eunetworks

bandwidth. from the ground up.

ANNUAL REPORT 2011

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Contents

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Operational Overview

Financial & Operational Highlights

65% Total Revenue Growth

75% Recurring Revenue Growth

80% Network Revenue Growth

58% Growth in Gross Profits

Corporate Highlights

- Completed the acquisition of LambdaNet Communications Deutschland GmbH ("LambdaNet") on 31 May 2011.
- euNetworks' substantial shareholders provided loans to cover the acquisition price.
- Announced the intention to undertake a renounceable non-underwritten Rights Issue (as defined herein) of new ordinary shares.
- Completed the acquisition of TeraGate GmbH ("TeraGate") on 29 July 2011.
- Completed a Rights Issue in September 2011, raising more than €72m (S$126m[1]) and strengthening the Group's balance sheet.

1. Based on an exchange rate of €1=S$1.74.

Financial Highlights

- Total revenues increased by 65% to €72.1m for the full year 2011.
- Generated 75% year-on-year growth in recurring revenues, following continued focus on developing the underlying business, as well as uplift from acquired companies.
- Network revenues increased significantly from 2010, up 80% to €54.6m. Note, excluding LambdaNet and TeraGate, network revenues grew 26% to €31.9m.
- Data centre revenues increased by 31% in 2011.
- Exited 2011 with a monthly recurring invoice run rate of €6.7m.
- 111 new customers were added in the year.
- Gross profit improved 58% from 2010, to €49.7m in 2011.
- Gross margin was 69% in 2011, down from 72% in 2010, reflecting the addition of LambdaNet and TeraGate in the year.
- Adjusted EBITDA was €5.9m, a significant improvement from €(0.9)m in 2010.
- Capital expenditure was €31.8m for the full year, a 106% increase from 2010. This reflected a steady increase in success based projects, as well as one-time integration and network development projects.

111 New customers

222 Employees

268 New buildings connected

172 Buildings in progress

Financial & Operational Highlights continued

Key Financial Indicators

(€Million)	3Q 2010 €'m	4Q 2010 €'m	1Q 2011 €'m	2Q 2011 €'m	3Q 2011 €'m	4Q 2011 €'m
Total Revenues	11.1	13.7	10.5	14.6	23.2[4]	23.8
Recurring Revenues	9.9	10.5[3]	10.5	14.6	21.2	22.3
Gross Profit	8.0	9.6	7.8	10.7	15.8	15.4
Gross Profit Margin %	72.1%	70.1%	74.3%	73.3%	68.1%[4]	64.7%
Adjusted EBITDA[1]	0.8	1.8	0.4	1.1	4.3	0.1
Capital Expenditure	4.5	5.2	2.8	6.3	8.9	13.8
Proxy Cash Flow[2]	(3.7)	(3.4)	(2.4)	(5.2)	(4.6)	(13.7)

(1) *Adjusted EBITDA means operating loss before the deduction of share option expense and the loss on disposal of plant and equipment. It is designed to reflect the Group's operating cash flow.*

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

(3) *4Q 2010 recurring revenues were previously reported as €10.9m. €0.4m relating to the release of deferred revenues belonging to previous quarters has been eliminated.*

(4) *Total revenues for the Group (previously disclosed in its 3Q 2011 results announcement) was €24.1m. Following the termination of a large contract also disclosed in 3Q 2011, the Group reviewed and amended its accounting treatment to offset €0.9m of non-recurring revenues against an equivalent amount of network operating expenses. There is no impact to gross profit.*

Operational Highlights

- euNetworks' unique fibre based metropolitan assets and long haul connectivity continued to meet the needs of important segments such as wholesale, mobile and the financial services community.
- Remained focused upon its FTTx initiative - providing fibre connectivity into mobile operators' masts and towers.
- Continued with investment in the euTrade service portfolio and the associated dedicated network platform, with new routes and further route optimisation deployed in 2011.
- Improved product capabilities with acquisitions, particularly for Ethernet and Colocation.
- €54.5m in total new sales order contracts in the year.
- Increased average contract term for new customer contracts in the year, reaching 39 months versus 27 months in 2010.
- Directly connected 268 new buildings to the network in 2011, with a total of 633 high bandwidth buildings now connected to euNetworks' network.
- Focused on the integration of LambdaNet and TeraGate in 2H 2011, including commencing the replacement of nearly the entire LambdaNet Internet Protocol (IP) equipment layer.
- Increased headcount, largely as a result of the acquisitions. euNetworks had 222 employees at the end of 2011, compared to 114 at the end of 2010.

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 covering 37 cities in 9 countries. The Company offers a portfolio of metropolitan and long haul services including Colocation, Dark Fibre, Metro Wavelengths, 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.

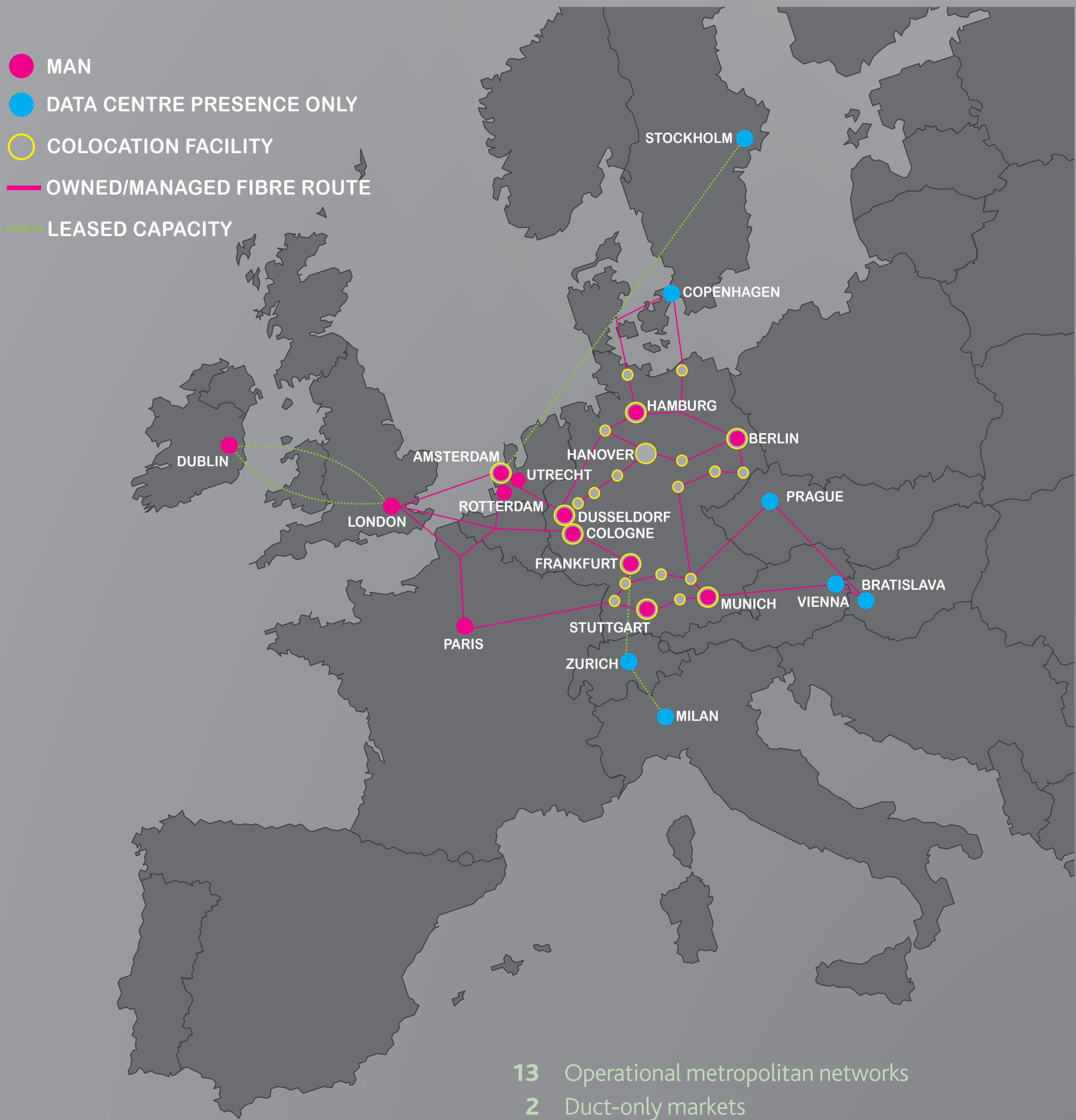
As a bandwidth infrastructure provider, euNetworks operates in a segment characterised by a horizontally integrated business strategy, high barriers to entry and unique assets; namely, deep metropolitan assets, with infrastructure capable of provisioning up to 15,000 fibres in key cities. In today's market, replicating these assets would be complex, time consuming and costly. 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 maintains high density 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 the cornerstone for euNetworks' development and ability to scale in line with market and customer demand. Additionally, these metropolitan networks are interconnected with a fibre-based long haul intercity backbone, spanning most of Western Europe.

The Company serves large bandwidth customers on or near its 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. At times, euNetworks works closely with partners to serve the bandwidth requirements of some Enterprise segments. Services are delivered to customers via euNetworks' product portfolio or via the tailored bundling of the product set in order to support segment specific solutions such as euTrade.

As a bandwidth infrastructure provider, euNetworks operates in a segment characterised by a horizontally integrated business strategy.

