m
Assets				
Non-current assets				
Investments in subsidiaries	17	164.6	73.2	68.2
		<u>164.6</u>	<u>73.2</u>	<u>68.2</u>
Current assets				
Other receivables and prepayments	20	0.3	0.3	0.3
Receivables from related parties	17	-	64.8	56.0
Cash and cash equivalents	21	0.1	0.4	0.1
		<u>0.4</u>	<u>65.5</u>	<u>56.4</u>
Total assets		<u>165.0</u>	<u>138.7</u>	<u>124.6</u>
Equity and liabilities				
Capital and reserves				
Share capital	22	149.5	149.5	102.9
Treasury shares	23	(1.9)	(1.9)	(1.9)
Employee share option reserve	25	11.2	5.8	4.2
Asset revaluation reserve	25	19.8	19.8	19.8
Accumulated losses		(66.5)	(52.7)	(57.3)
Total equity		<u>112.1</u>	<u>120.5</u>	<u>67.7</u>
Non-current liabilities				
Interest bearing borrowings	27	44.0	-	27.3
Option embedded in bond	27	8.5	-	-
Total non-current liabilities		<u>52.5</u>	<u>-</u>	<u>27.3</u>
Current liabilities				
Interest bearing borrowings	27	-	16.8	28.9
Trade payables	30	0.1	0.7	0.4
Other payables and accruals	30	0.3	0.4	-
Payables to related parties	35	-	0.3	0.3
Total current liabilities		<u>0.4</u>	<u>18.2</u>	<u>29.6</u>
Total equity and liabilities		<u>165.0</u>	<u>138.7</u>	<u>124.6</u>

Financial Statement continued

Consolidated statement of cash flows for the financial year ended 31 December 2010

		2010	2009
	Note	€'m	Restated (Note 4.14) €'m
Cash Flows from Operating Activities			
Operating loss		(21.4)	(15.3)
Add back / (deduct):			
Depreciation and amortisation	15, 16	14.5	12.5
Share option expenses		5.4	1.6
Loss on disposal of plant and equipment		0.6	-
Other operating expenses		0.1	-
Provisions		(0.1)	(0.1)
Adjusted loss before working capital changes		<u>(0.9)</u>	<u>(1.3)</u>
(Increase)/decrease in working capital	31	(2.4)	1.3
Income tax (paid)/received		(0.4)	0.1
Net cash (outflow)/inflow from operating activities		<u><u>(3.7)</u></u>	<u><u>0.1</u></u>
Cash Flows from investing activities			
Purchase of property, plant and equipment and intangible assets	32	(15.4)	(10.8)
Effect of foreign currency on investing activities		-	(1.1)
Net cash outflow from investing activities		<u><u>(15.4)</u></u>	<u><u>(11.9)</u></u>
Cash Flows from financing activities			
Gross proceeds from issue of shares	22	-	47.0
Expenses in connection with issue of shares		-	(0.4)
Gross proceeds from issue of convertible bond	27	44.8	-
Expenses in connection with issue of convertible bond		(1.6)	-
Cost of hedge of bond issue proceeds		(0.5)	-
Redemption of convertible bonds	27	(20.4)	(32.5)
Repayment of finance lease obligations	26	(0.2)	(0.2)
Interest received		-	0.1
Interest paid		(0.1)	(0.8)
Net cash inflow from financing activities		<u><u>22.0</u></u>	<u><u>13.2</u></u>
Effect of exchange rates on cash and cash equivalents		<u><u>(0.1)</u></u>	<u><u>-</u></u>
Net change in cash and cash equivalents		2.8	1.4
Cash and cash equivalents at beginning of the period		6.7	5.3
Cash and cash equivalents at end of the period	21	<u><u>9.5</u></u>	<u><u>6.7</u></u>

Financial Statement continued

Statements of changes in equity of the Group for the financial year ended 31 December 2010

Group	Note	Share capital	Treasury shares	Employee share option reserve	Convertible bonds equity reserve	Foreign currency translation reserve	Accumulated losses	Total equity
		€'m	€'m	€'m	€'m	€'m	€'m	€'m
2010								
At 31 December 2009 as originally reported		147.8	(1.9)	4.8	9.5	0.7	(28.5)	132.4
Adjustment for capitalised labour	4.2	-	-	-	-	-	2.5	2.5
Adjustment for options	4.4	-	-	1.0	-	-	(1.0)	-
Adjustment for bonds	4.5.4	1.7	-	-	(9.5)	-	6.7	(1.1)
At 1 January 2010 as restated		149.5	(1.9)	5.8	-	0.7	(20.3)	133.8
Loss for the period		-	-	-	-	-	(34.2)	(34.2)
Share option expense		-	-	5.4	-	-	-	5.4
At 31 December 2010		149.5	(1.9)	11.2	-	0.7	(54.5)	105.0
2009								
At 1 January 2009 as originally reported		101.2	(1.9)	4.2	8.7	0.5	(18.7)	94.0
Adjustment for capitalised labour	4.2	-	-	-	-	-	1.9	1.9
Adjustment for bonds	4.5.4	1.7	-	-	(8.7)	-	5.2	(1.8)
At 1 January 2009 as restated		102.9	(1.9)	4.2	-	0.5	(11.6)	94.1
Issue of new shares		46.6	-	-	-	-	-	46.6
Loss for the period		-	-	-	-	-	(8.7)	(8.7)
Exchange loss on translating foreign currencies		-	-	-	-	0.2	-	0.2
Share option expense		-	-	1.6	-	-	-	1.6
At 31 December 2009		149.5	(1.9)	5.8	-	0.7	(20.3)	133.8

Notes to Financial Statements continued

1. General information

The principal activities of euNetworks Group Limited ("the Company") are those of investment holding and it acts as a corporate manager, advisor and administrative centre to support the business development and marketing of the businesses of its subsidiaries.

The euNetworks Group Limited group ("the Group") operates high capacity fibre networks and provides high capacity communications infrastructure and networking solutions and services to large corporate companies, carriers, and service providers.

In particular, the Group operates a fibre optic network which combines a 'long-haul' inter-city network linking Germany, the Netherlands, the United Kingdom, France and Belgium and high density 'last-mile' metropolitan optical fibre networks in London, Frankfurt, Munich, Berlin, Stuttgart, Hanover, Hamburg, Düsseldorf, Cologne, Paris, Amsterdam, Rotterdam, Utrecht, and Dublin. Duct infrastructure is in place in The Hague and Hanover.

The Group also operates secure data centres in Amsterdam (two) and Frankfurt.

The main products and services of the Group include lease and sale of private fibre networks to corporate and carrier customers, bespoke private fibre networking designing and deployment, carrier grade Internet Protocol (IP) services for enterprises (including global IP access and advanced services such as IP Transit) and networking and colocation.

The registered office and principal place of business of the Company is 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

2. Summary of significant accounting policies

2.1 Statement of compliance

The financial statements 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") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

2.2 Basis of preparation

Euro is the presentation currency of the Group as the major part of the Group's business has been carried out in euro. All values are rounded to the nearest hundred thousand euro, except as otherwise indicated.

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 2010, 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 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.

Notes to Financial Statements continued

In the event when 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 has applied SFRS 27 (2009) prospectively to transactions with non-controlling interests from 1 January 2010. There were no transactions with non-controlling interests in the current financial year. Accordingly the changes do not have any impact on the financial statements for the current financial year.

SFRS 103 (2009) *Business Combinations*

Changes in the accounting policies resulting from the adoption of FRS 103 (2009) include the following:

- 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.
- The Group has a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's net assets.
- All acquisition-related costs are expensed.
- The Group has applied FRS 103 (2009) prospectively to all business combinations taking place from 1 January 2010. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

There were no business combinations in the current financial year. Accordingly the changes do not have any impact on the financial statements for the current financial year.

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:

FRS and INT FRS issued but not yet effective

At the date of authorisation of these statements, the following FRS and INT FRS that are relevant to the Group were issued but not effective:

		Effective date (annual periods beginning on or after)
SFRS 24	: Related Party Disclosure	1 January 2011
SFRS 32	: Amendments to Financial Instruments: Recognition and Measurement – Classification of Rights Issues	1 February 2010
INT SFRS 119	: Extinguish Financial Liabilities with Equity Instruments	1 July 2010
SFRS 107	: Amendments to SFRS 107 Disclosures – Transfers of Financial Assets	1 July 2011
SFRS 12	: Amendments to SFRS 12 Deferred Tax: Recovery of Underlying Assets	1 January 2012
Framework	: The Conceptual Framework for Financial Reporting 2010 (Chapter 1 and 3)	1 March 2011

Consequential amendments were also made to various standards as a result of these new/revised standards.

SFRS 32 Classification of Rights Issues

SFRS 32 requires a derivative instrument relating to the purchase or issue of an entity's own equity instruments be classified as equity only if it results in the exchange of a fixed number of equity instruments for a fixed amount of cash or other financial assets.

In the case of an equity conversion option embedded in a convertible bond denominated in a foreign currency, the amount of cash to be received in the functional currency of the issuer is variable and consequently the instrument should be classified as a liability, rather than as equity.

The management anticipates that the adoption of the above SFRS and INT SFRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

2.3 Going concern assumption

The Group incurred a loss of €34.2 million (m) for the financial year ended 31 December 2010.

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 losses incurred by the Group.

The Directors of the Company actively monitor the cash outflows of the Group and prepare cash forecasts for future periods.

Notes to Financial Statements continued

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, in light of the measures taken to date, together with expected results of other measures, 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 that the Group had incurred a loss of €34.2m for the financial year ended 31 December 2010, 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 2010 on a going concern basis.

Should the measures considered and implemented by the Company fail to materialise, the Group and the Company will be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

The management has considered the recoverable amount of non-current assets and determined that these are not impaired (see note 3.2).

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including special purposes entities) over which the Company has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, so as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting

policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

2.5 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 and data centre colocation services 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.

Sale of infrastructure and fibre

The proceeds from the sale of infrastructure and fibre are recognised as revenue as:

- the management consider these to be an integral part of the Group's operations and business;
- the sale of such assets has taken place every year for a number of years; and
- is forecast to continue in years to come.

Items classified as property, plant and equipment which are identified as held for resale within 12 months and where a specific purchaser is identified are reclassified to current assets.

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.

Data centre power revenue

The Group purchases the supply of power to a data centre for both its own use and for the supply of power to the customers' server equipment held in that centre. The Group makes separate charges to its customers, in addition to those it raises for the supply of colocation facilities, to recover the element of power cost that relates to the use of power by customer equipment. Such recharges are recognised as revenue in the period in which the power is consumed.

2.6 Income tax

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

Notes to Financial Statements continued

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 is 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.

2.7 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.

2.8 Finance costs

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred.

2.9 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 and 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.

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 and the statement of financial position and the statement of changes in equity of the

Notes to Financial Statements continued

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 accumulated separately in the foreign currency translation reserve within equity.

With effect from 1 January 2010 the functional currency of the Group's subsidiary operating in the United Kingdom, euNetworks Fiber UK Limited has been the euro, the presentation currency of the group. For the previous financial years the functional currency was the pound sterling. The Group's management believe that the expansion of euro denominated sales in the United Kingdom subsidiary and the increased use of its network for services sold elsewhere in the Group in 2010 mean that the euro is now the currency that primarily influences the sales prices and costs of the services provided by that subsidiary.

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

2.10 Property, plant and equipment

Property, 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 3 to 20 years
Telecommunication networks	over 20 years

No depreciation is charged on construction-in-progress as such assets are 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 Group capitalises costs directly associated with expansions and improvements of the Group's telecommunications network and customer installations, including employee related costs, and capitalises costs associated with network construction and provisioning of services. The Group amortises such costs over an estimated useful life of 3 to 20 years.

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.

Items of infrastructure classified as property, plant and equipment which are identified as held for resale within 12 months and, where a specific purchaser is identified, are reclassified to infrastructure held for resale within current assets. These are valued at the lower of net book value and fair value less cost to sell. Proceeds of sale on such items are recognised as revenue and the cost of the infrastructure within direct network costs.

2.11 Intangible assets

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 contract period of up to 15 years.

Software licences

Acquired software licences are initially capitalised at costs which includes the purchase price (net of any discounts and rebates) and other directly attributable costs 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

Notes to Financial Statements continued

to the original cost of the software. Costs associated with maintaining the software are recognised as an expense as incurred.

Software licences are subsequently carried at costs 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.

The Group has no internally generated intangible assets.

2.12 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.

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

Amounts owing by subsidiaries where settlements are not expected in the foreseeable future are treated as part of the investment cost in the subsidiary and are presented as such (see also note 17).

This reclassification has no effect on the financial performance of the Group.

2.13 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.