Group Profile continued



13	Operational metropolitan networks
2	Duct-only markets
934	Metro route miles
1,976	Long haul route miles
633	On-net buildings
432	Fibre strand count
6	Ducts in key markets
28	Data centres

Chairman's Statement

Nicholas George, Non- Executive Chairman

The economic environment in Europe remained challenging in 2011, but bandwidth demand continued to increase. This growth came from both existing key segments already served by the Company, and also from new sectors.

euNetworks delivered significant growth in sales each quarter, driving revenue growth for the year. Network investment supported this growth and the development of a healthy funnel of opportunity. Product realignment in 2010 also supported 2011 results, as did further development of the capability within the product portfolio. Overall, the sustained growth in the core business combined with successful corporate activity - with two acquisitions and a successful Rights Issue - delivered strong results.

In 2011 the Group grew total revenues by 65%, to €72.1m, with recurring revenues of €68.6m, up 75% from 2010. Network revenues grew 80% to €54.6m, while recurring network revenues excluding LambdaNet and TeraGate grew 26% from 2010 to €31.9m. Gross profit increased by 58% to €49.7m. Gross margin was 69%, lower than the 72% achieved in 2010. This decline was largely due to the addition of LambdaNet and TeraGate to the Group in the year. Adjusted EBITDA in 2011 was €5.9m, a significant improvement from €(0.9)m in 2010. Capital expenditure for the year increased significantly from 2010, reflecting the steady increase of success based capital projects through 2011, as well as one-time integration and network development initiatives. Overall the key financial indicators for the business improved through the year, with gross margins anticipated to increase in future quarters following achievement of acquisition integration synergies and a focus on high margin new sales by the team.

The successful completion of the two acquisitions was transformational for euNetworks. LambdaNet was a great complement to the existing euNetworks business, with its pan-German network, colocation footprint and customer base accelerating the Company's capability in this important market. Coupled with that, TeraGate was a subsequent natural addition with strong Ethernet product capability and an excellent enterprise customer base. The team has worked quickly and efficiently, integrating all aspects of these businesses into the euNetworks environment, in line with acquisition plans approved by the Board.

The completion of the Rights Issue, undertaken to pay off shareholder loans and accumulated interest associated with funding both acquisitions, was also a strong step forward for the Company. The Rights Issue raised more than €72m. Valid acceptances and excess applications for a total of 8,494,291,524 rights shares were received, representing 98.2% of the available issuances. The balance after paying off the loans will continue to support customer oriented capital expenditure, working capital and to fund further growth opportunities for the business.

A great deal has been achieved in the business this year and the Board and I are very positive for the future. We continue to work closely with the leadership team, monitoring and reviewing progress on a monthly basis.

Regarding our governance overall, Greg Mesch, appointed to the Board as an Independent Non-Executive Director in May 2009, resigned from his position in 2011. Duncan Lewis was appointed as an Independent, Non-Executive Director on 17 October 2011. James Thomas, formerly Chief Financial Officer of euNetworks also resigned from the Board when he left euNetworks in December 2011. John Scarano joined the Board of Directors as Executive Vice Chairman on 1 January 2012. Uwe Nickl, who has been Chief Marketing Officer of euNetworks and our Executive lead in Germany since July 2009, also joined the Board on 1 January 2012. All other members of our Board remain unchanged since last year's Annual General Meeting and as reported in the 2010 Annual Report.

As we look to 2012 and the growing opportunity ahead for euNetworks, both the Board of Directors and the leadership team of the Company thank you for your ongoing commitment to the business. We will continue with our focus on key financial indicators and driving value from the core assets of the business. We are excited for the opportunity ahead as the demand environment for euNetworks' proposition continues to strengthen.

NICHOLAS GEORGE
Non-Executive Chairman

Chief Executive's Message

Brady Rafuse, CEO

2011 was a year of great progress for the Company. We saw accelerated organic growth in our core business and supplemented this with two significant acquisitions. With continued improvement in our financial performance and achievement of key operational milestones, I am pleased with our development. I wanted to use this opportunity to reflect on some of these matters whilst looking forward to our prospects in 2012.

Bandwidth Without Limits

At euNetworks we believe that bandwidth changes everything. It is the essential enabler of the digital age. It underpins the Internet. It connects individuals to each other, businesses to consumers, enterprises to enterprises, governments to citizens and people to the world in new and unexpected ways. We believe that every business can benefit from bandwidth without limits.

In many ways, this can be seen as a contrarian view. For years the telecoms industry has been focused on bandwidth being the bottleneck in Wide Area Networks. Further, equipment and networks have been designed in a way to minimise the use of bandwidth. Our view is that just doesn't make sense any more. The Internet has been as transformative a step in society as the printing press and the internal combustion engine. The content is out there and the nature of business has been radically overhauled with different channels, different markets and different methods. The nature of consumption has fundamentally changed. Yet despite this, there remains this idea that it is in a business' interest to throttle bandwidth and limit content consumption. Meanwhile, across every industry sector there are examples of how companies who have embraced the Internet and its possibilities have thrived and become leaders in their space. Bandwidth is an absolutely key enabler of this.

At euNetworks we deliver bandwidth from the ground up, enabling our customers through our deep metropolitan fibre networks. We seek to deliver a superior customer experience based upon those facilities based networks, our commitment to great data integrity

End User Services	Telephony, Broadband, Application Management, Transactions, Storage
Enterprise/Telco Services	Voice, Data, Mobile, Video, CDN, Hosting
Bandwidth Infrastructure	Fibre, Colocation, Masts & Cell Towers, Duct, Data Services
Enablers of Infrastructure	Public Rights of Way, Spectrum, Utilities, Property Owners

and our fantastic people. We seek to be the low cost producer in our space by keeping our production system as lean and as simple as possible. We are a bandwidth infrastructure company. We are a facilities based telecommunications company, horizontally integrated and with unique assets that are hard for others to replicate. Of the 15 city networks we own, we have 13 operational today in Western Europe covering Germany, the Netherlands, France, the United Kingdom and Ireland. In each of these 13 cities, we have a duct network of between one and six ducts, through which our fibre optic cables run. We operate a very thin slice of the overall communications stack. Our portfolio is focused upon Dark Fibre, Wavelengths, Ethernet, Internet Protocol (IP) services and Colocation. For further detail on each of these products I refer you to page 25 in this report.

Today we seek to leverage our assets to the benefit of our customers and generate a superior return for our shareholders. Our key focus is moving our business to scale. And at scale, our goal is for the business to reach an adjusted EBITDA margin of 45% and operating free cash flow of 15%. From the capital we spend, 85% of this will be on success based projects, meaning a high rate of return on that spend. As I have mentioned before, we seek to deploy capital efficiently. It fuels our growth.

Steps taken in 2009 and 2010 have accelerated growth in 2011. Steps taken in 2011 and in early 2012 are enabling scale for the long-term

2009 exit:
77 new customers
272 buildings connected
26% revenue growth
106 employees

2010 exit:
82 new customers
365 buildings connected
32% revenue growth
114 employees

2011 exit:
111 new customers
633 buildings connected
65% revenue growth
222 employees

2009

2010

2011

Changes made in the Company operating structure in 2009, coupled with a new management team, enables euNetworks to move forward.

- Columbia Capital investment
- Brady Rafuse appointed CEO

Bandwidth infrastructure business model.

- Sales, Product, Marketing and Operations team development
- New vertical and country focus
- ULL development - euTrade
- Product realignment - core products
- 'Friction Free' – initial investment in systems, data and processes

Growth and development. The enablement of scale.

- John Scarano joins business
- 2 acquisitions completed
- Successful Rights Issue, raising more than €72m
- Growth in new segments
- Network and product development
- Significant sales momentum with strong funnel
- Integration and synergies

Accelerating Growth

2011 saw accelerated growth in our core business. Headline recurring revenues grew 75%, and like for like recurring revenue growth in our core network services (excluding LambdaNet and TeraGate) of Fibre, Wavelengths and Ethernet was 26%. Total new sales order contracts reached €54.5m, increasing 96% from 2010. Our financial services and wholesale customers attributed to a good portion of that growth, but we also began to see deeper penetration into alternative segments such as media, advertising and corporates. We expect these trends to increase across further segments in 2012.

As I noted last year, distributed data and the mobility of data are the two dominant generic demand drivers. Distributed data covers a range of services from straight Data Centre deployment through Cloud Computing in its every varietal. Latency, security and compliance are fundamental to the delivery of these services and fibre based services are the best way to serve those needs. We see these distributed architectures further accelerating in 2012.

Data mobility is intrinsically linked in the business environment, but also has its consumer application. The crossover has an interesting challenge for businesses, with the trend of Bring Your Own Device (BYOD) creating all sorts of opportunities and complications for businesses today. For companies like us however, the ever-increasing 'always-on' connectivity is a positive trend. The Chief Executive at one of our comparable companies in the United States recently described how they support a college which has 30,000 students, but more than 70,000 connected devices. In last year's message, I spoke of the surge in mobile data growth, which accelerated in 2011. I am very pleased to say we have begun to benefit from that growth, and are supporting mobile operators with fibre based network roll outs.

Growing Inorganically

As well as strong performance growing our business organically and indeed, strong demand for our services going into 2012, we also grew our business inorganically for the first time in 2011. I thank our Shareholders who supported us through this process, extending us a loan to fund this activity. We closed the LambdaNet acquisition in May 2011 and at the same time launched a Rights Issue to pay back shareholder loans, accumulated and associated interest and fund working capital. LambdaNet was a strategic acquisition for euNetworks, creating value by increasing our addressable market with an expanded customer base. Immediate scale was enabled across our German operations, while offering the opportunity to reduce network expense and leverage the combined networks. The TeraGate acquisition, which closed in July 2011, was enabled as a result of acquiring LambdaNet. This business delivered further customers and product capability. Our German operations and our overall business is much bigger than it was this time last year and I am hugely encouraged by the team's ability to integrate the three businesses while continuing to drive organic growth.