2.14 Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate 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 or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net 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.

Financial assets

Loans and receivables

Trade receivables, loans and other receivables which have fixed or determinable payments that are not quoted in active market are classified as loans and receivables. Loans and receivables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method less impairment.

Impairment is recognised when there is objective evidence indicating an impairment loss. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

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.

Notes to Financial Statements continued

Impairment of financial assets

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

For financial assets carried at amortised cost, the amount of the impairment 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 amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company 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 profit or loss 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.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Other financial liabilities

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

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.

2.15 Convertible bonds

Convertible bonds issued by the Group and the Company can be converted to share capital at the option of the bondholders. On the annual anniversaries of the issuance of the bond there is a test for an annual reset of the conversion price based on

Notes to Financial Statements continued

the average of the 30 days closing price prior the anniversary. The number of share 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 embedded derivative.

The derivative is recognised initially at its fair value at the date the host contract is entered into and subsequently re-measured to their fair values at the end of each financial year.

Any directly attributable transaction costs are allocated to the liability and embedded derivative in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of the 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 embedded derivative included in the bond.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Where financial instruments are redeemed prior to maturity, the difference between the redemption proceeds and the book value at the date of redemption is recognised as a gain or loss at the date of redemption.

Where financial instruments are converted to equity the increase in equity is recorded at the book value of the financial liability at the date of conversion.

Derivative financial instruments and hedging activities

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each financial year. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets 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.

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.

Notes to Financial Statements continued

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.

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.

2.18 Share-based payments

The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non market-based vesting conditions. At the end of each financial year, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the equity-settled employee benefits reserve.

Fair value is measured using either the Black-Scholes or the Monte Carlo pricing model. 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 transfer of the balance in the share option reserve to share capital or treasury shares upon exercise of the option and the transfer of the balance in the share option reserve to retained profits upon expiry of the option are not mandatory and may be kept as a separate reserve upon expiry or exercise of the option.

2.19 Segmental reporting

Operating segments are required by SFRS108 to be reported on the basis of a management approach. In accordance therewith, segment reporting reflects the internal organisational and management structure used within the Group as well as internal financial reporting to the chief operating decision maker, which is the Board of Directors of the Company.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management made judgments, 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 judgments made in applying the accounting policies

The following are the critical judgments, 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) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgment is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

(ii) Leases

Leases are classified as an operating lease if the duration of the arrangement are 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.

(iii) Litigation provisions

The Group is exposed to legal risks, particularly in the areas of commercial transactions, tax assessments and employee

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matters. The outcome of 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 could significantly impact the business and results of operations of the Group.

Litigation and other judicial proceedings 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. 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.

For the financial year 2010 and 2009, 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.

(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, 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. 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 2010 is €0.8m (2009: €0.2m) and the carrying amount deferred tax liabilities as at 31 December 2010 is as disclosed in Note 33 to the 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 property, plant and equipment

The Group depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's and the Company's property, plant and equipment at 31 December 2010 as disclosed in Note 15 to the financial statements.

(ii) Impairment of property, plant and equipment

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 property, plant and equipment are 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 those cash flow. The carrying amount of the telecommunication networks as at 31 December 2010 is as disclosed in Note 15 to the financial statements.

The management considers that the network business and the data centre business each constitute cash generating units for the purposes of evaluating impairment loss. The value of the assets within each cash generating unit have been separately assessed using the management's assessment of expected cashflows for each unit, discounted at the Group's estimated weighted average cost of capital. As a result of this assessment, no impairment loss of the assets in either unit is deemed to be necessary (see also note 2.18).

The management has assessed the Group as having two cash generating units, its network business and its data centres. Each of the units has been assessed using the approved budget for the next five years plus a terminal value, a long term growth rate of 3% for the network business and 2% for the data centres and a weighted average cost of capital of 9.6%.

The Group has considered and determined that the carrying value of each cash generating unit as at 31 December 2010 is not higher than its respective recoverable amount.

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(iii) Impairment of investment in subsidiaries and amounts owing by subsidiaries

At the end of each financial year, an assessment is made whether there is objective evidence that the investment in subsidiaries are impaired.

Management's assessment for impairment of investment in subsidiaries is based on the estimation of value in use of the cash-generating unit by forecasting the expected future cash flows using expected cash flows of the group for the next five years plus a terminal value at a discount rate of 9.6% and a long term growth rate of 3% for network business and 2% on data centres in order to calculate the present value of those cash flows. The Company's carrying amount of investment in subsidiaries at 31 December 2010 was €164.6m (2009: €73.2m).

(iv) 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 2010 is as disclosed in Note 19 to the financial statements.

(v) 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 36 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.

4. Explanation of prior year adjustments

The management of the Company, in consultation with the Company's auditors, has undertaken a review of the calculation of certain items in prior year financial statements. This has led to the conclusion that corrections will be necessary to accurately reflect the application of the relevant accounting standards.

In accordance with SFRS No 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*", such corrections meet the definition of "*prior period errors*" and consequently the statement of financial position of the Group and of the Company at 31 December 2008 and 31 December 2009 and the consolidated income statement for the year ended 31 December 2009 have been restated as detailed below.

The impact on the primary statements is shown in notes 4.8 to 4.14.

4.1 Treatment of recharges of power within data centres

The Group purchases the supply of power for its data centres for both its own use and for the supply of power to the customers' server equipment held in that centre. The group makes separate charges to its customers, in addition to those it raises for the supply of colocation facilities, to recover the element of power cost that relates to the use of power by customer equipment.

Such recharges should be shown as an element of revenue and the associated costs of supply shown within costs.

Such recharges had previously been offset against the cost of the power supplied.

The effect of this change is to increase revenue and direct network expenses for the financial year 2009 by €3.0m. The change in accounting policy has no effect on the net income of the Group nor on its statement of financial position.

4.2 Treatment of capitalised direct labour

The management has identified a certain number of employees who spend a high percentage of their time in bringing plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. Such activities include planning, design, installation and preparation of network infrastructure and equipment.

The management considers that in accordance with SFRS No 16 "*Property, Plant and Equipment*" an appropriate percentage of the costs of these employees should be included within the costs of the associated items of plant and equipment, based upon an allocation of their time between capitalisable and non capitalisable projects.

Accordingly, the Group's policy is to capitalise costs directly associated with expansions and improvements of the Group's telecommunications network and customer installations,

Notes to Financial Statements continued

including employee related costs, and to generally capitalise costs associated with network construction and provisioning of services. The Group amortises such costs over an estimated useful life of 3 to 20 years.

Such costs were previously reported as staff costs in the income statement. The effect of this is to decrease staff costs reported in the income statement for the financial year 2009 by €1.0m and to increase the depreciation charge for 2009 by €0.3m.

The net equity of the Group as at 31 December 2009 will increase by €2.5m and at 31 December 2008 by €1.9m.

4.3 Intragroup charges made by the parent company

Certain intragroup charges made by the parent company to subsidiary companies in 2008 and 2009 were not included in the books of the parent company at that date. The Company's statements of financial position have been restated accordingly.

The net equity of the Company as at 31 December 2008 and 31 December 2009 will increase by €3.1m and €3.4m respectively as a result of this change.

This adjustment has no effect on the consolidated income, financial position or cash flows of the Group.

4.4 Treatment of share option expense

The calculation of share option expense in the past requires correction as follows:

- Amounts related to participants in the scheme whose options had vested, but who subsequently left the company without exercising the options, were deducted from the total expense charged; this treatment was not in accordance with SFRS 102 "Share-based Payment". As a result, the charge to the consolidated income statement in 2009 was understated by €0.5 m, with a corresponding effect on reserves.
- In the case of options vesting in multiple tranches, for instance three annual tranches, the share option expense was calculated based on all of the options vesting over a three year period. However, SFRS 102 "Share-based Payment" requires that, where options vest in multiple stages, each stage be treated as a separate option and amortised over the relevant period. As a result, the charge to the consolidated income statement in 2009 was understated by €0.5 m, with a corresponding effect on reserves.
- The total of the two items above require an adjustment in the 2009 results increasing staff costs in the consolidated income statement for the year by €1.0 m, and the employee share option reserve as at 31 December 2009 by the same amount.

4.5 Treatment of convertible bonds

The treatment of the convertible bond issued in April 2006 ("Convertible Bond 1") and in October 2007 ("Convertible Bond 2") requires correction as follows:

- The bonds were each treated as a compound financial instrument (i.e. the instrument comprised of both a debt and equity element) under SFRS 32 "Financial Instruments: Presentation". An amount was transferred to a "convertible bonds equity reserve" on the inception of these financial instruments.
- As the obligation was to deliver a *variable* number of shares, each bond should have been treated as a hybrid financial instrument, having a host debt component and an embedded conversion option under SFRS 39. The embedded derivative should be separated from its host contract and be shown as a liability, rather than equity. It should be revalued to its fair value at the end of each accounting period, and the movement taken to the income statement.
- A premium on redemption would have been payable if the bonds had continued to their full term and, in accordance with the SFRS 39 "Financial Instruments: Recognition and Measurement", such a provision should have been included in the interest charge on each bond calculated under the effective interest method which was not previously accounted for.
- Deferred tax had been recognised on the bonds and amounts transferred to reserves and income during the lifetime of the bonds. The accounting for hybrid instruments does not give rise to an equivalent deferred tax balance.

Detail of each of the resulting adjustments is given below.

4.5.1 Interest costs

The interest charge for Convertible Bond 1 in the years from 2006 to 2008 should have been €3.6 m greater than originally stated and that for Convertible Bond 2 in the years 2007 to 2008 should have been €1.5 m greater.

During 2009, the charge under the effective interest method should have been €0.6m greater than originally stated in respect of Convertible Bond 1 and €1.1 m greater in respect of Convertible Bond 2. An increase in the interest charge totalling €1.7 m has therefore been made to the consolidated income statement.

4.5.2 Exceptional gain on redemption

The misstatement of the bond values, including the under accrual of interest under the effective interest method, caused the understatement of the gain on redemption of bonds in 2009. The understatement was €2.9m in respect of Convertible Bond 1 and €0.5m in respect of Convertible Bond 2. The exceptional gain on redemption of the bonds during 2009 has therefore been increased by €3.4m.

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4.5.3 Income tax credit and deferred tax liabilities

Deferred tax had been recognised on the bonds and amounts transferred to reserves and income during the lifetime of the bonds. The accounting for hybrid instruments does not give rise to an equivalent deferred tax balance. The tax entries for the years from 2006 to 2009 have therefore been reversed.

The deferred tax liabilities in the statements of financial position of the Company and of the Group as at 31 December 2008 and 31 December 2009 of €1.3m and €0.4m respectively have been reversed in full.

The balance of €1.3m at 31 December 2008 arose as follows:

€0.9m	deducted from the value of Convertible Bond 1 on inception
€1.2m	used to reduce the value of the convertible bond equity reserve in 2007
(€0.8m)	credited to the consolidated income statement between 2007 and 2008.

Of the decrease on the deferred tax provision in relation to the bond of €0.9m during 2009, €0.7m had been credited to the convertible bond equity reserve and €0.2m to the consolidated income statement. These entries have been reversed.

4.5.4 Convertible bond equity reserve

A convertible bond equity reserve was created as follows:

	€'m
Inception of Convertible Bond 1 in 2006	3.9
Inception of Convertible Bond 2 in 2007	6.1
Increase in the deferred tax liability in 2007 (section 4.5.3 above)	(1.2)
Outstanding balance of as at 31 December 2008	8.8
Decrease in the deferred tax liability in 2009 (section 4.5.3 above)	0.7
Outstanding balance of as at 31 December 2009	9.5

As neither bond satisfied the definition of a compound financial instrument under SFRS32, no such reserve should have been created and all entries in respect of the reserve have been reversed.

4.5.5 Conversion options

The embedded derivative within the bonds should have been separated from its host contract. They should have been re-valued to their fair value at the end of each accounting period, and the movement taken to the income statement.

An external valuation of the embedded component of the bonds has been carried out. The value of these components on issue would have been €5.9m for Convertible Bond 1. Of this amount, €1.5m should have transferred to equity on the partial conversion of the bond in 2007. The option had no material value by 31 December 2008 or at any subsequent date and consequently a gain for the remaining €4.4m has been taken to accumulated losses as at 31 December 2008.

The value of the embedded component for Convertible Bond 2 on inception has been valued at €6.7m. This had no material value by 31 December 2008 or at any subsequent date and consequently a gain for this amount has been taken to accumulated losses as at 31 December 2008.