Operations for our Customers

Our Operations function is fundamental to our customer experience and our ability to retain revenue as we move forward. As I have consistently stated since joining euNetworks, our relentless pursuit is to link good data to processes to systems to platforms in a way that is without friction. The net outcome of that is we will scale effectively, while maintaining our lean production system. We will also deliver a fantastic customer experience. We continue to make progress and our force.com platform remains at the heart of our operations.

One of our core values is 'We are here for our customers. We understand that they put their trust in us and we never forget it'. This is fundamental to our business, and fundamental to why we do what we do - bandwidth without limits. Our German sales team leader describes how on a Friday night he picks his son up from Basketball practice at 1830 in winter months. It's dark, he is young and it's not a particularly safe environment. Yet every Friday night he comes running out of his training and expects his Dad to be there waiting for him. There is never any doubt in his mind. That's how we like our customers to thinks of us - they never doubt us because they never need to. We're always there. Our network enables them. And our systems and delivery platform underpin all of that.

A Developing Organisation

Our team grew significantly in 2011, with acquisitions driving a good deal of that growth. The most notable addition to euNetworks in 2011 was John Scarano, co-founder of Zayo Group in the United States. John joined us in January and was instrumental through the process of due diligence, negotiations and closing both acquisitions in Germany. In 4Q 2011 he became Executive Vice President responsible for Finance, Operations and Corporate Development. On 1 January 2012, John was also appointed to the position of Vice Chairman and an Executive Director to our Board of Directors. John is based in our London headquarters.

Finally the values we hold as a company remain fundamental to our development. I appreciate that there is some repetition in this year's message, but we do believe our values are fundamental. They guide the way we make decisions. However great our assets, our data, or our processes, without everyone in our company living and breathing the same core beliefs, and understanding why we are here, what and how we deliver to our customers, we will never maximise the value that 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 tell the 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 2011 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 2012. We all thank you for your support.

BRADY RAFUSE
Chief Executive Officer

Operational Review & Outlook

2011 was a strong year for euNetworks, with continued and sustained growth. Following successful completion of both acquisitions in Germany, and a rights offering, euNetworks is well positioned to take advantage of further opportunities.

Corporate Highlights

On 31 May 2011, euNetworks completed the acquisition of LambdaNet Communications Deutschland GmbH ("LambdaNet"). This business was purchased for a cash consideration of €25.4m. Including assumed debt of €19.5m, this represents a multiple of 5.2x the stand-alone proforma EBITDA for 2010. This acquisition delivered scale and complemented the euNetworks business in a number of ways. LambdaNet had a fibre network within Germany, connecting 26 key cities including all euNetworks' metropolitan markets. In 25 of these cities, LambdaNet operated colocation facilities with available space for growth of existing and new customers. LambdaNet's customer list was an attractive mix of wholesale carriers and enterprises, adding depth to euNetworks' relationships in Germany and across Europe. The ability to leverage euNetworks' metropolitan fibre networks to support LambdaNet's Ethernet and Internet Protocol (IP) customers would also drive a number of new on-net buildings for euNetworks, increasing the Company's target market and realising synergies for the enlarged business.

In connection with this acquisition, euNetworks announced the intention to undertake a renounceable non-underwritten rights issue of new ordinary shares. euNetworks' substantial shareholders provided loans to cover the acquisition price, pending completion of the Rights Issue. These loans also covered the acquisition of TeraGate GmbH ("TeraGate") on 29 July 2011, as well as organic growth from normal operations.

TeraGate was a natural addition to the Group following the LambdaNet acquisition, with its high quality enterprise customer base, predominantly served in the German market. TeraGate's advanced Ethernet platform would advance euNetworks' existing Ethernet product. Additionally, 40 to 50 high-value buildings would be moved on-net overtime, driving synergies from leveraging the euNetworks metropolitan fibre networks.

On 9 September 2011, the Company completed a Rights Issue (the "Rights Issue") of new shares in the Company (the "Rights Shares") at an issue price of S$0.015 for each Rights Share, on the basis of one Rights Share for every one existing share held by the shareholders.

Pursuant to the Rights Issue, a total of 8,494,291,524 Rights Shares were subscribed, representing 98.2% of the total number of 8,645,864,848 Rights Shares that were available for subscription.

The gross proceeds raised were approximately S$127.4m, which was equivalent to approximately €73.2m (based on an exchange rate of €1: S$1.74). After costs of €0.6m, the net proceeds of €72.6m were used to repay shareholder loans (€37.8m), and accumulated interest associated with funding both acquisitions (approximately €1.0m) and capital expenditure (approximately €8.0m). 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 15 August 2011 in relation to the Rights Issue. As at 31 December 2011, approximately €25.8m (S$42.3m based on an exchange rate of €1:S$1.68), 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.

Financial Highlights

In 2011 total revenues grew by 65%, from €43.8m in 2010 to €72.1m in 2011. Recurring revenues for the year were €68.6m, up 75% from 2010. Network revenues increased significantly from 2010, up 80% to €54.6m. Recurring network revenues excluding LambdaNet and TeraGate grew 26% from 2010, to €31.9m. euNetworks continued to target network service revenue growth, leveraging the significant fibre assets held by the Company. Data centre service revenues increased by 31%. This increase was largely attributable to the additional capability from the LambdaNet facilities, with 25 colocation sites added to the euNetworks portfolio in 2H 2011.

Non-recurring revenues of €4.5m for 2011 included termination revenues from one large customer who required internal ownership of their network following a corporate event, in addition to infrastructure sales of €1.3m (2010: €4.6m).

In 2010 euNetworks began reporting gross profit for the business, with this determined as revenues less expenses directly related to revenues, or direct network expense. This more accurately reflects the profitability of the customer contract base, indicating the costs directly associated to servicing customer revenues. Gross profit continued to improve through the year, increasing by 58% from €31.5m in 2010 to €49.7m in 2011.

Gross margin for the year was 69%, down from 72% in 2010, reflecting the addition of LambdaNet and TeraGate to the Group in the year. These businesses were enterprise in nature, and with a lack of their own metropolitan networks, historically operated at lower gross margins. Through 2H 2011 euNetworks worked to improve gross margin through a combination of integration synergies and high margin new sales. By 4Q 2011, on average, gross margin on new sales across the combined businesses had moved to approximately 80%. euNetworks remains committed to driving high gross margins, and believes a gross margin of 75% can be achieved as the business reaches scale.

Adjusted EBITDA in 2011 was €5.9m, a significant improvement from €(0.9)m in 2010. Since delivering positive adjusted EBITDA in 3Q 2010, euNetworks has steadily improved this key financial indicator each quarter. In 4Q 2011 however, the Company delivered lower adjusted EBITDA of €0.1m. This was due to one-off restructuring and integration costs following the acquisitions. After adjusting for these one-off items, underlying adjusted EBITDA for the quarter was €2.7m, up from €1.8m in 4Q 2010.

In 2011 total revenues grew by

65%

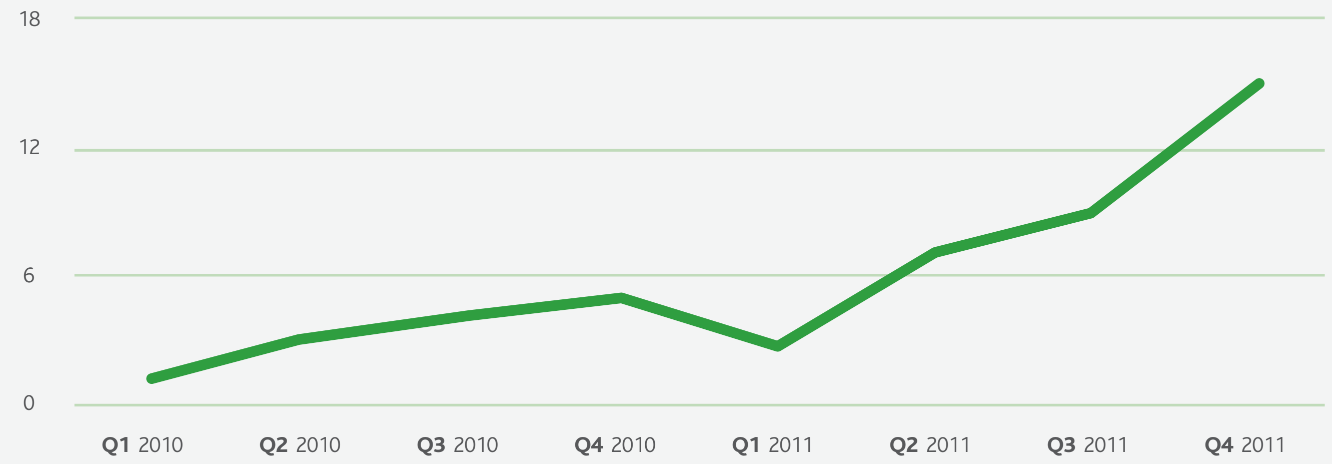
from €43.8m in 2010 to € 72.1m in 2011

with recurring revenues for the year of

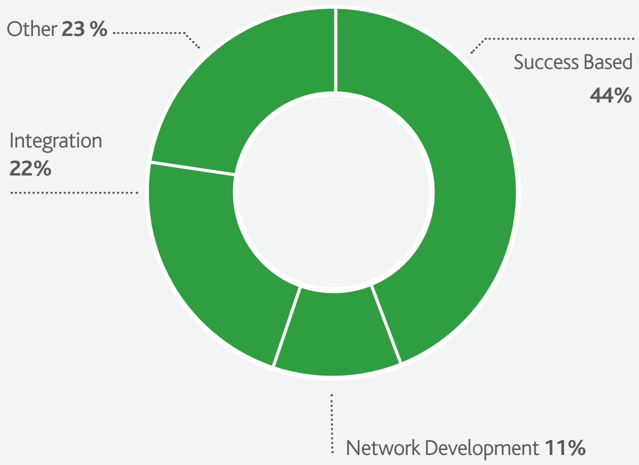
€68.6m

up 75% from 2010

Capital Investment (€m)



2011 Capital Investment by Category (%)



Capital expenditure was €31.8m for the full year, a 106% increase from 2010. This reflected the steady increase in success based capital projects through 2011, such as euTrade developments and optimisation, wavelengths overbuilds, FTTx roll out and connecting more bandwidth intensive buildings to the network. As with 2010, there was a marked increase in capital projects in 2H 2011.

Success based capital investment payback performance remained consistent through 2011, averaging within its target range between 6 and 7 months payback for incremental committed sales.

Staff costs increased by 14%, from €21.7m in 2010 to €24.8m in 2011. The increase was due to 1) the additional headcount as a result of LambdaNet and TeraGate acquisitions, 2) costs of €1.5m related to severance and restructuring following the acquisitions, and 3) settlements with former employees and Directors, including additional share option expenses of €1.2m.

Depreciation and amortisation costs increased from €14.5m in 2010 to €18.6m in 2011, largely due to the increased scope of the Company's network. euNetworks also reported a loss on disposal of plant and equipment of €0.7m in 2011 (2010: €0.6m) which resulted from the write-off of assets from network replacements and changes in the year.

Other administrative expenses increased from €4.5m in 2010 to €8.1m in 2011. This increase was predominantly due to administrative expense cost in LambdaNet and TeraGate as well as one-off costs including acquisition costs of €0.5m.

The loss before income tax for the year was €(20.7)m compared with €(34.9)m in 2010. This improvement was as a result of organic growth combined with growth achieved through the acquisition of LambdaNet and TeraGate during the year.

Operational Review & Outlook continued

Operational Highlights

The economic environment remained challenging across Europe, but bandwidth demand continued to increase in 2011. This trend, coupled with the foundations put in place in 2010 by the Group, and the growth, development and successful corporate activity undertaken by euNetworks in 2011, continues to drive the business forward. As a facilities based bandwidth infrastructure provider, euNetworks is strongly positioned to enable businesses with scalable bandwidth services.

It has been a busy year for euNetworks. The Company has accelerated its capability and market position in Germany through the successful acquisitions of LambdaNet and TeraGate, but has also delivered strong organic growth in other markets. Important developments have occurred for the business. These have driven sales performance trends regionally, by product and within particular segments and are detailed below.

Operationally, the team continued to focus on leveraging network assets, deploying capital to connect more buildings, expanding the addressable market and growing recurring revenues across the euNetworks footprint. Most importantly, and while driving integration synergies, euNetworks maintained its relentless focus on serving its customers well and implementing systems and processes that support scale in future quarters.

Developing Market Opportunity

The Company increased its market opportunity and position through steps taken in the year, increasing penetration in key segments and expanding into new segments. euNetworks' unique fibre based metropolitan assets and long haul connectivity continued to meet the needs of important segments such as wholesale, mobile and the financial service community. Additionally, the team increased focus on the corporate market. Across a wide range of industries, corporates with more advanced IT demands and strategies are leveraging the Company's capabilities, building dedicated networks in cities and between cities. The Company's ability to interconnect corporate sites to customer sites with scalable 1G, 10G and multiple 10G connections over fibre is a key differentiator, and demonstrates the Company's strategy is aligned to market demand. The enterprise oriented customer bases of LambdaNet and TeraGate should increasingly enjoy the benefits of infrastructure based services.

In 2Q 2011, euNetworks launched a key strategic initiative, FTTx, leveraging its metropolitan fibre assets to enable mobile operators to roll out their new mobile standard Long Term Evolution (LTE) platforms across Europe. Fibre optic networks are a key component of these platforms. With focused effort, euNetworks made significant progress through the year with multiple mobile operators, including Vodafone, now under contract. Presently, the Company provides fibre connectivity to mobile operators' masts and towers in six of the seven key metropolitan markets in Germany, demonstrating the true depth and breadth of the Company's metropolitan network footprint.

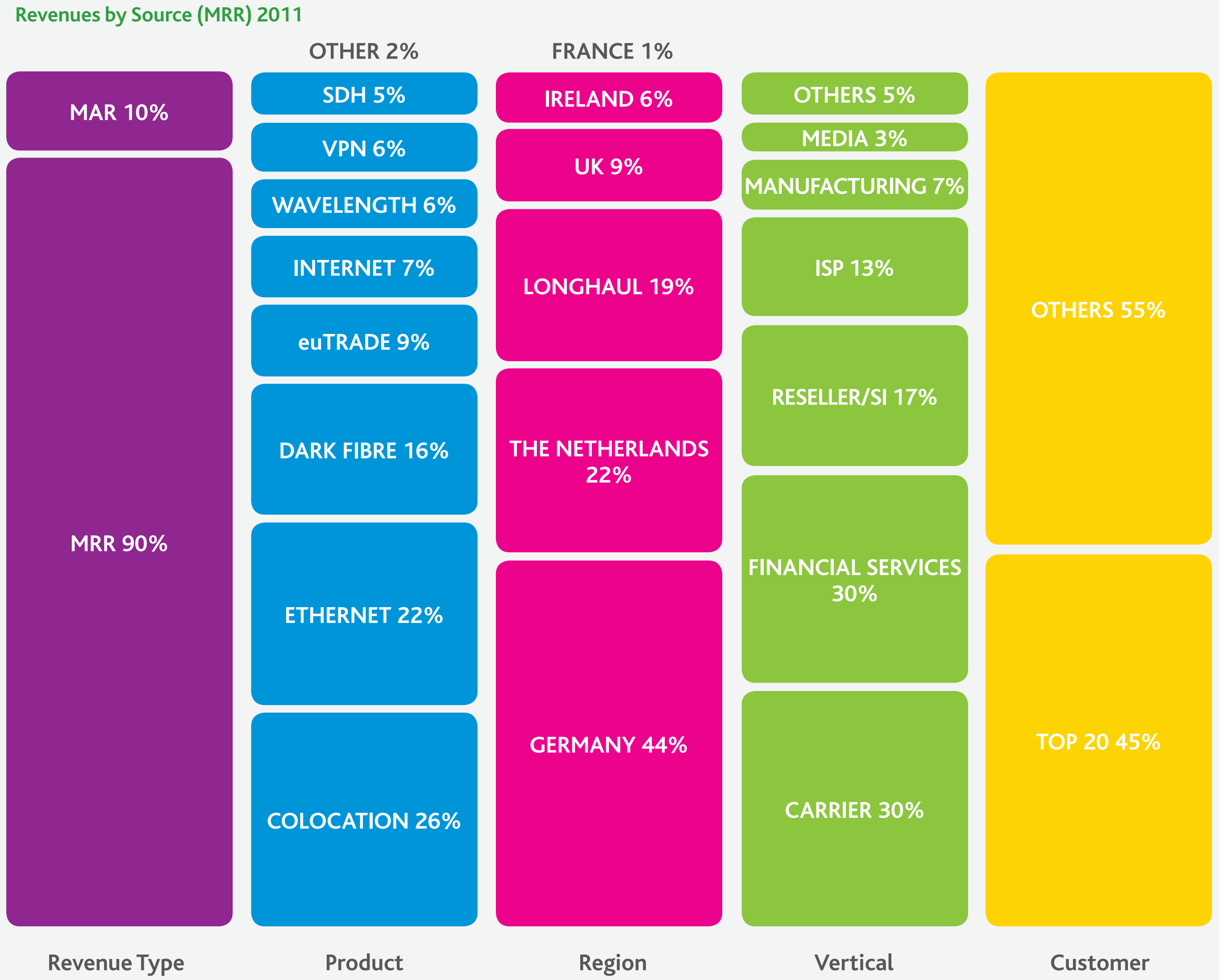
"A strong underlying fibre optic network is important for us as we roll out LTE across Germany. euNetworks has this network in key markets. Their demonstrated commitment to this partnership and unique assets deliver great value to our overall network strategy" – Hartmut Kremling, CTO Vodafone Germany

A large source of euNetworks growth in 2011 was from the financial services sector. Building upon successful delivery of low latency services in 2010, euNetworks developed new euTrade routes to Zurich, Milan and Stockholm in 1H 2011. Following these additions, network optimisation improved existing network paths between the key exchanges, delivering market leading latencies across its dedicated euTrade network. With a successful pre-selling programme, new sales in 2Q 2011 were driven by connectivity to Frankfurt, Stockholm and within London. This cycle of continuous improvement and investment to optimise and reduce latencies for customers has driven steadily increasing value for the business and market share through 2011.

Whilst providing a high return on investment, there have been signs of price compression in low latency services driven largely by increased competition. Excellent service performance and market leading latencies are key to the preservation of value in support of the financial services sector, with high and ongoing investment necessary to achieve such results. Today euNetworks provides its euTrade service portfolio within London and to Frankfurt, Stockholm, Milan, Zurich, Madrid and the United States. Customers continue to value the Company's ability to turn-up capacity quickly as well as its demonstrated commitment to ongoing network improvements for market leading latencies. euTrade delivered 9% of 2011 monthly recurring revenues (MRR), up from 4% in 2010.

Overall, when considering its revenues by source in 2011, 90% of revenue was recurring, reflecting a stable base. Product, geographic and customer segment distributions were robust, and customer concentration was diverse.