4.5.6 Equity issued on partial conversion of bond

During 2007 Convertible Bond 1 was partially converted into equity. The misstatement of the bond value, due the matters detailed above, caused the value of the element of the bond converted to equity at that time to be understated by €0.2m. In addition a part of the conversion option, valued at €1.5m, should also have been transferred to equity. A total increase in the value of equity of the Company and of the Group as at 31 December 2008 and at 31 December 2009 of €1.7m has therefore been made.

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4.5.7 Accumulated losses

The accumulated losses of the Company and of the Group have been adjusted as follows:

	€'m
Gain on conversion option on Convertible Bond 1 (see section 4.5.5)	4.4
Gain on conversion option on Convertible Bond 2 (see section 4.5.5)	6.7
Additional interest on Convertible Bond 1 (see section 4.5.1)	(3.6)
Additional interest on Convertible Bond 2 (see section 4.5.1)	(1.5)
Reversal of tax credit (see section 4.5.3)	(0.8)
Credit to accumulated losses as at 31 December 2008	5.2
Additional interest charge for 2009 (see section 4.5.1)	(1.7)
Increase in exceptional gain on redemption of bonds (see section 4.5.2)	3.4
Reduction in tax credit for 2009 (see section 4.5.3)	(0.2)
Credit to accumulated losses as at 31 December 2009	6.7

4.5.8 Value of Convertible Bond 1

As a result of the adjustments detailed above the value of Convertible Bond 1 as at 31 December 2008 has been increased as follows:

	€'m
Add additional interest (see section 4.5.1)	3.6
Add back equity reserve (section 4.5.4)	3.9
Add back deferred tax adjustment (see section 4.5.3)	0.9
Deduct value of conversion option (see section 4.5.5)	(5.9)
Deduct adjustment to equity conversion (see section 4.5.6)	(0.2)
Total adjustment as at 31 December 2008	2.3

Convertible Bond 1 was shown within current liabilities at 31 December 2008.

The convertible bond had been redeemed in full by 31 December 2009 and therefore no adjustment is required as at that date.

4.5.9 Value of Convertible Bond 2

As a result of the adjustments detailed above the value of Convertible Bond 2 has been increased as follows:

	€'m
Add additional interest (see section 4.5.1)	1.5
Add back equity reserve (see section 4.5.4)	6.1
Deduct value of conversion option (see section 4.5.5)	(6.7)
Total adjustment as at 31 December 2008	0.9
Add additional interest for 2009 (see section 4.5.1)	1.1
Deduct adjustment to gain on redemption (see section 4.5.2)	(0.5)
Total adjustment as at 31 December 2009	1.5

Convertible Bond 2 was shown within non-current liabilities at 31 December 2008 and within current liabilities at 31 December 2009.

4.6 Diluted earnings per share

In previous years, the group disclosed a diluted loss per share which was smaller than the basic loss per share. Under SFRS 33 "Earnings per share", a potential ordinary share is included in the calculation of diluted earnings per share (EPS) only where an increased loss per share would result. Accordingly the diluted figure should have been the same as the basic EPS.

4.7 Earnings per share

The net effect of the adjustments detailed above is to decrease the basic and diluted loss per share for 2009 from 0.15 eurocent to 0.14 eurocent.

Notes to Financial Statements continued

4.8 Restatement of consolidated income statement for the financial year ended 31 December 2009

Group	Note	As previously reported	Adjustment for Power recharge (Note 4.1)	Adjustment for capitalised labour (Note 4.2)	Adjustment for options (Note 4.4)	Adjustment for bonds (Note 4.5)	As restated
		€'m	€'m	€'m	€'m	€'m	€'m
Revenue		30.1	3.0	-	-	-	33.1
Other operating income		1.4	-	-	-	-	1.4
Direct network expenses	7	(8.9)	-	-	-	-	(8.9)
Network operating expenses	7	(7.6)	(3.0)	-	-	-	(10.6)
Staff costs		(12.6)	-	1.0	(1.0)	-	(12.6)
Depreciation and amortisation		(12.2)	-	(0.3)	-	-	(12.5)
Other operating expenses		(5.2)	-	-	-	-	(5.2)
Loss on disposal of plant and equipment		-	-	-	-	-	-
Loss before interest, taxation and exceptional item		(15.0)	-	0.7	(1.0)	-	(15.3)
Finance income		0.2	-	-	-	-	0.2
Finance costs		(2.4)	-	-	-	(1.7)	(4.1)
Loss before taxation and exceptional item		(17.2)	-	0.7	(1.0)	(1.7)	(19.2)
Exceptional gain		6.9	-	-	-	3.4	10.3
Loss before taxation		(10.3)	-	0.7	(1.0)	1.7	(8.9)
Income tax credit		0.4	-	-	-	(0.2)	0.2
Net loss for the financial year		(9.9)	-	0.7	(1.0)	1.5	(8.7)
Attributable to:							
Equity holders of the company		(9.9)	-	0.7	(1.0)	1.5	(8.7)
Loss per share							
- basic		Euro cent (0.15)	Euro cent -	Euro cent -	Euro cent (0.01)	Euro cent 0.02	Euro cent (0.14)

4.9 Restatement of consolidated statement of comprehensive income for the financial year ended 31 December 2009

	As previously reported	Adjustment for Power recharge (Note 4.1)	Adjustment for capitalised labour (Note 4.2)	Adjustment for options (Note 4.4)	Adjustment for bonds (Note 4.5)	As restated
	€'m	€'m	€'m	€'m	€'m	€'m
Net loss for the financial year	(9.9)	-	0.7	(1.0)	1.5	(8.7)
Exchange differences on translating foreign operations	0.2	-	-	-	-	0.2
Total comprehensive loss for the financial year	(9.7)	-	0.7	(1.0)	1.5	(8.5)
Attributable to:						
Equity holders of the company	(9.7)	-	0.7	(1.0)	1.5	(8.5)

Notes to Financial Statements continued

4.10 Restatement of statement of financial position of the Group as at 31 December 2009

	As previously reported	Adjustment for capitalised labour (Note 4.2)	Adjustment for options (Note 4.4)	Adjustment for bonds (Note 4.5)	As restated
	€'m	€'m	€'m	€'m	€'m
Assets					
Non-current assets					
Plant and equipment	155.2	2.5	-	-	157.7
Intangible assets	3.3	-	-	-	3.3
Total non-current assets	158.5	2.5	-	-	161.0
Current assets					
Trade receivables	5.3	-	-	-	5.3
Other receivables	3.8	-	-	-	3.8
Receivables from related parties	0.4	-	-	-	0.4
Cash and cash equivalents	6.7	-	-	-	6.7
Total current assets	16.2	-	-	-	16.2
Total assets	174.7	2.5	-	-	177.2
Equity and liabilities					
Capital and reserves					
Share capital	147.8	-	-	1.7	149.5
Treasury shares	(1.9)	-	-	-	(1.9)
Employee share option reserve	4.8	-	1.0	-	5.8
Convertible bond equity reserve	9.5	-	-	(9.5)	-
Foreign currency translation reserve	0.7	-	-	-	0.7
Accumulated losses	(28.5)	2.5	(1.0)	6.7	(20.3)
Total equity	132.4	2.5	-	(1.1)	133.8
Non-current liabilities					
Obligation under finance lease	0.2	-	-	-	0.2
Interest bearing borrowings	-	-	-	-	-
Provisions	0.1	-	-	-	0.1
Deferred revenue	5.8	-	-	-	5.8
Deferred tax liabilities	5.8	-	-	(0.4)	5.4
Total non-current liabilities	11.9	-	-	(0.4)	11.5
Current liabilities					
Obligation under finance lease	0.2	-	-	-	0.2
Interest bearing borrowings	15.3	-	-	1.5	16.8
Deferred revenue	7.3	-	-	-	7.3
Trade payables	4.0	-	-	-	4.0
Other payables and accruals	3.4	-	-	-	3.4
Income tax payable	0.2	-	-	-	0.2
Total current liabilities	30.4	-	-	1.5	31.9
Total equity and liabilities	174.7	2.5	-	-	177.2

Notes to Financial Statements continued

4.11 Restatement of statement of financial position of the Group as at 31 December 2008

	As previously reported	Adjustment for options (Note 4.2)	Adjustment for bonds (Note 4.5)	As restated
	€'m	€'m	€'m	€'m
Assets				
Non-current assets				
Plant and equipment	156.1	1.9	-	158.0
Intangible assets	3.6	-	-	3.6
Total non-current assets	159.7	1.9	-	161.6
Current assets				
Trade receivables	7.2	-	-	7.2
Other receivables	3.5	-	-	3.5
Receivables from related parties	0.4	-	-	0.4
Cash and cash equivalents	5.3	-	-	5.3
Total current assets	16.4	-	-	16.4
Total assets	176.1	1.9	-	178.0
Equity and liabilities				
Capital and reserves				
Share capital	101.2	-	1.7	102.9
Treasury shares	(1.9)	-	-	(1.9)
Employee share option reserve	4.2	-	-	4.2
Convertible bond equity reserve	8.7	-	(8.7)	-
Foreign currency translation reserve	0.5	-	-	0.5
Accumulated losses	(18.7)	1.9	5.2	(11.6)
Total equity	94.0	1.9	(1.8)	94.1
Non-current liabilities				
Obligation under finance lease	0.4	-	-	0.4
Interest bearing borrowings	26.5	-	0.8	27.3
Provisions	0.2	-	-	0.2
Deferred revenue	6.0	-	-	6.0
Deferred tax liabilities	7.1	-	(1.3)	5.8
Total non-current liabilities	40.2	-	(0.5)	39.7
Current liabilities				
Obligation under finance lease	0.2	-	-	0.2
Interest bearing borrowings	26.6	-	2.3	28.9
Deferred revenue	4.7	-	-	4.7
Trade payables	6.2	-	-	6.2
Other payables and accruals	4.2	-	-	4.2
Income tax payable	-	-	-	-
Total current liabilities	41.9	-	2.3	44.2
Total equity and liabilities	176.1	1.9	-	178.0

Notes to Financial Statements continued

4.12 Restatement of statement of financial position of the Company as at 31 December 2009

	As previously reported	Adjustment for bonds (Note 4.5)	Adjustment for options (Note 4.4)	Adjustment for intragroup (Note 4.3)	As restated
	€'m	€'m	€'m	€'m	€'m
Assets					
Non-current assets					
Plant and equipment	-	-	-	-	-
Intangible assets	-	-	-	-	-
Investment in subsidiaries	73.2	-	-	-	73.2
Total non-current assets	73.2	-	-	-	73.2
Current assets					
Other receivables	0.3	-	-	-	0.3
Receivables from related parties	61.4	-	-	3.4	64.8
Cash and cash equivalents	0.4	-	-	-	0.4
Total current assets	62.1	-	-	3.4	65.5
Total assets	135.3	-	-	3.4	138.7
Equity and liabilities					
Capital and reserves					
Share capital	147.8	1.7	-	-	149.5
Treasury shares	(1.9)	-	-	-	(1.9)
Employee share option reserve	4.8	-	1.0	-	5.8
Convertible bond equity reserve	9.5	(9.5)	-	-	-
Asset revaluation reserve	19.8	-	-	-	19.8
Accumulated losses	(61.8)	6.7	(1.0)	3.4	(52.7)
Total equity	118.2	(1.1)	-	3.4	120.5
Non-current liabilities					
Interest bearing borrowings	-	-	-	-	-
Deferred tax liabilities	0.4	(0.4)	-	-	-
Total non-current liabilities	0.4	(0.4)	-	-	-
Current liabilities					
Interest bearing borrowings	15.3	1.5	-	-	16.8
Trade payables	0.7	-	-	-	0.7
Payables to related parties	0.3	-	-	-	0.3
Other payables and accruals	0.4	-	-	-	0.4
Total current liabilities	16.7	1.5	-	-	18.2
Total equity and liabilities	135.3	-	-	3.4	138.7

Notes to Financial Statements continued

4.13 Restatement of statement of financial position of the Company as at 31 December 2008

	As previously reported	Adjustment for bonds (Note 4.5)	Adjustment for intragroup (Note 4.3)	As restated
	€'m	€'m	€'m	€'m
Assets				
Non-current assets				
Plant and equipment	-	-	-	-
Intangible assets	-	-	-	-
Investment in subsidiaries	68.2	-	-	68.2
Total non-current assets	68.2	-	-	68.2
Current assets				
Other receivables	0.3	-	-	0.3
Receivables from related parties	52.9	-	3.1	56.0
Cash and cash equivalents	0.1	-	-	0.1
Total current assets	53.3	-	3.1	56.4
Total assets	121.5	-	3.1	124.6
Equity and liabilities				
Capital and reserves				
Share capital	101.2	1.7	-	102.9
Treasury shares	(1.9)	-	-	(1.9)
Employee share option reserve	4.2	-	-	4.2
Convertible bond equity reserve	8.7	(8.7)	-	-
Asset revaluation reserve	19.8	-	-	19.8
Accumulated losses	(65.6)	5.2	3.1	(57.3)
Total equity	66.4	(1.8)	3.1	67.7
Non-current liabilities				
Interest bearing borrowings	26.5	0.8	-	27.3
Deferred tax liabilities	1.3	(1.3)	-	-
Total non-current liabilities	27.8	(0.5)	-	27.3
Current liabilities				
Interest bearing borrowings	26.6	2.3	-	28.9
Trade payables	0.4	-	-	0.4
Payables to related parties	-	-	-	-
Other payables and accruals	0.3	-	-	0.3
Total current liabilities	27.3	2.3	-	29.6
Total equity and liabilities	121.5	-	3.1	124.6

Notes to Financial Statements continued

4.14 Restatement of consolidated statement of cash flows for the financial year ended 31 December 2009

	As previously reported	Adjustment for capitalised labour	As restated
	€'m	€'m	€'m
Net cash (outflow)/inflow from operating activities	(0.9)	1.0	0.1
Net cash outflow from investing activities	(10.9)	(1.0)	(11.9)
Net cash inflow from financing activities	13.6	-	13.6
Net change in cash and cash equivalents	1.8	-	1.8
Cash and cash equivalents at beginning of the period	5.3	-	5.3
Cash and cash equivalents at end of the period	7.1	-	7.1

5. Segmental reporting information

Segment information is based on distinguishable components of the Group that are engaged either in providing products and services (business 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.