Operational Review & Outlook continued



Note: *MRR is Monthly Recurring Revenues. MAR is Monthly Amortised Revenues*

Increasing Product Capability

In addition to growing success with existing and new segments, euNetworks' product capabilities also improved in the year. The core product portfolio comprises Colocation, Fibre, Metro Wavelengths, Wavelengths, Ethernet and Internet, as well as the euTrade service portfolio. euTrade and Fibre sales dominated growth through 1H 2011. By 3Q 2011 however, the Company had an increased Ethernet capability and much wider Colocation footprint as a result of the German acquisitions. Integration of acquired product capabilities involved taking the best components across LambdaNet, TeraGate and euNetworks to deliver the portfolio the sales team is selling today. Ethernet services leverage the MEF certified euNetworks architecture, the managed service options from LambdaNet and maintain the usability of TeraGate's Corporate Connectivity service. The Metro Wavelengths product is consistent with TeraGate's Connected DataCenter offering, with this determined to be best-in-class. Strengthening the capabilities of the product portfolio was a strategic goal of the acquisitions undertaken in the year, and euNetworks now reports a strong mix of sales across Fibre, euTrade, Ethernet, Colocation and Wavelengths moving into 2012.

As well as completing product integration in 2H 2011, euNetworks also continued to invest in core products and the underlying infrastructure to satisfy customers' needs. Strong Wavelengths performance in 3Q 2011 followed specific network developments. Driven by customer demand, euNetworks completed a number of wavelength overbuilds across the metropolitan and long haul networks, delivering new capacity and a significant increase in new sales. This investment continued through 4Q 2011 and will be ongoing in 2012, with pre-deployment of wavelength capacity into key data centres and high traffic routes to serve the market opportunity.

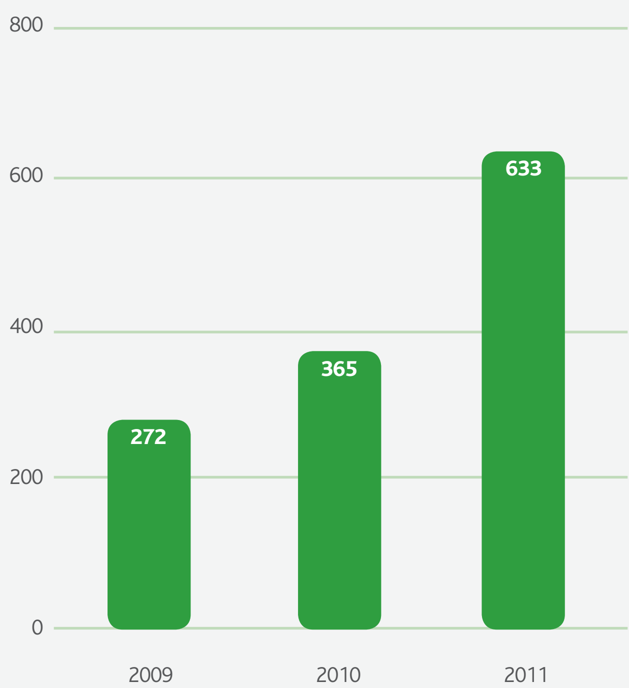
Operational Review & Outlook continued

Strengthening Sales Performance

In 2010, euNetworks developed its sales team. Productivity improved with increased local focus and investment in new talent. With implementation of the bandwidth infrastructure model into the business, Sales focused on leveraging the Company's core network assets, securing longer term recurring revenue contracts and building up a sales funnel to drive organic revenue growth in 2011. At the end of 2010, the Company had 24 quota bearing people in the Sales organisation and an encouraging pipeline for sales in future quarters. As well as euTrade developments and FTTx success, both acquisitions strengthened euNetworks' product capability and accelerated the Company's market position in the year. This drove further sales growth. For the full year, total new sales order contracts reached €54.4m, increasing from €27.2m in 2010, or 96%. By the end of 4Q 2011, quota bearing people reached 36, with most of this growth centred in the German market.

With the salesforce aligned to the strategy of driving long term and high margin recurring revenues, average contract term for new customers increased to 39 months, from 27 months in 2010. With strong fibre sales in 2Q 2011, average contract term reached 51 months in that quarter. This then declined to 28 months in 3Q 2011 due to a lower mix of longer term fibre sales in the period. With higher fibre sales in 4Q 2011 and the sales teams integrated, average contract term increased again to 46 months in 4Q 2011.

Buildings Connected to the Networks



Churn was another key metric for the business in 2011, delivering an indication of euNetworks' underlying business in relation to revenues, and tracking a combination of renewals, moves and changes, and disconnection of service. Taking into account the Company's larger revenue base in the year, churn was measured as a percentage of monthly recurring revenues. In 1Q 2011, churn was 0.7% of monthly recurring revenues, and 0.8% in 2Q 2011. Churn was higher in 3Q 2011 at 1.5%, driven by termination of a large contract. In 4Q 2011, churn decreased to 0.9% which is more consistent with expectations of the combined business. Overall for the full year, churn was 1.2% of monthly recurring revenues.

Driving Value from the Network

Having key buildings on-net drives value onto the network, and positions euNetworks to serve bandwidth demand. euNetworks made significant progress connecting buildings to its network in 2011, growing the connected building count by 73%. The team started the year with 365 buildings on-net and entered 4Q 2011 with 530 on-net and 202 in progress. During the fourth quarter the team connected a further 103 buildings, exiting 2011 with 633 on-net across the network footprint.

While euNetworks' ongoing focus is growing the number of buildings connected to the network, adding the second and third customers in these connected buildings is essential to maximising capital efficiency. The majority of buildings are added to the network with high internal rate of return (IRR) from the initial contract. Once activated, capital efficiency is materially improved via:

- Second and third orders from the existing client.
- Sales to new clients, via euNetworks:
  - Direct sales force, to the extent that additional high bandwidth enterprise clients are present in the building;
  - Direct sales force, selling 'Open Access' to other wholesale providers;
  - Partner channels, particularly for the Small Medium Enterprise (SME) segment and customers requiring complete telecoms and data solutions.

As a rule of thumb, the initial cost to extend its network to a building with fibre is as much as 5-10x the cost to support follow on customers.

Operational Review & Outlook continued

Integration Overview

Approach	• Achieve growth and synergies. – Simultaneous integration of LambdaNet and TeraGate. – No impact on customer service and organic growth.
Sales & Products	• Drive growth through aligned sales channel and expanded German footprint. • Improve gross margins through core and non-core products.
Network Integration	• Scale footprint and network to support network wide product growth. • Done by interconnecting and upgrading the network.
Customer Care	• Consolidate the LambdaNet and TeraGate outsourced Network Operations Centres into euNetworks' model.
Synergies	• Remove Network expense. Deliver upside through connecting buildings to euNetworks footprint. • Realise headcount synergies through re-organisation in Germany.
Systems	• Deliver operational efficiencies through process alignment. • Single source of record and systems.
Measure & Manage	• Programme of measuring, managing and reporting progress to the euNetworks Board. • Integration projects have realised savings in line with our acquisition plans and network rationalisation plans are progressing well.

Integration and Customer Service

Integration of the LambdaNet and TeraGate businesses was an area of intense focus in 3Q 2011 and 4Q 2011.

Integration projects realised savings in line with the Company's acquisition plans. Following closing the acquisition of TeraGate on 29 July 2011, euNetworks began a restructuring programme in Germany. This was largely completed in 4Q 2011, although due to employees serving notice periods, 2011 exit headcount will reduce slightly in 2012. As previously mentioned, product integration was completed in 4Q 2011, and the sales team in Germany was realigned in this same timeframe. Network rationalisation progressed well through both quarters.

Through this period of integration, euNetworks maintained its commitment to delivering a high level of customer service. Maintaining a high performing network and service delivery experience is key to ongoing growth in the business. Fundamental to that has been the continued and relentless focus on accurate data, efficient processes and the ability to access and correlate data in real time. euNetworks has made great progress in developing a 'friction free' service in 2011, and at the same time, has been focused on migrating acquired company data and processes into the euNetworks environment. This continues to be a vital area of development to drive the efficiency of the whole combined Company and to enable significant scalability.

euNetworks' four simple rules to delivering a 'friction free' service remain to:

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

Today the leadership team rapidly assesses and manages monthly performance through a number of key and real time dashboards. This process of development continues.

2012 Outlook

Following a year of continued and sustained growth, euNetworks expects to further grow its market opportunity in 2012 despite continued economic pressure in the region. The sales funnel remains strong as the depth and scale of the euNetworks business develops. euNetworks' segmentation and investment strategy continues to deliver results and will be a driving force in 2012. With a strengthened balance sheet through 2011 corporate activity, a combination of connecting more bandwidth intensive buildings to the network, driving up sales with further product and market developments and a relentless focus on good data to deliver a great experience to customers remains key to euNetworks in quarters ahead.

Corporate Profile

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Corporate Profile

Non-Executive Chairman

Nicholas George	Independent

BOARD OF DIRECTORS

Executive

Brady Reid Rafuse	Chief Executive Officer
John Louis Scarano	Vice Chairman and Executive Vice President of Finance, Operations & Corporate Development (appointed on 1 January 2012)
Uwe Markus Nickl	Chief Marketing Officer (appointed on 1 January 2012)

Non-Executive

Lam Kwok Chong	Independent
Duncan James Daragon Lewis	Independent (appointed on 17 October 2011)
Kai-Uwe Ricke	Independent
Daniel Simon Aegerter	Non-Independent
John Tyler Siegel Jr.	Non-Independent
Jason Robert Booma	Alternate Director to John Tyler Siegel Jr.
Simon Daniel Koenig	Alternate Director to Daniel Simon Aegerter

AUDIT COMMITTEE

Lam Kwok Chong (Chairman)
Nicholas George
John Tyler Siegel Jr.
Duncan James Daragon Lewis (appointed on 23 November 2011)

NOMINATING COMMITTEE

Duncan James Daragon Lewis (Chairman, appointed on 17 October 2011)
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
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Singapore 048623
Tel: +65 6536 5355
Fax: +65 6536 1360

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50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS
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21 Merchant Road
#05-01 Royal Merukh S.E.A. Building
Singapore 058267

AUDIT PARTNER-IN-CHARGE
Lim Ai Leen
(Year of appointment: 2010)

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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 2011.

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 telecom 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 2011.

Board of Directors continued

JOHN LOUIS SCARANO

Vice Chairman and Executive Vice President of Finance, Operations and Corporate Development

John Scarano is Vice Chairman on the Board of Directors and Executive Vice President of Finance, Operations and Corporate Development of euNetworks Group Limited. Prior to this he was the Strategic and Corporate Development Adviser to euNetworks Group Limited. He joined the Company in January 2011.

Mr. Scarano has over 20 years of experience in the telecom industry. He is the Co-Founder and former Chief Operating Officer of Zayo Group and former President of Zayo Bandwidth. Under Mr. Scarano's leadership, Zayo acquired and integrated 16 entities.

Prior to Zayo, Mr. Scarano was Executive Vice President for the turnaround of ICG Communications. Prior to ICG, Mr. Scarano led Level 3 Communications' global business development group following his leadership of the network development and build-out of Level 3's North American networks.

Mr. Scarano began his career in telecom at AT&T in 1989. He has held elected office as Town Councilman for four terms in Orange County New York. He holds a Bachelor of Science degree in Business Administration and Computer Science from State University of New York at Albany.

He was appointed to the Board on 1 January 2012 and will be seeking re-election to the Board at the forthcoming Annual General Meeting.

UWE MARKUS NICKL

Chief Marketing Officer

Uwe Nickl is Executive Director on the Board of Directors and 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 telecom with Siemens AG in their public network division in 1997. He studied business administration in Germany, the United States and the Netherlands.

Mr. Nickl was appointed to the Board on 1 January 2012 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 $5.6b 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. He will be seeking re-election to the Board at the forthcoming Annual General Meeting.

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 28 April 2011.

DUNCAN JAMES DARAGON LEWIS

Independent, Non-Executive Director

Duncan Lewis is Chairman of the Nominating Committee for euNetworks. He is also a Director of Spirent Communications plc, where he is a member of their Remuneration Committee. He has worked in the telecom and media industry for more than 25 years, holding Chief Executive, Managing Director and Chairman positions. Most recently Mr. Lewis was Chief Executive Officer of Vislink plc, stepping down from this position in March 2011. He has held similar positions at companies such as GTS Inc, Equant, Granada Media Group and Mercury Communications. His previous Director appointments include Chairman of Euphony Holdings, Mobix Interactive, MessageLabs and Sinotel Limited. He was also a Non-Executive Director of Viridian Plc. from 2002 to 2006 and an Independent Director of Completel from 2002 to 2008. Between 2002 and 2008, he served as an advisor to The Carlyle Group.

He is a graduate of Cambridge University, and did post-graduate research in both France and the United States.

Mr. Lewis was appointed to the Board on 17 October 2011 and will be seeking re-election to the Board at the forthcoming Annual General Meeting.

KAI-UWE RICKE

Independent, Non-Executive Director

Kai-Uwe Ricke is Partner and Chairman of the Board of Directors for Delta Partners. He is also active as a co-investor with private equity and has been a Director in various companies of the TMT sector. 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.

Board of Directors continued

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, Teliris Inc, GlobalOne, and Zayo Group LLC.

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. Mr. Siegel will be seeking re-election to the Board at the forthcoming Annual General Meeting.

JASON ROBERT BOOMA

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

Jason Booma has been a Partner 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 Cloud Sherpas and Envysion, Inc and is directly involved in Columbia's investments in EGS, 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 Küsnacht (Zurich) based office. He is involved in the Wealth Management of the Aegerter Family and is a member of the Board of Directors of Perseus Real Estate and Agrifutura Holding.

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

Mr. Koenig received his 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.

Management Team

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 telecom 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.

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.

Management Team continued

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 focusing on the technology and telecom 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.

ANDREW WEDDELL

Vice President Sales

Andrew Weddell is Vice President of Sales of euNetworks Group Limited. He joined the Company in August 2009 and is responsible for all sales activity of the Company.

Prior to joining euNetworks, Mr Weddell worked for Level 3 Communications for 11 years, where he held key sales positions. In his most recent role as Vice President, UK Sales and European Channel, Mr. Weddell delivered industry leading results for the European business. Prior to this, and as Sales Director for the UK, he oversaw the development of Level 3's European Partner Programme.

He started his career in sales within the photocopier industry, with 10 very successful years. He moved into the telecom industry in 1991.

Products & Services

2

Products and Services

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. This advantage was increased through strategic acquisitions in 2011, as euNetworks now also benefits from 2x the intercity fibre network, connecting all 13 operational metropolitan networks and the 28 colocation facilities across The Netherlands and Germany. This combination of assets improves euNetworks position as a bandwidth infrastructure provider, delivering high bandwidth services with high gross margins.

euNetworks' bandwidth infrastructure product set consists of three 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. Finally, euNetworks Colocation product enables euNetworks to provide not only the bandwidth and connectivity, but also the space and power to host customers' telecommunications and IT equipment.

In the past, a product set of fibre and point-to-point transmission services enabled euNetworks to target large corporates, wholesale carriers, resellers and system integrators. In 2011, the product set was enhanced by the additional enterprise capabilities of LambdaNet and TeraGate in Ethernet, Internet and Colocation. However, euNetworks believes in high gross as well as EBITDA margins, so product focus and scalability are critical. euNetworks has therefore closely evaluated the opportunity as well as cost of expanding the product set, ensuring that while the Company can now open up new markets, they maintain focused and prioritise those enhancements that customers truly 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.

Metro Wavelengths

Positioned between the Dark Fibre product and the standard Wavelengths offering, euNetworks provides dedicated solutions across the metropolitan 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 cities 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

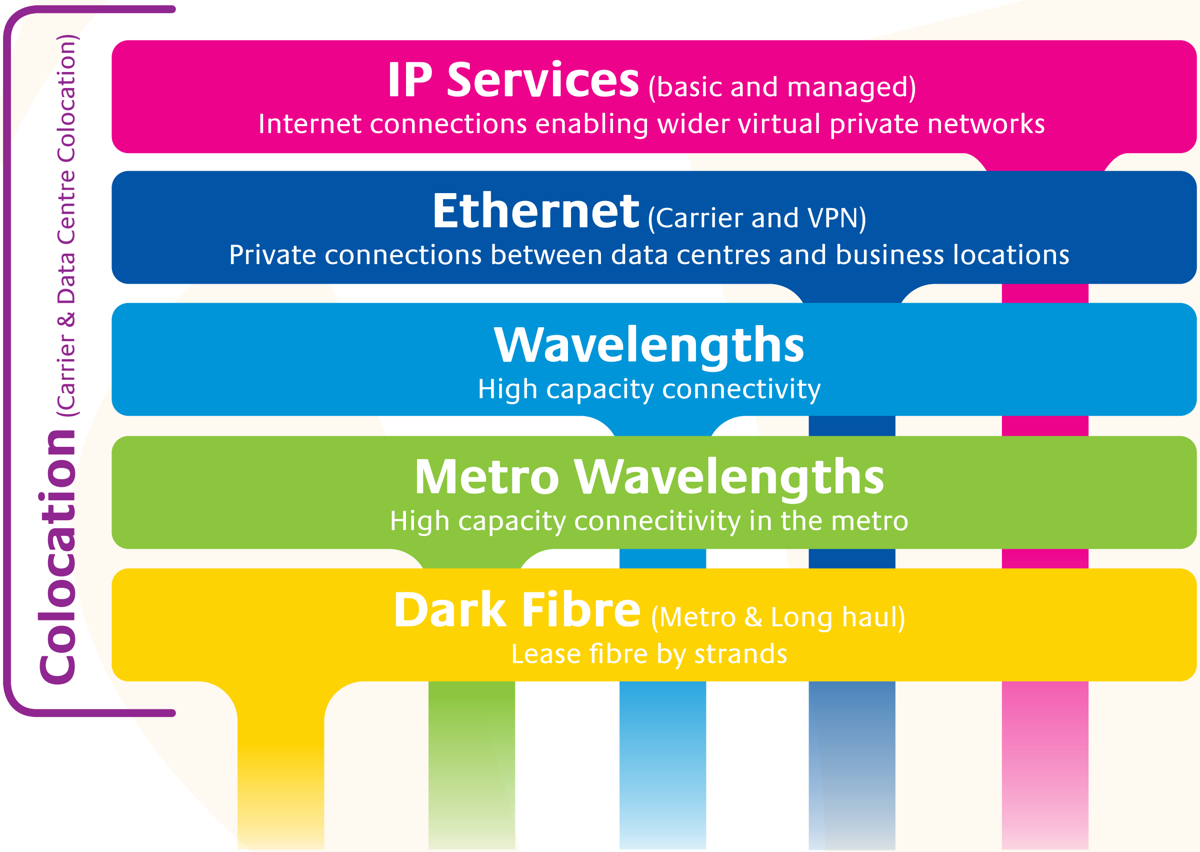
For operators and service providers, Wavelengths offers protocol transparent 1Gbps, 2.5Gbps and 10Gbps wavelengths provisioned from over 100 Points of Presence (PoPs), backhauled over the euNetworks metropolitan and pan-European networks. This enables clients to implement custom solutions over euNetworks' 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. Incorporating the capabilities of LambdaNet and TeraGate, euNetworks Ethernet offering now provides an enhanced, or fully managed, service with more complex topologies, performance management and dedicated customer terminating equipment.



Internet

euNetworks Internet connectivity service provides high-performance global Internet connectivity for customers. As a Tier 2 Internet Service Provider (ISP), euNetworks AS13237 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. euNetworks Internet offering now includes managed customer devices, supporting enhanced enterprise features such as firewalls and managed routing.

Colocation

Outside of bandwidth infrastructure, euNetworks also provides colocation services in 27 markets across The Netherlands and Germany. 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.