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 attributable to any specific segment.

The Group has two operating segments, both located within Europe. Europe is a single geographic segment for the purposes of management and reporting within the Group.

Network business

The Group operates high capacity fibre networks and provides high capacity communications infrastructure and networking solutions and services to large corporate companies, carriers, and service providers.

In particular, the Group operates a fibre optic network which combines a 'long-haul' inter-city network linking Germany, the Netherlands, the United Kingdom, France and Belgium and high density 'last-mile' metropolitan optical fibre networks in London, Frankfurt, Munich, Berlin, Stuttgart, Hanover, Hamburg, Düsseldorf, Cologne, Paris, Amsterdam, Rotterdam, Utrecht, and Dublin. Duct infrastructure is in place in The Hague and Hanover.

The main products and services of the Group include lease and sale of private fibre networks to corporate and carrier customers, bespoke private fibre networking designing and deployment, carrier grade Internet Protocol (IP) services for enterprises (including global IP access and advanced services such as IP Transit) and networking and colocation.

Data centres

The Group also operates two secure data centres in Amsterdam and one in Frankfurt.

Notes to Financial Statements continued

	2010	2009 Restated (Note 4)
	€'m	€'m
Revenue		
Network business	30.4	19.6
Data centres	13.4	13.5
Total	43.8	33.1
All revenue is derived from external sales.		
Gross Profit		
Network business	21.3	13.7
Data centres	10.2	10.5
Total	31.5	24.2
Gross profit is revenue less direct network expenses.		
Operating loss		
Network business	(24.4)	(18.7)
Data centres	4.1	4.5
Total segments	(20.3)	(14.2)
Corporate costs	(1.1)	(1.1)
Total	(21.4)	(15.3)
Additions to fixed assets		
Network business	15.0	10.2
Data centres	0.4	0.6
Total	15.4	10.8
Depreciation and amortisation		
Network business	(13.9)	(11.9)
Data centres	(0.6)	(0.6)
Total	(14.5)	(12.5)

	2010	2009 Restated (Note 4)
	€'m	€'m
Statement of Financial Position (Group)		
Assets		
Network business	171.9	165.1
Data centres	11.0	11.4
Total segments	182.9	176.5
Corporate assets	0.4	0.7
Total assets	183.3	177.2
Liabilities		
Network business	19.6	18.9
Data centres	5.9	6.6
Total segments	25.5	25.5
Corporate liabilities	52.8	17.9
Total liabilities	78.3	43.4

Notes to Financial Statements continued

6. Revenue

	2010	2009
	€'m	€'m
Network services	30.4	19.6
Data centre services	13.4	13.5
	<u>43.8</u>	<u>33.1</u>

Included with networks services are revenue from the sale of infrastructure of €4.6m (2009 €0.8m).

Whilst the Group has been increasing its customer base in the year to December 2010, revenues from a single customer (in respect of data centre services) represented 13.7% of total revenues (2009: 18.1%).

Revenue is attributed to location of the entity entering into the contract.

	2010	2009
	€'m	€'m
Netherlands	17.1	16.3
Germany	13.2	9.6
United Kingdom	8.4	3.0
Ireland	5.0	4.2
France	0.1	0.1
	<u>43.8</u>	<u>33.1</u>

7. Direct network expenses and network operating expenses

	2010	2009
	€'m	€'m
Direct network expenses	12.3	8.9
Network operating expenses	11.5	10.6

Direct network expenses include those costs directly related to the delivery of customer revenues.

Network operating expenses include those costs that relate to the general operation and maintenance of the Group's network assets, and network related charges.

These costs include operating lease expenses of €3.1m (2009: €2.0m)

These costs were originally reported together as "Purchases" in the 2009 financial statements.

8. Staff costs

	2010	2009
	€'m	Restated (Note 4.2) €'m
Wages and salaries	11.9	9.2
Social security costs	1.6	1.1
Share option expenses	5.4	2.6
Termination costs	1.9	0.5
Other staff costs	2.1	0.2
	<u>22.9</u>	<u>13.6</u>
Less: costs capitalised	(1.2)	(1.0)
	<u>21.7</u>	<u>12.6</u>

Wages and salaries include Directors' remuneration and Directors' fees.

Notes to Financial Statements continued

Termination costs include an exceptional charge of €1.4m relating to settlements with former Directors.

Share option expenses include an exceptional charge of €1.2m relating to the former Executive Chairman who retained the entitlement to exercise the share options granted to him following the cessation of his employment.

Other staff costs include costs of recruitment and costs of interim staff.

9. Other administration expenses

Other administration expenses were previously reported as "Other operating expenses" in the 2009 financial statements.

	2010	2009
	€'m	€'m
Legal and professional fees	1.4	1.7
Office rental	1.0	1.0
Other office costs	0.6	0.4
Travel expenses	0.7	0.6
Fines and penalties	-	0.6
Marketing costs	0.3	0.1
Other costs	0.5	0.8
	<u>4.5</u>	<u>5.2</u>

10. Other operating (expenses) / income

Other operating (expenses) / income comprises foreign exchange (losses) / gains on operating activities.

11. Financial costs

	2010	2009
	€'m	Restated (Note 4.5.1) €'m
Interest on Convertible Bond 3	5.0	-
Interest on Convertible Bond 1 and Convertible Bond 2	1.0	3.9
Cost of hedge purchased in relation to proceeds from Convertible Bond 3 issuance	0.5	-
Foreign exchange movements on Convertible Bond 3 and embedded derivative	4.3	-
Other net interest	0.1	-
	<u>10.9</u>	<u>3.9</u>

Details of the convertible bonds are given in note 27.

Notes to Financial Statements continued

12. Exceptional financial costs / (income)

	2010	2009 Restated (Note 4.5.2)
	€'m	€'m
Profit on redemption of Convertible Bond 1 and part of Convertible Bond 2	-	(10.3)
Charge in relation to redemption of the balance of the Convertible Bond 2	2.6	-
	<u>2.6</u>	<u>(10.3)</u>

Exceptional charges of €2.6m were incurred in relation to the redemption of the balance of Convertible Bond 2. Further details are given in note 27.

13. Income tax credit

Major components of income tax for the financial years ended 31 December 2010 and 2009 are as follows:

	2010	2009 Restated (Note 4.5.3)
	€'m	€'m
Current tax		
Current year	(0.2)	(0.2)
Underprovision from prior years	(0.8)	-
Deferred income tax		
Current year	0.4	0.4
Overprovision in prior years	1.3	-
	<u>0.7</u>	<u>0.2</u>

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 2010 and 2009 is as follows:

	2010	2009 Restated
	€'m	€'m
Loss before income tax	<u>(34.9)</u>	<u>(8.9)</u>
Weighted average income tax rate of 19% (2009: 20%)	6.6	1.8
Unrecognised tax losses	(6.4)	(1.6)
Underprovision of current tax in prior years	(0.8)	-
Overprovision of deferred tax in prior years	1.3	-
	<u>0.7</u>	<u>0.2</u>

Domestic income tax is calculated at 17% (2009: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The weighted average income tax rate of 19% (2009: 19%) is calculated by weighting the appropriate rate of corporate income tax for each territory in which the Group operates by the income / (loss) before tax attributable to that territory.

The prior year reconciliation has been restated.

Notes to Financial Statements continued

14. Loss per share

Loss per share is stated in eurocent. 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.

	2010 Basic and Diluted €'m	2009 Basic and Diluted Restated (Note 4.7) €'m
Loss attributable to shareholders of the Company	(34.2)	(8.5)
Weighted average number of ordinary shares (m)	8,646	6,734
Loss per share (eurocents)	(0.40)	(0.14)

7,452m (2009: 991m) issuable shares that could potentially dilute basic earnings per share in the future were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.

15. Property, plant and equipment

Group	Telecommunications networks	Network equipment	Office furniture and equipment	Assets under construction	Total
2010	€'m	€'m	€'m	€'m	€'m
Cost or valuation					
At 1 January 2010 as originally reported	189.9	15.0	2.8	0.7	208.4
Adjustment for capitalised labour	4.3	-	-	-	4.3
Adjustments for prior year	21.2	2.0	1.1	-	24.2
Balance at 1 January 2010 as restated	215.4	17.0	3.9	0.7	236.9
Additions	9.8	4.7	0.5	-	15.0
Disposals	(1.0)	-	-	-	(1.0)
Transfer to current assets	(3.2)	-	-	-	(3.2)
Reclassification	0.5	-	-	(0.5)	-
Balance at 31 December 2010	221.5	21.6	4.4	0.2	247.7
Accumulated depreciation					
At 1 January 2010 as originally reported	(49.5)	(1.4)	(2.2)	-	(53.1)
Adjustment for capitalised labour	(1.8)	-	-	-	(1.8)
Adjustments for prior year	(21.2)	(2.0)	(1.1)	-	(24.3)
Balance at 1 January 2010	(72.5)	(3.4)	(3.3)	-	(79.2)
Depreciation	(11.8)	(1.6)	(0.5)	-	(13.9)
Disposals	0.4	-	-	-	0.4
Transfer to current assets	0.6	-	-	-	0.6
Balance at 31 December 2010	(83.3)	(5.0)	(3.8)	-	(92.1)
Carrying amount					
At 31 December 2010	138.2	16.6	0.6	0.2	155.6

Notes to Financial Statements continued

15. Property, plant and equipment *continued*

Group	Telecommunications networks	Network equipment	Office furniture and equipment	Assets under construction	Total
2009	€'m	€'m	€'m	€'m	€'m
Cost or valuation					
At 1 January 2009 as originally reported	175.9	-	5.4	16.3	197.6
Adjustment for capitalised labour	3.4	-	-	-	3.4
Adjustments for prior year	21.2	2.0	1.1	-	24.3
Balance at 1 January 2009 as restated	200.5	2.0	6.5	16.3	225.3
Additions	10.1	0.5	0.1	-	10.7
Disposals	(0.3)	-	-	-	(0.3)
Reclassification	3.3	14.5	(2.7)	(15.1)	-
Currency Translation	1.7	-	-	(0.5)	1.2
Balance at 31 December 2009	215.3	17.0	3.9	0.7	236.9
Accumulated depreciation					
At 1 January 2009 as originally reported	(39.7)	-	(1.8)	-	(41.5)
Adjustment for capitalised labour	(1.5)	-	-	-	(1.5)
Adjustments for prior year	(21.2)	(2.0)	(1.1)	-	(24.3)
Balance at 1 January 2009	(62.4)	(2.0)	(2.9)	-	(67.3)
Depreciation	(10.1)	(1.4)	(0.4)	-	(11.9)
Balance at 31 December 2009	(72.5)	(3.4)	(3.3)	-	(79.2)
Carrying amount					
At 31 December 2009	142.8	13.6	0.6	0.7	157.7
Carrying amount					
At 1 January 2009	138.1	-	3.6	16.3	158.0