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

3

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 "Catalist Rules"), 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 2011, 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 (or non-budgeted expenses exceeding €500,000 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 2011 is as set out in the following table. In addition, the Board and each of the Committees met on an ad hoc basis on a number of occasions and also acted by written resolutions.

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Name	Board		Audit Committee		Remuneration Committee		ESOS		Nominating Committee	
	No. of meetings held	attended	No. of meetings held	attended	No. of meetings held	attended	No. of meetings held	attended	No. of meetings held	attended
Nicholas George	7	7	4	4	1	1	1	1	2	2
Brady Reid Rafuse	7	7	N/A	N/A	N/A	N/A	N/A	N/A	2	2
James Thomas (1)	7	7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Daniel Simon Aegerter	7	7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lam Kwok Chong	7	7	4	4	N/A	N/A	N/A	N/A	N/A	N/A
William Gregory Mesch(2)	3	3	2	2	N/A	N/A	N/A	N/A	N/A	N/A
Kai-Uwe Ricke	7	7	N/A	N/A	1	1	1	1	2	2
John Tyler Siegel Jr. (3)	7	7	4	4	1	1	1	1	2	2
Duncan James Daragon Lewis (4)	2	2	N/A	N/A	N/A	N/A	N/A	N/A	1	1

(1) James Thomas resigned as Executive Director on 31 December 2011
(2) William Gregory Mesch resigned as Non-Executive Director on 14 July 2011
(3) Including attendances by John Tyler Siegel's alternate, Jason Booma
(4) Duncan James Daragon Lewis was appointed as an Independent, Non-Executive Director on 17 October 2011

The Company Secretary and/or General Counsel attends 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 on 9 August 2011 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 will continue 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' 2011 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 strong and independent element, with four out of nine 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.

As the Company's activities continue to grow, the Nominating Committee will continuously review the composition of the Board so that it will have the necessary competency to be effective. The Nominating Committee is of the view that the Board comprises 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")

The 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

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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 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 2011 are set out on page 18.

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, until his resignation) (Independent Director) – resigned on 14 July 2011
- Duncan James Daragon Lewis (Chairman) (Independent Director) – appointed on 17 October 2011
- 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; and

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

Criteria for appointment of new Directors

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

(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; and

(g) financial literacy.

The Nominating Committee is also charged with determining the "Independence" status of the Directors annually and the responsibility for 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

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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 18-22: 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 18-22: 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.

Page 38: Shareholding in the Company and its subsidiaries.

Page 19-22: Biographies of the Directors

PRINCIPLE 5: BOARD PERFORMANCE

The Board has undertaken a formal annual assessment of the effectiveness of the Board led by the Nominating Committee. The performance criteria reviewed changed from the previous year as the Nominating Committee considered it appropriate to utilise a reporting service provided by the UK Institute of Directors (IoD).

Each of the Directors completed an anonymous questionnaire and based on the answers the IoD prepared a Board Governance Analysis Report. The IoD reported on key areas including strategy, business principles, internal controls, risk management, performance management, Boardroom activity, Board committees and the role of Board members, including the Chairman.

The Directors have agreed to take any necessary actions based on the results of the IoD report by holding an off-site meeting. The Directors will be led by the Chairman in considering the Board's effectiveness and where improvements can be made. As part of this process, the Chairman and the Chairman of the Nominating Committee will also assess the contribution of individual Directors to the effectiveness of the Board.

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 monthly reports to the Board on the Company's business, finance and strategic position.

Management also provides the Board with access to its weekly operations review through a dedicated Board website.

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

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

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

Remuneration Matters

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Remuneration Committee ("RC") currently comprises 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 Reid Rafuse, Vice Chairman and Executive Vice President, Mr. John Louis Scarano and Chief Marketing Officer, Mr. Uwe Markus Nickl, have rolling contracts with the Company of a duration that is not fixed, with 12 month, 9 month and 9 month notice periods respectively.

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In setting the remuneration package of the Executive Directors, 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. Independent Non-Executive Directors may also be paid consultancy fees in respect of their work for the Group above and beyond the scope of their Directors' fees. The remuneration of Independent 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 any 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.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

Remuneration of the Directors of the Company for the year ended 31 December 2011

Remuneration Band & Name of Director	Base/Fixed Salary	Director's Fees	Consultancy Fee	Benefits-in-Kind	Performance Based Bonuses	Employers pension contributions	Share Options	Payments on Termination	Total
From S$4,250,000 to Below S$4,500,000									
Executive Directors									
Brady Reid Rafuse	15%	-	-	2%	17%	3%	63%	-	100%
From S$1,500,000 to Below S$4,250,000									
From S$1,250,000 to Below S$1,500,000									
Executive Directors									
James Thomas(1)	32%	-	-	2%	11%	2%	-	53%	100%
From S$1,000,000 to Below S$1,250,000									
Executive Directors									
Uwe Markus Nickl	34%	-	-	2%	20%	2%	42%	-	100%
From S$750,000 to Below S$1,000,000									
Executive Directors									
John Louis Scarano	-	-	100%	-	-	-	-	-	100%
From S$500,000 to Below S$750,000									
-	-	-	-	-	-	-	-	-	100%
From S$250,000 to Below S$500,000									
Non Executive Directors									
Nicholas George	-	41%	11%	-	-	-	48%	-	100%
Kai-Uwe Ricke	-	20%	13%	-	-	-	67%	-	100%
Below S$250,000									
Non Executive Directors									
William Gregory Mesch (1)	-	28%	16%	-	-	-	56%	-	100%
Lam Kwok Chong	-	38%	22%	-	-	-	40%	-	100%
Duncan James Daragon Lewis	-	64%	36%	-	-	-	-	-	100%

(1) Resigned during the year

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Remuneration of top five Executives of the Company for the year ended 31 December 2011

Remuneration Band & Name of Executive	Base/Fixed Salary	Benefits-in-Kind	Performance Based Bonuses and/or commission	Employers pension contributions	Share Options	Total
From S$1,000,000 to Below S$1,250,000						
John Franklin	35%	-	16%	2%	47%	100%
From S$750,000 to Below S$1,000,000						
-	-	-	-	-	-	100%
From S$500,000 to Below S$750,000						
Andrew Weddell	47%	3%	26%	3%	21%	100%
David Selby	49%	-	26%		25%	100%
Richard Taylor	45%	-	23%	2%	30%	100%
From S$250,000 to Below S$500,000						
Justin Bohm	54%	-	12%	4%	30%	100%

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 2011.

Details of Employee Share Option Scheme

During the financial year ended 31 December 2011, 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 39-43 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 whilst in previous years this generally provided for vesting in equal thirds over a period of three years from the date of grant, the majority of grants made in 2011 provided for vesting over four years, with no vesting until the second anniversary of the date of grant.

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.

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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) - resigned on 14 July 2011
- Duncan James Daragon Lewis (Independent Director) – appointed on 23 November 2011
- 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 external and internal 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 ("IPTs") reported by Management to ensure that they were carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

In 2009, the AC approved a 'whistle blowing' policy that 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 FY2011 and is satisfied that the internal controls are adequate to manage the relevant financial, operational and compliance risks. The AC has recognised the Group's ongoing improvements in this area, which will necessarily continue into 2012, and this will be monitored by the AC, with the assistance of the Internal Auditors. The Board concurs with the AC on this matter. The AC 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

Following the departure of the Company's Internal Audit Director early in the year ended 31 December 2011, the AC took the decision to outsource the internal audit function to a professional services firm. Following an in depth review process, the Internal Audit Services team of Grant Thornton UK LLP ("Grant Thornton") was appointed to this role. The Company is of the view that Grant Thornton is qualified for this role to 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.

Grant Thornton reports directly to the AC and its primary line of reporting is to the Chairman of the AC.

The AC reviewed and approved Grant Thornton's internal audit plans and agreed a scope of work for FY 2011 and beyond. This will continue to be implemented in the year to 31 December 2012. The AC reviewed and is satisfied with the internal audit plans and the adequacy of the internal audit function.

Corporate Governance Report continued

Communication with Shareholders

PRINCIPLE 14: COMMUNICATION WITH SHAREHOLDERS

During the financial year ended 31 December 2011, 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 and more recently Ark Advisors 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 AC, CEO and Vice Chairman.

The minutes of the general meetings are prepared and made available to shareholders upon request.

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 two weeks before the announcement of the Company's quarterly results and one month before the announcement of the Company's 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 2011, the Company has complied with the best practices on dealings in securities in accordance with Rule 1204(19) 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 Company's acquisitions and related fund raising, 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 19 May 2011, euNetworks Group Limited entered into a Loan Facility Agreement with a controlling shareholder, EUN Partners V, LLC (as lender), for €24.6m, with an interest rate of 9% per annum. The loans were repayable by euNetworks Group Limited (as borrower) on 1 May 2012 (or such later date as may have been agreed) together with accrued interest. No security was provided for the loan. The Company had fully repaid the amounts due to EUN Partners V, LLC pursuant to the Loan Facility Agreement during the financial year ended 31 December 2011.

(2) On 19 May 2011, euNetworks Group Limited entered into a Loan Facility Agreement with a substantial shareholder, Columbia EUN Partners V, LLC (as lender), for €3.4m with an interest rate of 9% per annum. The loans were repayable by euNetworks Group Limited (as borrower) on 1 May 2012 (or such later date as may have been agreed) together with accrued interest. No security was provided for the loan. The Company had fully repaid the amounts due to Columbia EUN Partners V, LLC pursuant to the Loan Facility Agreement during the financial year ended 31 December 2011. 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. Please refer to page 101 of this annual report for more information.