Notes to Financial Statements continued

15. Property, plant and equipment *continued*

<i>Company</i>	<i>Office furniture and equipment</i>
2010	€'m
Cost or valuation	
Balance at 1 January 2010	0.2
Disposals	(0.2)
Balance at 31 December 2010	<u>-</u>
Accumulated depreciation	
Balance at 1 January 2010	(0.2)
Depreciation	0.2
Balance at 31 December 2010	<u>-</u>
Carrying amount At 31 December 2010	<u>-</u>
2009	
Cost or valuation	
Balance at 1 January 2009 and 31 December 2009	<u>0.2</u>
Accumulated depreciation	
Balance at 1 January 2009 and 31 December 2009	<u>(0.2)</u>
Carrying amount At 31 December 2009	<u>-</u>
Carrying amount At 1 January 2009	<u>-</u>

Notes to Financial Statements continued

16. Intangible assets

<i>Group</i>	<i>Customer contracts</i>	<i>Software</i>	<i>Total</i>
2010	€'m	€'m	€'m
Cost or valuation			
Balance at 1 January 2010	5.7	0.4	6.1
Additions	-	0.4	0.4
Balance at 31 December 2010	<u>5.7</u>	<u>0.8</u>	<u>6.5</u>
Accumulated depreciation			
Balance at 1 January 2010	(2.6)	(0.2)	(2.8)
Amortisation	(0.6)	-	(0.6)
Balance at 31 December 2010	<u>(3.2)</u>	<u>(0.2)</u>	<u>(3.4)</u>
Carrying amount			
At 31 December 2010	<u>2.5</u>	<u>0.6</u>	<u>3.1</u>

<i>Group</i>	<i>Customer contracts</i>	<i>Software</i>	<i>Total</i>
2009	€'m	€'m	€'m
Cost or valuation			
Balance at 1 January 2009	5.5	0.3	5.8
Additions	-	0.1	0.1
Currency translation differences	0.2	-	0.2
Balance at 31 December 2009	<u>5.7</u>	<u>0.4</u>	<u>6.1</u>
Accumulated depreciation			
Balance at 1 January 2009	(2.0)	(0.2)	(2.2)
Amortisation	(0.6)	-	(0.6)
Balance at 31 December 2009	<u>(2.6)</u>	<u>(0.2)</u>	<u>(2.8)</u>
Carrying amount			
At 31 December 2009	<u>3.1</u>	<u>0.2</u>	<u>3.3</u>
Carrying amount			
At 1 January 2009	<u>3.5</u>	<u>0.1</u>	<u>3.6</u>

Notes to Financial Statements continued

17. Investment in subsidiaries

Loss per share is stated in eurocent. 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.

	Company	
	2010	2009
	€'m	€'m
Unquoted equity shares, at cost	73.2	73.2
Receivables from related parties	91.4	-
	<u>164.6</u>	<u>73.2</u>

In the statement of financial position of the Company, receivables from related parties of €91.4m have been reclassified from current assets to "cost of investments in subsidiaries" because the Company does not expect to call for repayment of these debts owing by the subsidiaries in the foreseeable future. These receivables comprise mainly advances provided by the Company to the subsidiaries to fund the subsidiaries' capital expenditure and working capital and therefore, in substance, should be treated as part of the cost of investment in these subsidiaries. No interest has been charged on these receivables. These receivables were classified as current assets in prior years (2009: €63.1m) because, in those years, the management expected repayment of these amounts owing by the subsidiaries.

This reclassification has no effect on the financial performance of the Group.

The details of the subsidiaries are as follows:

Name	Country of incorporation and operation	Principal activities
euNetworks Pte. Limited	Singapore	Sub holding company
euNetworks AG	Germany	Data network services
euNetworks (BVI) Limited	British Virgin Islands	Sub holding company
euNetworks Ireland Private Fiber Limited	Ireland	Data network services
euNetworks B.V.	The Netherlands	Data network services
euNetworks Data Centres BV	The Netherlands	Data centre services
euNetworks DCH BV	The Netherlands	Data centre services
euNetworks Fiber UK Limited	United Kingdom (England)	Data network services
euNetworks Services GmbH	Germany	IP transit & data centre services
European Fiber Networks Asset GmbH	Germany	Infrastructure provision
European Fiber Networks "GND" GmbH	Germany	Infrastructure provision
euNetworks SAS	France	Data network services
euNetworks BVBA	Belgium	Data network services

The Company has an effective equity interest of 100% in all subsidiaries as at 31 December 2010 and 2009.

All significant entities are audited by overseas member firms of BDO.

euNetworks Data Centres BV and euNetworks DCH BV were incorporated during 2010.

Notes to Financial Statements continued

18. Infrastructure assets held for sale

Infrastructure assets held for sale of €1.1m comprises specific network assets, which have been reclassified from property, plant and equipment, which are likely to be sold in the next 12 months and for which a potential acquirer has been identified.

19. Trade receivables

	2010	Group	2009
	€'m		€'m
Amounts due from third parties	7.9		5.5
Allowance for doubtful trade receivables	(0.5)		(0.2)
	<u>7.4</u>		<u>5.3</u>

The average credit period on trade receivables in 2010 and 2009 is 30 to 60 days.

Allowances made in respect of estimated irrecoverable amounts are determined by reference to past default experience.

The Group does not hold collateral as security for its trade receivables.

Movements in allowance for doubtful trade receivables are as follows:

	2010	Group	2009
	€'m		€'m
Balance at 1 January	0.2		1.2
Written off against allowance	-		(1.3)
Write back of allowance	(0.3)		-
Additions	0.6		0.3
Balance at 31 December	<u>0.5</u>		<u>0.2</u>

Aged analysis (past due but not impaired)

	2010	Group	2009
Days Due	€'m		€'m
0 - 90 days	5.9		5.1
91 - 180 days	0.5		0.1
181 days and over	-		0.1
Total	<u>6.4</u>		<u>5.3</u>

Management considers that the carrying amount of trade receivables in the financial statements approximates to their fair values.

Trade receivables that were neither past due nor impaired are substantially companies with good collection track record with the Group.

Notes to Financial Statements continued

20. Other receivables and prepayments

	Group		Company	
	2010	2009	2010	2009
	€'m	€'m	€'m	€'m
Deposits	0.4	0.7	-	-
Prepayments	3.4	2.5	0.1	0.3
Tax recoverable	-	0.4	-	-
Sundry receivables	2.5	0.2	0.2	-
	<u>6.3</u>	<u>3.8</u>	<u>0.3</u>	<u>0.3</u>

The currency profiles of the Group's and Company's trade and other receivables (excluding prepayments) as at 31 December are as follows:

	Group		Company	
	2010	2009	2010	2009
	€'m	€'m	€'m	€'m
Euro	8.7	5.6	0.2	-
Pound sterling	1.6	-	-	-
Singapore dollar	-	1.0	-	-
	<u>10.3</u>	<u>6.6</u>	<u>0.2</u>	<u>-</u>

21. Cash and cash equivalents

	Group		Company	
	2010	2009	2010	2009
	€'m	€'m	€'m	€'m
Bank balances	8.6	3.3	0.1	0.4
Fixed deposits	0.9	3.4	-	-
	<u>9.5</u>	<u>6.7</u>	<u>0.1</u>	<u>0.4</u>

Fixed deposits of the Group amounting to €0.8m (2009: €0.5m) were pledged to banks to secure credit facilities granted to the subsidiaries.

The currency profiles of the Group's and Company's cash and cash equivalents as at 31 December are as follows:

	Group		Company	
	2010	2009	2010	2009
	€'m	€'m	€'m	€'m
Euro	5.6	6.0	-	-
Pound sterling	3.7	0.3	-	-
Singapore dollar	0.2	0.4	0.1	0.4
	<u>9.5</u>	<u>6.7</u>	<u>0.1</u>	<u>0.4</u>

Bank deposits are mainly deposits with banks with high credit ratings assigned by international rating agencies.

Notes to Financial Statements continued

22. Share capital

	Group and Company			
	2010	2009	2010	2009
	Number of ordinary shares (m)		€'m	
Issued and paid up:				
At beginning of year				
As originally reported			147.8	101.2
Prior year adjustment (note 4.5.6)			1.7	1.7
As restated	8,646	2,450	149.5	102.9
Issued during year	-	6,196	-	46.6
At end of year	<u>8,646</u>	<u>8,646</u>	<u>149.5</u>	<u>149.5</u>

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 €3.0m 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 €43.6m.

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

The Company has one class of ordinary shares which carry 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.

Prior year figures, including the number of ordinary shares, have been restated.

23. Treasury shares

	Group and Company			
	2010	2009	2010	2009
	Number of ordinary shares		€'m	
Issued and paid up:				
At beginning and end of year	<u>46,160,000</u>	<u>46,160,000</u>	<u>(1.9)</u>	<u>(1.9)</u>

24. 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 SDG\$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").

Notes to Financial Statements 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 SGD4,322,770. 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 SGD0.025 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 SGD0.15, 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 accounted for in determining the weighted average number of ordinary shares for the diluted earnings per share.

Balance at 1 January 2010 and 31 December 2010	Subscription price SGD	Expiry date
<u>86,455,400</u>	0.0500	15.10.2014

25. Reserves

	Group			Company		
	2010	2009 (Note 4.4)	2008 (Note 4.4)	2010	2009 (Note 4.4)	2008 (Note 4.4)
	€'m	€'m	€'m	€'m	€'m	€'m
Employee share option reserve	11.2	5.8	4.2	11.2	5.8	4.2
Foreign currency translation reserve	0.7	0.7	0.5	-	-	-
Asset revaluation reserve	-	-	-	19.8	19.8	19.8
	<u>11.9</u>	<u>6.5</u>	<u>4.7</u>	<u>31.0</u>	<u>25.6</u>	<u>24.0</u>

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 2.18 to the financial statements.

(II) 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.

(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.

Notes to Financial Statements continued

26. Obligation under finance lease

	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	€'m	€'m	€'m
2010			
Within one year	0.2	-	0.2
2009			
Within one year	0.3	(0.1)	0.2
After one year but within five years	0.2	-	0.2
	<u>0.5</u>	<u>(0.1)</u>	<u>0.4</u>

The finance lease term is 3 years.

The effective interest rate charged during the financial year is 19.25% 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 lease 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.

The Company had no obligations under finance lease in 2010 or 2009.

27. Interest bearing borrowings

	Group and Company	
	2010	2009 Restated (Note 4.5)
	€'m	€'m
Current	-	16.8
Non-current	44.0	-
	<u>44.0</u>	<u>16.8</u>

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

Notes to Financial Statements continued

	Group and Company	
	2010	2009 (Note 4.5)
	€'m	€'m
Convertible Bond 1		
As originally reported	-	26.6
Prior year adjustment	-	2.3
Liability component at 1 January as restated	-	28.9
Interest expense	-	1.1
Interest paid	-	(0.1)
Redemption of the bond	-	(29.9)
Liability component at 31 December	-	-
Convertible Bond 2		
As originally reported	15.3	26.4
Prior year adjustment	1.5	0.9
Liability component at 1 January as restated	16.8	27.3
Interest expense	1.0	2.8
Interest paid	-	(0.5)
Redemption of the bond	(17.8)	(12.8)
Liability component at 31 December	-	16.8
Convertible Bond 3		
Liability component on issue of bond	35.5	-
Interest expense	5.0	-
Foreign exchange movement	3.5	-
Liability component at 31 December	44.0	-
Total liability component of bonds at 31 December	44.0	16.8
Fair value of bonds at 31 December	44.0	16.8

Notes to Financial Statements continued

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 €35m 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 SGD\$0.20 per share with a fixed rate of exchange on conversion of SGD\$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 2010, none remain outstanding at the financial year end which could be converted into ordinary shares in the Company. The reset conversion price at 31 December 2009 was SGD\$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 an existing and future capital expenditure and for general corporate purposes and for working capital.

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 €29.9m, is included in the exceptional gain in the consolidated income statement.

The bond has been treated as a hybrid financial instrument, having a host debt component and an embedded conversion option under SFRS 39. The embedded derivative was separated from its host contract and was shown as a liability, rather than equity. It was revalued to its fair value at the end of each accounting period, and the movement taken to the income statement.

The embedded derivative was valued at €5.9m at inception. The option had no material value by 31 December 2008 or at any subsequent date.

Notes to Financial Statements continued

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 €32m 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 SGD\$0.191 per share with a fixed rate of exchange on conversion of SGD\$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.

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

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 an 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 part of convertible bond 2 at an offer price representing 55% of the outstanding principal value. The difference between the discount at which the convertible bonds were purchased of €8.0m, and the accrued liability at the date of purchase of €12.9m, is included in the exceptional gain in the consolidated income statement. The outstanding principal of convertible Bond 2 at 31 December 2009 was €16.8m.

The remaining portion of Convertible Bond 2 was redeemed in May 2010 following the issue of Convertible Bond 3. The difference between the value at which Bond 2 was purchased of €20.4m and the accrued liability at the date of purchase of €17.8m is shown as an exceptional financial cost in the consolidated income statement (see note 12).

The bond has been treated as a hybrid financial instrument, having a host debt component and an embedded conversion option under SFRS 39. The embedded derivative was separated from its host contract and was shown as a liability, rather than equity. It was revalued to its fair value at the end of each accounting period, and the movement taken to the income statement.

The embedded derivative was valued at €6.7m at inception. The option had no material value by 31 December 2008 or at any subsequent date.

Notes to Financial Statements continued

Convertible Bond 3

In April 2010, the Company entered into a subscription agreement in relation to the issue by the Company of the aggregate S\$86.5m in principal amount of the convertible bonds due 2013.

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 SGD0.2 per share ("conversion price"). The conversion price is subject to adjustment in certain circumstances in the manner provided in the terms and conditions. Subject to this the conversion is reset every six months from the issue date to values reaching SGD 0.015806 on maturity.

Principal terms of Convertible Bond 3

Issue date:	1 April 2010
Maturity date:	31 March 2013 (3 Years)
Issue price:	97%
Redemption price:	126.53%
Coupon:	Nil

The gross proceeds from the issue of the convertible bond were €44.8m. Underwriting fees and other expenses relating to this offering were €1.6m. The net proceeds of the issue were used to repay convertible bond 2 and 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 18.1% to the liability component.

The bond has been treated as a hybrid financial instrument, having a host debt component and an embedded conversion option under SFRS 39. The embedded derivative was separated from its host contract and was shown as a liability, rather than equity. It was revalued to its fair value at the end of each accounting period, and the movement taken to the income statement.

The embedded derivative was valued at €8.0m at inception and at €8.5m at 31 December 2010.

The terms and salient features of the 2013 bond are as set out in the Offer Information Statement dated 8 March 2010.

28. Provisions

	Group	
	2010	2009
	€'m	€'m
Restoration		
At 1 January	0.1	0.1
Released during the year	(0.1)	-
At 31 December	-	0.1

Office restoration costs

A provision was recognised in relation to the rebuilding obligations that exist on the point of presence in Stuttgart in 2009.

Notes to Financial Statements continued

29. Deferred revenue

	Group	
	2010	2009
	€'m	€'m
The deferred revenue will be released		
- within one financial year	6.9	7.3
Total current deferred revenue	6.9	7.3
- between two and five financial years	3.4	3.5
- more than five financial years	1.6	2.3
Total non-current deferred revenue	5.0	5.8
Total deferred revenue	11.9	13.1

Deferred revenue comprises dark fibre leases, operational and maintenance services as well as instalment fees.

30. Trade and other payables

	Group		Company	
	2010	2009	2010	2009
	€'m	€'m	€'m	€'m
Trade payables - owed to third parties	4.2	4.0	0.1	0.7
Other payables - owed to third parties	2.0	0.7	-	-
Accrued expenses	3.0	2.7	0.3	0.4
Payables to related parties	-	-	-	0.3
	9.2	7.4	0.4	1.4

The average credit period on trade payables is 49 days (2009: 67 days).

No interest is charged on the trade and other payables.

The amounts due to subsidiaries, associates and related parties are unsecured, interest-free and repayable on demand.

The currency profiles of the Group's and Company's trade and other payables as at 31 December are as follows:

	Group		Company	
	2010	2009	2010	2009
	€'m	€'m	€'m	€'m
Euro	5.0	4.1	-	0.6
Pound sterling	1.0	0.5	0.1	-
United States dollar	0.2	0.1	-	0.1
	6.2	4.7	0.1	0.7

	Group		Company	
	2010	2009	2010	2009
	€'m	€'m	€'m	€'m
Trade payables - owed to third parties	4.2	4.0	0.1	0.7
Other payables - owed to third parties	2.0	0.7	-	-
	6.2	4.7	0.1	0.7

Management considers that the carrying amount of trade payables in the financial statements approximates their fair value.

Notes to Financial Statements continued

31. Movement in working capital

	Group	
	2010	2009
	€'m	€'m
(Increase)/Decrease in trade receivables (including allowance for doubtful trade receivables)	(2.1)	2.0
Increase in other receivables and prepayments	(2.8)	(0.2)
Decrease in receivables from related parties	0.4	-
Increase/(Decrease) in trade payables	0.2	(2.1)
Increase/(Decrease) in other payables and accruals	1.6	(0.9)
(Decrease)/Increase in deferred revenue	(1.2)	2.5
Decrease in infrastructure assets held for resale	1.5	-
	<u>(2.4)</u>	<u>1.3</u>

The 2009 movement in working capital calculation has been restated (see note 4.14).

32. Purchase of property, plant and equipment and intangible assets

During the financial year, the Group acquired plant and equipment and intangible assets for an aggregate of €15.4m (2009: €10.8m) of which €Nil (2009: €Nil) was acquired by means of finance leases. Cash payments of €15.4m (2009: €9.8m) were made to purchase plant and equipment and intangible assets. There were no non-cash payments (2009: €1.0m).

33. Deferred tax liabilities

Relating to origination and reversal of temporary differences:	2010	Group	
		2009	2008
	€'m	Restated (Note 4.5.3) €'m	Restated (Note 4.5.3) €'m
Fair value of the networks BVI Group	3.7	4.1	4.4
Fair value of liabilities and receivables of euNetworks Services GmbH	-	1.3	1.3
Discounting of provisions - euNetworks AG	-	-	0.1
	<u>3.7</u>	<u>5.4</u>	<u>5.8</u>

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 €20.7m. The resulting deferred tax liability at a rate of 30% amounts to €6.2m 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.

Notes to Financial Statements continued

The movement for the year in deferred tax position is as follows:

	BVI Group	euNetworks Services	Bonds	Provisions	Total
	€'m	€'m	€'m	€'m	€'m
At 1 January 2010 as originally reported	4.1	1.3	0.4	-	5.8
Adjustment for bonds	-	-	(0.4)	-	(0.4)
At 1 January 2010 as restated	4.1	1.3	-	-	5.4
Credit to income	(0.4)	(1.3)	-	-	(1.7)
At 31 December 2010	3.7	-	-	-	3.7
At 1 January 2009 as originally reported	4.4	1.3	1.3	0.1	7.1
Adjustment for bonds	-	-	(1.3)	-	(1.3)
At 1 January 2009 as restated	4.4	1.3	-	0.1	5.8
Credit to income	(0.3)	-	-	(0.1)	(0.4)
At 31 December 2009	4.1	1.3	-	-	5.4

Because of uncertainty as to their future realisation, no deferred tax assets were recognised in respect of the existing losses carry forward for tax purposes. The losses carried forward in Germany are not subject to expiry but are capped in value. The total losses carried forward for the Group amount to €246.8m as at 31 December 2010 (2009: €240m).

The losses are not recoverable against the recognised deferred tax liabilities.

34. Commitments

Operating lease commitments

Group as lessee

The Group has entered into commercial non-cancellable leases on properties (office rooms, points of presence), 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.

	Group	
	2010	2009
	€'m	€'m
Not later than one year	3.3	2.5
Later than one year and not later than five years	6.4	5.4
Later than five years	3.3	3.4
	<u>13.1</u>	<u>11.3</u>

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 as follows:

	Group	
	2010	2009
	€'m	€'m
Not later than one year	4.8	2.8
Later than one year and not later than five years	8.7	7.2
Later than five years	2.4	1.9
	<u>15.9</u>	<u>11.9</u>

Notes to Financial Statements continued

35. 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 amounts due from related parties are unsecured, non-interest bearing and repayable on demand.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year:

Related party	Financial year €'m	Sales to related parties €'m	Purchases from related parties €'m	Amounts owed by related parties €'m	Service rendered by related parties €'m
Shareholders of the Group					
RCI	2010	-	-	-	-
	2009	-	-	52	-
Key management personnel of the Group					
Directors	2010	-	-	-	-
	2009	-	-	34	292
Other related parties					
Citadel	2010	-	-	-	-
	2009	4	14	189	-

Shareholders of the Group

Real Capital International Limited ("RCI")

RCI owns 2.88% (2009: 10.16%) of the ordinary shares in euNetworks Group Limited.

RCI ceased to be a related party on 28 April 2010.

Receivables from and payables to related parties at Company level include only amounts with other Group companies.

Transactions with other related parties

Citadel 100 Data Centers Ltd ("Citadel")

Citadel was a wholly-owned subsidiary of RCI. During the financial year 2009, the Group entered into a new agreement with Citadel in respect of the rental of co-location space in the data centre. The total rental fees paid amounted to €122,798.

During the financial year 2009, the Group itself leased 10 strands of dark fibre to Citadel for a monthly fee of €21,000 and this contract ceased on 31 May 2009. In August 2010, under a new lease contract, the Group itself leased 2 strands of dark fibre to Citadel for a monthly fee of €790.

Notes to Financial Statements continued

Banjo Co-ownership ("Banjo")

In June 2009, 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 2010, lease payments in respect of this premises totalled €137,034 (2009 €137,034).

Citadel100 and Banjo ceased being related parties of the group on 28 April 2010.

Compensation of key management personnel of the Group:

	2010	2009
	€'m	€'m
Short term employee benefits	0.5	1.6
Services rendered	0.3	0.1
Share option expenses	3.5	0.6
Settlements with departing Directors	1.8	0.3
	<u>6.1</u>	<u>2.6</u>

36. Share option scheme

The euNetworks Group Limited Share Option Scheme (the "2000 Scheme") and the euNetworks Group Limited 2009 Share Option Scheme (the "2009 Scheme") enables certain 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 is to exercised in full or in 1,000 share 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 2010 are as follows:

Notes to Financial Statements continued

<i>Date of grant</i>	<i>Balance at 1 January 2010 or date of grant if later</i>	<i>Cancelled/ expired</i>	<i>Balance at 31 December 2010</i>	<i>Subscription Price</i>	<i>Vesting date</i>
SGD					
2000 Scheme					
28 February 2005	26,625,000	(7,100,000)	19,525,000	0.03	27 February 2008
07 July 2005	179,674,428	-	179,674,428	0.0183	06 July 2008
01 October 2006	5,035,500	-	5,035,500	0.04	30 September 2009
01 January 2007	32,560,713	-	32,560,713	0.0467	31 December 2008
01 January 2007	37,404,923	(19,170,023)	18,234,900	0.0433	31 December 2009
01 January 2007	22,500,000	-	22,500,000	0.0333	31 December 2009
27 August 2007	69,680,139	(69,680,139)	-	0.055	26 August 2010
30 June 2009	64,841,550	(14,409,233)	50,432,317	0.03	29 June 2012
	<u>460,507,253</u>	<u>(110,359,395)</u>	<u>327,962,858</u>		
2009 Scheme					
27 October 2009	92,705,792	(4,444,444)	88,261,348	0.025	26 October 2010
27 October 2009	92,705,792	(4,444,444)	88,261,348	0.025	26 October 2011
27 October 2009	84,060,252	(4,444,445)	79,615,807	0.025	26 October 2012
27 October 2009	57,636,936	-	57,636,936	0.015	16 February 2010
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2010
27 October 2009	57,636,936	-	57,636,936	0.015	16 February 2011
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2011
27 October 2009	57,636,936	-	57,636,936	0.015	16 February 2012
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2012
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2013
16 March 2010	52,881,847	-	52,881,847	0.015	16 March 2011
16 March 2010	2,881,847	-	2,881,847	0.015	16 March 2012
16 March 2010	2,881,847	-	2,881,847	0.015	16 March 2013
26 March 2010	12,971,643	-	12,971,643	0.015	26 March 2011
26 March 2010	12,971,643	-	12,971,643	0.015	26 March 2012
26 March 2010	12,971,643	-	12,971,643	0.015	26 March 2013
28 April 2010	34,582,161	-	34,582,161	0.020	28 April 2011
28 April 2010	34,582,161	-	34,582,161	0.020	28 April 2012
28 April 2010	34,582,161	-	34,582,161	0.020	28 April 2013
28 April 2010	265,685,694	-	265,685,694	0.020	28 April 2014
06 July 2010	21,613,851	-	21,613,851	0.015	06 July 2011
06 July 2010	21,613,851	-	21,613,851	0.015	06 July 2012
06 July 2010	21,613,851	-	21,613,851	0.015	06 July 2013
06 July 2010	8,310,397	-	8,310,397	0.015	06 July 2014
14 September 2010	46,744,693	-	46,744,693	0.015	14 September 2011
14 September 2010	46,744,693	-	46,744,693	0.015	14 September 2012
14 September 2010	46,744,693	-	46,744,693	0.015	14 September 2013
14 September 2010	17,291,080	-	17,291,080	0.015	14 September 2014
02 December 2010	15,866,657	-	15,866,657	0.016	02 December 2011
02 December 2010	15,866,658	-	15,866,658	0.016	02 December 2012
02 December 2010	15,866,658	-	15,866,658	0.016	02 December 2013
	<u>1,533,473,988</u>	<u>(13,333,333)</u>	<u>1,520,140,655</u>		
Total	<u>1,993,981,241</u>	<u>(123,692,728)</u>	<u>1,848,103,513</u>		

Notes to Financial Statements continued

During financial year 2010, 745,278,729 (2009: 853,045,810) share options were granted. The estimated fair values of the share options granted are €4.9m (2009: €9.2m) for the vesting period from 16 March 2011 to 28 April 2014 (2009: 27 February 2009 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 Black Scholes model (or using Monte Carlo simulation, where the share option contain performance criteria), 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.

<i>Date of grant</i>	<i>Expected dividend yield</i>	<i>Performance conditions</i>	<i>Expected volatility</i>	<i>Risk-free interest rate</i>	<i>Expected life of options</i>	<i>Exercise price</i>	<i>Share price at date of grant</i>	<i>Fair value at measurement date</i>	<i>Valuation model</i>
	(%)		(%)	(%)	(years)	(SGD)	(SGD)	(SGD)	
Share options granted under the 2000 Scheme									
01 January 2007	0	No	70	3.03	5	0.0467	0.14	0.0837	Black-Scholes
01 January 2007	0	No	70	3.03	5	0.0433	0.13	0.0859	Black-Scholes
01 January 2007	0	No	70	3.03	5	0.0333	0.1	0.0934	Black-Scholes
27 August 2007	0	No	70	2.59	5	0.055	0.165	0.0979	Black-Scholes
30 June 2009	0	No	70	1.45	5	0.03	0.03	0.0175	Black-Scholes
Share options granted under the 2009 Scheme									
27 October 2009	0	No	70	1.44	8	0.015	0.025	0.0193	Black-Scholes
27 October 2009	0	No	70	1.44	8	0.025	0.015	0.0174	Black-Scholes
16 March 2010	0	No	70	1.30	8	0.015	0.015	0.0104	Black-Scholes
26 March 2010	0	No	70	1.32	8	0.015	0.015	0.0104	Black-Scholes
28 April 2010	0	No	70	1.12	8	0.02	0.02	0.0138	Black-Scholes
28 April 2010	0	Yes	70	1.12	8	0.02	0.02	0.0116	Monte Carlo
06 July 2010	0	No	70	0.80	8	0.015	0.02	0.0146	Black-Scholes
06 July 2010	0	Yes	70	0.80	8	0.015	0.02	0.0133	Monte Carlo
14 September 2010	0	No	70	0.72	8	0.015	0.015	0.0103	Black-Scholes
14 September 2010	0	Yes	70	0.72	8	0.015	0.015	0.0080	Monte Carlo
02 December 2010	0	No	70	1.23	8	0.016	0.015	0.0102	Black-Scholes

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.

37. 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 a convertible bond, the option embedded within the bond and trade payables. The main purpose of the convertible bond 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

Credit risk is the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group.

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.

Whilst the company has been increasing its customer base in the year to December 2010, revenues from a single customer represented 13.7% of total revenues (2009: 18.1%).

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 continuing of funding and flexibility through the use of convertible bond issues and may consider other fund raising exercise such as right issues, private placements or equity-related exercise.

The Group prepares weekly rolling cash flow forecasts which are reviewed by management. Liquidity is managed centrally by the group finance function.

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.

Notes to Financial Statements continued

	Effective interest rate	Up to 3 months	Between 3 and 12 months	1 to 2 years	2 to 4 years	Total
The Group	%	€m	€m	€m	€m	€m
Financial assets						
Cash and cash equivalents	0%	9.5	-	-	-	9.5
Trade and other receivables	0%	13.7	-	-	-	13.7
As at 31 December 2010		23.2	-	-	-	23.2
Cash and cash equivalents	0%	6.7	-	-	-	6.7
Trade and other receivables	0%	9.5	-	-	-	9.5
As at 31 December 2009		16.2	-	-	-	16.2
Financial liabilities						
Trade and other payables	0%	9.2	-	-	-	9.2
Obligations under finance leases	17%	0.1	0.1	-	-	0.2
Convertible Bonds	18%	-	-	-	63.9	63.9
As at 31 December 2010		9.3	0.1	-	63.9	73.3
Trade and other payables	0%	7.4	-	-	-	7.4
Obligations under finance leases	17%	0.1	0.1	0.2	-	0.4
Convertible Bonds	15%	-	15.3	-	-	15.3
As at 31 December 2009		7.5	15.4	0.2	-	23.1

	Effective interest rate	Up to 3 months	Between 3 and 12 months	1 to 2 years	2 to 4 years	Total
The Company	%	€m	€m	€m	€m	€m
Financial assets						
Cash and cash equivalents	0%	0.1	-	-	-	0.1
Trade and other receivables	0%	0.3	-	-	-	0.3
As at 31 December 2010		0.4	-	-	-	0.4
Financial assets						
Cash and cash equivalents	0%	0.4	-	-	-	0.4
Trade and other receivables	0%	0.3	-	-	-	0.3
As at 31 December 2009		0.7	-	-	-	0.7
Financial liabilities						
Trade and other payables	0%	0.4	-	-	-	0.4
Convertible Bonds	18%	-	-	-	63.9	63.9
As at 31 December 2010		0.4	-	-	63.9	64.3
Trade and other payables	0%	1.1	-	-	-	1.1
Convertible Bonds	15%	-	15.3	-	-	15.3
As at 31 December 2009		1.1	15.3	-	-	16.4

Notes to Financial Statements continued

Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates could result in changes in interest income and expense as well as the value of financial instruments.

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 convertible bonds.

The outstanding principal of convertible bond 2013 of S\$86.5m has a premium on redemption of 26.53% payable on 31 March 2013 if the bonds are not converted to equity by or on that date. 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 2010, if there were conversions of €1m of the convertible bonds, the effect on income statement would have been €0.16m (2009: €0.03m) lower, as a result of the conversions.

Foreign currency risk

Foreign currency risk is the risk that changes in exchange rates could result in fluctuation in the value of assets, liabilities, revenue and costs where the underlying transactions and balances are held in foreign currency.

The Group mainly operates in the euro zone, most of the transactions in relation to the European business are concluded in euro and the functional currency of all subsidiaries is euro.

The Group does not use derivative financial instruments to hedge its foreign currency risk except for the purchase and settlement of a foreign currency hedge in March 2010 to hedge against the movement of the euro against the Singapore dollar in respect of the proceeds of the 2013 bond.

Foreign currency sensitivity analysis

The Group is mainly exposed to pound sterling and Singapore dollars.

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

Group	← Increase/(Decrease) →	
	Income statement	
	2010	2009
	€'m	€'m
GBP		
Strengthens against euro	(0.6)	(0.5)
Weakens against euro	0.6	0.5

In the case of operations in Singapore, movements in the euro/Singapore dollar exchange 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.

The carrying amount of cash and cash equivalents, trade and other current debtors and creditors, approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of financial liabilities are determined as follows:

- (i) the fair values of financial liabilities with standard terms and conditions and which trade in active liquid markets are determined with reference to quoted market prices (Level 1 of fair value hierarchy);

Notes to Financial Statements continued

- (ii) in the absence of quoted market prices, the fair values of the other financial liabilities (excluding derivative fair value hierarchy instruments) are determined using the other observable inputs such as quoted prices for similar liabilities in active markets, quoted prices for identical or similar liabilities in non-active markets or inputs other than quoted prices that are observable for the liability (Level 2 of fair value hierarchy).
- (iii) in the absence of observable inputs, the fair values of the remaining financial liabilities (excluding derivatives instruments) are determined in accordance with generally accepted pricing models (Level 3 of fair value hierarchy).
- (iv) the fair value of derivative instruments are calculated using quoted prices (Level 1 of fair value hierarchy). Where such prices are unavailable, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives (Level 3 of fair value hierarchy).

There have been no changes in the valuation techniques used.

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

A summary of the financial instrument held by category is provided below:

	Loans and receivables	
	2010	2009
	€'m	€'m
Financial assets		
Cash and cash equivalents	9.5	6.7
Trade and other receivables	10.3	7.0
Total financial assets	<u>19.8</u>	<u>13.7</u>

The average credit period on trade payables is 49 days (2009: 67 days).

No interest is charged on the trade and other payables.

	Amortised cost		Fair value through profit and loss	
	2010	2009	2010	2009
	€'m	€'m	€'m	€'m
Trade and other payables	9.2	7.4	-	-
Obligations under finance leases	0.2	0.4	-	-
Convertible Bonds	44.0	16.8	-	-
Option embedded in bond (level 3 of hierarchy)	-	-	8.5	-
As at 31 December 2010	<u>53.4</u>	<u>24.6</u>	<u>8.5</u>	<u>-</u>

Movements in level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value based on significant unobservable inputs (level 3):

Embedded derivative

	2010	2009
	€'m	€'m
Opening balance	-	-
Entered into in the year	8.0	-
Total gains or losses		
- in profit or loss	0.5	-
Closing balance	<u>8.5</u>	<u>-</u>

Notes to Financial Statements continued

Impact of changes to key assumptions on fair value of level 3 financial instruments

The following table shows the impact on fair value of level 3 financial instruments by using reasonably possible alternative assumptions:

	Effect of reasonably possible alternative assumptions		
	Carrying Amount	Favourable	Unfavourable
	€'m	€'m	€'m
Embedded derivatives 2010	8.5	4.3	(4.3)

For embedded derivatives, the fair value had been determined using the Black Scholes valuation model where stock price volatility is a key assumption. The Group adjusted the assumption by 20% from Management's estimates, which is considered by the Group to be a reasonably possible estimate.

38. 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's management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group balances its overall capital structure through new share issues, the issue of new debt and the redemption of existing debt. The Group's overall strategy remains unchanged from 2009.

	Group	
	2010	2009
	€'m	€'m
Interest bearing borrowings	44.0	16.8
Obligations under finance leases	0.2	0.4
Cash and cash equivalents	(9.5)	(6.7)
Net debt	34.7	10.5
Total equity	105.0	133.8
Total capital	<u>139.7</u>	<u>144.3</u>
Gearing ratio	25%	7%

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings less cash and cash equivalents. The total capital is calculated as equity plus net debt.

The Board regularly reviews the funding profile of the Group and determines the issue or redemption of financial instruments to meet the Group's funding requirement while ensuring an appropriate balance between debt and equity.

The Company also purchases 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.

39. 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 1 April 2010.

Statistics of Shareholdings and Bondholdings

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Shareholders' Information as at 21 March 2011

Shareholders' Information as at 21 March 2011

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

The percentage of this holding against equity securities excluding treasury shares is 0.53%

Statistics of Shareholdings

Distribution of Shareholdings

Size of Holdings	Number of Shareholders	%	Number of Shares	%
1 - 999	41	0.56	11,277	0.00
1,000 - 10,000	1,772	24.21	10,286,217	0.12
10,001 - 1,000,000	5,161	70.53	831,620,558	9.62
1,000,001 and above	344	4.70	7,803,622,315	90.26
Total	<u>7,318</u>	<u>100.00</u>	<u>8,645,540,367</u>	<u>100.00</u>

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

Substantial Shareholder	Direct Interests		Deemed Interests	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Daniel Simon Aegerter ⁽²⁾	815,607,129	9.43	-	-
Columbia Capital V, LLC and others ⁽³⁾	-	-	1,658,622,874	19.18
Columbia EUN Partners V, LLC ⁽⁴⁾	883,690,684	10.22	-	-
EUN Partners V, LLC ⁽⁵⁾	774,932,190	8.96	-	-
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
Mackenzie Cundill Recovery Fund ⁽⁸⁾	720,000,000	8.33	-	-
Mackenzie Financial Corporation ⁽⁹⁾	-	-	832,283,000	9.63
Gelco Enterprises Ltd., Nordex Inc. and Pansolo Holdings Inc. ⁽¹⁰⁾	-	-	832,283,000	9.63
Power Financial Corporation, 171263 Canada Inc. and Power Corporation of Canada ⁽¹⁰⁾	-	-	832,283,000	9.63
Mackenzie Inc. and IGM Financial Inc. ⁽¹⁰⁾	-	-	832,283,000	9.63
Paul G. Desmarais ⁽¹¹⁾	-	-	832,283,000	9.63
First State Investment Management (UK) Ltd ⁽¹²⁾	-	-	774,910,000	8.96
First State Investments (UK Holdings) Ltd ⁽¹²⁾	-	-	774,910,000	8.96
SI Holdings Ltd ⁽¹²⁾	-	-	774,910,000	8.96
Colonial First State Group Ltd ⁽¹³⁾	-	-	850,678,000	9.84
Commonwealth Insurance Holding Ltd ⁽¹³⁾	-	-	850,678,000	9.84
Colonial Holding Company Ltd ⁽¹³⁾	-	-	850,678,000	9.84
Commonwealth Bank of Australia ⁽¹³⁾	-	-	850,678,000	9.84

Notes:

- (1) Based on 8,645,540,367 Shares (excluding treasury shares) as at 21 March 2011.
- (2) The 815,607,129 Shares are registered in the name of Citibank Nominees Singapore Pte Ltd.
- (3) Both Columbia EUN Partners V, LLC and EUN Partners V, LLC are under the management and control of Columbia Capital Equity Partners V, L.P. ("Columbia LP"). In turn, Columbia LP is under the management and control of Columbia Capital V, LLC (the "Manager"). Accordingly, both Columbia LP and the Manager are deemed to be interested in the 883,690,684 Shares held by Columbia EUN Partners V, LLC and in the 774,932,190 Shares held by EUN Partners V, LLC. Each of James B. Fleming Jr., Harry F. Hopper III and John T. Siegel Jr. (each, a "Management Individual"), is deemed to be interested in the 883,690,684 Shares held by Columbia EUN Partners V, LLC and in the 774,932,190 Shares held by EUN Partners V, LLC because the Manager is accustomed to act in accordance with their directions.
In addition to the Manager, Columbia LP and the Management Individuals:
 - (a) Columbia Capital Equity Partners V (QP) L.P. is also deemed to be interested in the 883,690,684 Shares held by Columbia EUN Partners V, LLC because Columbia Capital Equity Partners V (QP) L.P. holds all of the shares in Columbia EUN Partners V, LLC; and
 - (b) the following persons are also deemed to be interested in the 774,932,190 Shares held by EUN Partners V, LLC:
 - (i) Columbia Capital Equity Partners V (NON-US) L.P. and Columbia Capital Equity Partners V (Co-Invest) L.P., because they are associates who respectively hold 16% and 11% of the units in EUN Partners V, LLC.;
 - (ii) The Northern Trust Company in its capacity as custodian of Future Fund Investment Company No. 4 Pty Ltd ("Future Fund") holds 100% of the shares of Greenspring Growth Equity L.P. ("Greenspring"). In turn, Greenspring is entitled to exercise not less than 20% of the votes attached to the voting shares in Columbia Capital Equity Partners V (NON-US) L.P. and Columbia Capital Equity Partners V (Co-Invest) L.P. Accordingly, Future Fund and Greenspring are deemed interested in the shares held by EUN Partners V, LLC.;
 - (iii) Separately, Greenspring is also entitled to exercise not less than 20% of the votes attached to the voting shares in BVP Special Opportunity Fund L.P. ("BVPSOF"). BVPSOF holds 12,299,426 shares of the Company. Accordingly, Future Fund and Greenspring are deemed interested in the shares held by BVPSOF; and
 - (iv) Morgan Stanley Private Markets Fund IV L.P., Stormbay & Co for the Benefit of Vijverpoort Huizen C.V., and Yawlbreak & Co. for the Benefit of GTB Capital Partners LP, because they are associates who respectively hold 37%, 7% and 28% of the units in EUN Partners V, LLC.
- (4) Out of 883,690,684 Shares held by Columbia EUN Partners V, LLC, 15,729,533 Shares are registered in the name of Citibank Nominees Singapore Pte. Ltd.
- (5) Out of 774,932,190 Shares held by EUN Partners V, LLC, 30,270,467 Shares are registered in the name of Citibank Nominees Singapore Pte. Ltd.
- (6) G.K. Goh Holdings Ltd is deemed interested in the 784,217,000 Shares held by G.K. Goh Strategic Holdings Pte Ltd.
- (7) GKG Investment Holdings Pte Ltd, Goh Yew Lin and Goh Geok Khim are 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.
- (8) The 720,000,000 Shares are registered in the name of DBS Nominees (Private) Limited.
- (9) Mackenzie Financial Corporation is the investment manager of Mackenzie Cundill Recovery Fund and Mackenzie Saxon Global Explorer Class. Mackenzie Cundill Investment Management (Bermuda) Ltd., a subsidiary of Mackenzie Financial Corporation, is the investment manager of Cundill International Company Limited. Accordingly, Mackenzie Financial Corporation is deemed interested in the 720,000,000 Shares held by Mackenzie Cundill Recovery Fund, 22,283,000 Shares held by Mackenzie Saxon Global Explorer Class and 90,000,000 Shares held by Cundill International Company Limited.
- (10) (i) Gelco Enterprises Ltd., Nordex Inc., and Pansolo Holdings Inc., (ii) Power Financial Corporation, 171263 Canada Inc. and Power Corporation of Canada and (iii) Mackenzie Inc. and IGM Financial Inc., are substantial shareholders by virtue of their deemed interests in the 832,283,000 Shares managed by their downstream subsidiaries as fund managers.
- (11) Mr. Desmarais is a substantial shareholder by virtue of his indirect controlling interest in, amongst others, the Power Corporation of Canada, which in turn has deemed interest in the 832,283,000 Shares managed by PCC's subsidiaries as fund managers.
- (12) First State Investment Management (UK) Ltd, First State Investments (UK Holdings) Ltd and SI Holdings Ltd are deemed interested in the 774,910,000 Shares held by the registered holders by virtue of Section 7(4) of the Companies Act, Chapter 50 of Singapore.
- (13) Colonial First State Group Ltd, Commonwealth Insurance Holding Ltd, Colonial Holding Company Ltd and Commonwealth Bank of Australia are deemed interested in the 850,678,000 Shares held by the registered holders by virtue of Section 7(4) of the Companies Act, Chapter 50 of Singapore.

Shareholders' Information continued

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Citibank Nominees Singapore Pte Ltd	1,500,168,942	17.35
2	Columbia EUN Partners V LLC	867,961,151	10.04
3	DBS Nominees Pte Ltd	844,106,038	9.76
4	G K Goh Strategic Holdings Pte Ltd	784,217,000	9.07
5	EUN Partners V LLC	744,661,723	8.61
6	Alpha Securities Pte Ltd	280,158,000	3.24
7	DBSN Services Pte Ltd	227,655,000	2.63
8	HSBC (Singapore) Nominees Pte Ltd	227,631,000	2.63
9	Raffles Nominees (Pte) Ltd	191,173,000	2.21
10	CIMB Securities (Singapore) Pte Ltd	170,245,675	1.97
11	Ng See Cheng	168,388,000	1.95
12	Goh Geok Khim	160,000,000	1.85
13	Morgan Stanley Asia (Singapore) Securities Pte Ltd	88,000,000	1.02
14	O'Keefe Brenda Ann	68,899,000	0.80
15	Ho Kam Yew	68,000,000	0.79
16	Goh Yew Lin	60,000,000	0.69
17	United Overseas Bank Nominees Pte Ltd	52,116,000	0.60
18	UOB Kay Hian Pte Ltd	51,883,714	0.60
19	OCBC Securities Private Ltd	51,381,000	0.59
20	Kim Eng Securities Pte. Ltd.	50,163,000	0.58
	Total	6,656,808,243	76.98

Percentage of Shareholdings in Public Hands

36.98% of the Company's shares are held in public hands. Accordingly, the Company has complied with Rule 723 of the SGX-ST's Listing Manual Section B: Rules of Catalyst.

Bondholders' Information as at 21 March 2011

Statistics of Bondholdings

Size of Shareholdings	Number of Bondholders	%	Number of Bonds	%
1 - 999	53	15.54	16,240	0.02
1,000 - 10,000	231	67.74	712,238	0.82
10,001 - 1,000,000	50	14.67	4,176,754	4.83
1,000,001 and above	7	2.05	81,550,171	94.33
Total	341	100.00	86,455,403	100.00

Twenty Largest Bondholders

No.	Name	No. of Bonds	%
1	EUN Partners V LLC	38,172,877	44.15
2	Columbia Eun Partners V LLC	11,846,406	13.70
3	G K Goh Strategic Holdings Pte Ltd	10,088,845	11.67
4	Citibank Nominees Singapore Pte Ltd	8,447,731	9.77
5	DBS Nominees Pte Ltd	7,281,170	8.42
6	Alpha Securities Pte Ltd	3,913,142	4.53
7	Goh Geok Khim	1,800,000	2.08
8	HSBC (Singapore) Nominees Pte Ltd	990,000	1.15
9	DBSN Services Pte Ltd	900,000	1.04
10	Goh Yew Lin	800,000	0.93
11	Gan Chin Kian	132,010	0.15
12	Lam Kwok Chong	120,000	0.14
13	Tan Beng Hock	99,000	0.11
14	Tan Yew Hian	80,000	0.09
15	DMG & Partners Securities Pte Ltd	76,200	0.09
16	Teo Cheok Chin Peggy	75,000	0.09
17	Teo Boon Leng	65,000	0.08
18	Li Wenhua	51,950	0.06
19	Sin Chee Mun	46,000	0.05
20	OCBC Securities Private Ltd	44,500	0.05
Total		85,029,831	98.35

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of euNetworks Group Limited (the "Company") will be held at Suntec Singapore, International Convention & Exhibition Centre, Meeting Room 309, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Thursday, 28 April 2011 at 2.30 p.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 2010, together with the Auditors' Report thereon.
(Resolution 1)
2. To re-elect the following Directors of the Company retiring pursuant to Articles 91 and 97 of the Articles of Association of the Company:

Mr Lam Kwok Chong	(Retiring under Article 91)	(Resolution 2)
Mr Brady Reid Rafuse	(Retiring under Article 91)	(Resolution 3)
Mr Nicholas George	(Retiring under Article 91)	(Resolution 4)
Mr James Robert Thomas	(Retiring under Article 97)	(Resolution 5)

Mr Lam will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and will be considered Independent.

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

Mr Thomas will, upon re-election as a Director of the Company, be considered Non-Independent.
3. To approve the payment of Directors' fees of up to €250,000 (equivalent to S\$446,700) for the year ending 31 December 2011 (2010: €230,000 (equivalent to S\$448,500)).
(Resolution 6)
4. To re-appoint Messrs BDO LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
(Resolution 7)
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Notice of Annual General Meeting continued

As Special Business

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

6. Authority to issue shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalist (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 Instruments 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 to be issued other than on a pro rata basis to 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 (i)]

(Resolution 8)

Notice of Annual General Meeting continued

7. **Authority to issue shares under the euNetworks Group Limited 2009 Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Cap. 50, 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 on any date 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-two per centum (22%) of the total number of issued shares (excluding treasury shares) in the capital of the Company on that date, 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 (ii)]
(Resolution 9)

8. **Authority to issue shares under the euNetworks Group Limited Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Cap. 50, 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 (the "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 (iii)]
(Resolution 10)

By Order of the Board

Yip Ming Fai
Secretary
Singapore, 11 April 2011

Notice of Annual General Meeting continued

Explanatory Notes

- (i) The Ordinary Resolution 8 in item 6 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.
- (ii) The Ordinary Resolution 9 in item 7 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 on any date, 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-two per centum (22%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from on that date.

As at the date of this Notice, no member of the Group has established a 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 is being sought as the Company does not intend to grant any new awards under the Plan and no authority for issuing new shares is being sought as no outstanding awards remain (and, accordingly, no Shares are capable of issue under the Plan).

- (iii) 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 10 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 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. Every shareholder the Company 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 48 hours before the time appointed for holding the Meeting.

Proxy 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 Suntec Singapore, International Convention & Exhibition Centre, Meeting Room 309, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Thursday, 28 April 2011 at 2.30 p.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 [v] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Adoption of Directors' Report and Audited Accounts for the year ended 31 December 2010		
2	Re-election of Mr Lam Kwok Chong as a Director		
3	Re-election of Mr Brady Reid Rafuse as a Director		
4	Re-election of Mr Nicholas George as a Director		
5	Re-election of Mr James Robert Thomas as a Director		
6	Approval of Directors' fees amounting to €250,000 (equivalent to S\$446,700) for the year ending 31 December 2011		
7	Re-appointment of Messrs BDO LLP as Auditors		
8	Authority to issue new shares		
9	Authority to issue shares under the euNetworks Group Limited 2009 Share Option Scheme		
10	Authority to issue shares under the euNetworks Group Limited Share Option Scheme		

Dated this _____ day of _____ 2011

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.





eu networks

Singapore

euNetworks Group Limited

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Directors Nicholas George, Brady Rafuse, James Thomas, Lam Kwok Chong, Greg Mesch, John Siegel, Daniel Aegerter, Kai-Uwe Ricke
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