(3) On 19 May 2011, euNetworks Group Limited entered into a Loan Facility Agreement with a Director and substantial shareholder, (as lender) for €4.0m, with an interest rate of 9% per annum. The loans were repayable by euNetworks Group Limited (as borrower) on 1 May 2012 (or such later date as may have been agreed) together with accrued interest. No security was provided for the loan. The Company had fully repaid the amounts due to Daniel Aegerter pursuant to the Loan Facility Agreement during the financial year ended 31 December 2011.

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(4) On 30 June 2011, euNetworks Group Limited entered into a Subscription Agreement with Columbia Capital Equity Partners V (QP), L.P., Columbia Capital Equity Partners V (Non-US), L.P., Columbia Capital Equity Partners V (Co-Invest), L.P. and Columbia Capital Equity Partners IV (QP), L.P. in respect of an aggregate of 105,000,000 warrants to subscribe for ordinary shares of the Company. Please refer to page 44 of this annual report for more information.

The principal terms and conditions of the Loan Facility Agreement are set out in the announcement made by the Company on 20 May 2011.

Interested Person Transactions

The aggregate value of interested person transactions entered during the financial year ended 31 December 2011 is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	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)
Short term loans received from and repaid to the following shareholders in the Company, who are affiliates of Columbia Capital V LLC, a controlling shareholder of the Company:		The Company does not have any specific shareholders' mandate in relation to interested person transactions
Columbia EUN Partners V, LLC	€95,000 interest paid	
EUN Partners V, LLC	€692,000 interest paid	
(together, the "Columbia Lenders")		
Warrant issue to the following parties, who are affiliates of Columbia Capital V LLC, a controlling shareholder of the Company:		The Company does not have any specific shareholders' mandate in relation to interested person transactions
Columbia Capital Equity Partners V (QP), L.P.;	€531,000	
Columbia Capital Equity Partners V (NON-US), L.P.;	€185,000	
Columbia Capital Equity Partners V (Co-Invest), L.P.; and	€132,000	
Columbia Capital Equity Partners IV (QP), L.P.	€332,000	
(together the "Columbia Guarantors")	representing the aggregate price payable on exercise of the warrants	
Short term loan received from and repaid to Daniel Aegerter, a Director of the Company	€91,000 interest paid	Not applicable

Audit and Non-audit Fees

Fees of €455,855 (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 2011. Of these fees, €325,000 was paid for audit services and €130,855 was paid for non-audit services 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, business combination, revenue recognition, property, plant and equipment, impairment of assets, carrying value of investments in subsidiary companies, financial instruments & share based payments, going concerns.

Non-sponsorship Fees

During 2011, non-sponsorship related fees of an aggregate of approximately S$163,000 were paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch, almost all of which was paid in connection with its role as the Manager of the Rights Issue completed in September 2011.

Report of the Directors

The Directors are pleased to present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2011 and the statement of financial position of the Company as at 31 December 2011 and statement of changes in equity of the Company for the financial year ended 31 December 2011.

1. Directors

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

Nicholas George
Brady Reid Rafuse
John Louis Scarano (appointed on 1 January 2012)
Uwe Markus Nickl (appointed on 1 January 2012)
Daniel Simon Aegerter
Lam Kwok Chong
Duncan James Daragon Lewis (appointed on 17 October 2011)
Kai-Uwe Ricke
John Tyler Siegel Jr.
Jason Robert Booma (alternate Director to John Tyler Siegel Jr.)
Simon Daniel Koenig (alternate Director to Daniel Simon Aegerter)

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:

	Shareholdings registered in the name of Director or nominee		Shareholdings in which the Directors are deemed to have an interest	
Name of Directors	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	1,290,273,796	-	-
Nicholas George	2,627,000	11,577,000	-	-
John Tyler Siegel Jr.	-	-	1,658,622,874	5,427,022,872
Lam Kwok Chong	3,000,000	9,000,000	1,500,000	4,500,000
Kai-Uwe Ricke	-	40,063,500	-	-
The Company (Options to subscribe for number of ordinary shares)				
Kai-Uwe Ricke	43,227,702	84,227,702	-	-
Nicholas George	43,227,702	43,227,702	-	-
Brady Reid Rafuse	453,807,673	867,369,271 (1)	-	-
John Louis Scarano	284,922,761	284,992,761 (2)	-	-
Uwe Markus Nickl	322,165,730	322,165,730 (3)	-	-
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	50,019,283
Lam Kwok Chong	120,000	120,000	75,000	75,000

Note

(1) *Out of the 867,369,271 options to subscribe for or purchase, 345,059,400 ordinary shares are subject to a performance target.*
(2) *Out of the 284,992,761 options to subscribe for or purchase, 113,376,660 ordinary shares are subject to a performance target.*
(3) *Out of the 322,165,730 options to subscribe for or purchase, 128,164,920 ordinary shares are subject to a performance target.*

Report of the Directors

	Shareholdings registered in the name of Director or nominee		Shareholdings in which the Directors are deemed to have an interest	
Name of Directors	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 (Number of warrants)				
John Tyler Siegel Jr.	-	-	-	75,446,012

By virtue of Section 7 of the Act, all of the Directors save for Duncan James Daragon Lewis, namely Nicholas George, Brady Reid Rafuse, John Louis Scarano, Uwe Markus Nickl, Daniel Simon Aegerter, Lam Kwok Chong, Kai-Uwe Ricke and John Tyler Siegel Jr., 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 2012.

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 36 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 Global Voice 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.

(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.

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 2011 or date of grant if later	Cancelled/ expired	Balance at 31 December 2011	Subscription price	Vesting date
	No.	No.	No.	S$	
2000 Scheme					
28 February 2005	19,525,000	(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	18,234,900	(2,337,808)	15,897,092	0.0433	31 December 2009
01 January 2007	22,500,000	-	22,500,000	0.0333	31 December 2009
30 June 2009	50,432,317	-	50,432,317	0.03	29 June 2012
	327,962,858	(206,572,736)	121,390,122		

Report of the Directors continued

Date of grant	Balance at 1 January 2011 or date of grant if later	Cancelled/ expired	Balance at 31 December 2011	Subscription price	Vesting date
	No.	No.	No.	S$	
2009 Scheme					
27 October 2009	88,261,348	(5,763,694)	82,497,654	0.025	26 October 2010
27 October 2009	88,261,348	(5,763,693)	82,497,655	0.025	26 October 2011
27 October 2009	79,615,807	(5,763,693)	73,852,114	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	(1,444,257)	11,527,386	0.015	26 March 2011
26 March 2010	12,971,643	(1,444,257)	11,527,386	0.015	26 March 2012
26 March 2010	12,971,643	(1,444,256)	11,527,387	0.015	26 March 2013
28 April 2010	34,582,161	(2,881,847)	31,700,314	0.020	28 April 2011
28 April 2010	34,582,161	(2,881,847)	31,700,314	0.020	28 April 2012
28 April 2010	34,582,161	(2,881,846)	31,700,315	0.020	28 April 2013
28 April 2010	265,685,694	(24,877,762)	240,807,932	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	15,866,656	-	15,866,656	0.016	02 December 2011
02 December 2010	15,866,657	-	15,866,657	0.016	02 December 2012
02 December 2010	15,866,657	-	15,866,657	0.016	02 December 2013
21 June 2011	8,333,333	-	8,333,333	0.015	21 June 2012
21 June 2011	8,333,333	-	8,333,333	0.015	21 June 2013
21 June 2011	8,333,334	-	8,333,334	0.015	21 June 2014
14 November 2011	745,194,055	-	745,194,055	0.0158	14 November 2013
14 November 2011	372,597,027	-	372,597,027	0.0158	14 November 2014
14 November 2011	372,597,027	-	372,597,027	0.0158	14 November 2015
21 December 2011	7,500,000	-	7,500,000	0.0178	21 December 2013
21 December 2011	3,750,000	-	3,750,000	0.0178	21 December 2014
21 December 2011	3,750,000	-	3,750,000	0.0178	21 December 2015
21 December 2011	94,997,587	-	94,997,587	0.0178	21 December 2012
21 December 2011	94,997,587	-	94,997,587	0.0178	21 December 2013
21 December 2011	94,997,587	-	94,997,587	0.0178	21 December 2014
	3,335,521,522	(212,672,311)	3,122,849,211		
Total	3,663,484,380	(419,245,047)	3,244,239,333		

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

Report of the Directors

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

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

(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

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) At the end of the financial year there were no outstanding grants to participants who received 5% or more of the total number of options available under the 2000 Scheme.

(iv) No options were granted during the financial year ended 31 December 2011.

(v) From the commencement of the 2000 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 121,390,122 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 2011.

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	413,561,598 (exercise price of S$0.0158 per share, vesting half on the 2nd year anniversary and one quarter of each on the 3rd and 4th year anniversaries of 14 November 2011)	867,369,271	867,369,271
Nicholas George	nil	43,227,702	43,227,702
Uwe Markus Nickl	163,899,571 (exercise price of S$0.0158 per share, vesting half on the 2nd year anniversary and one quarter of each on the 3rd and 4th year anniversaries of 14 November 2011)	322,165,730	322,165,730
John Louis Scarano	284,992,761 (exercise price of S$0.0178 vesting in equal thirds on the 1st, 2nd and 3rd year anniversaries of 21 December 2011)	284,992,761	284,992,761
Kai-Uwe Ricke	41,000,000 (exercise price of S$0.0158 per share, vesting half on the 2nd year anniversary and one quarter of each on the 3rd and 4th year anniversaries of 14 November 2011)	84,227,702	84,227,702

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
John Franklin	128,667,843 (exercise price of S$0.0158 per share, vesting half on the 2nd year anniversary and one quarter of each on the 3rd and 4th year anniversaries of 14 November 2011)	201,819,792	201,819,792

Note: *No options have been exercised, cancelled or expired in respect of John Franklin since the commencement of the Scheme.*

(iv) During the financial year ended 31 December 2011, options over 1,815,380,870 (2010: 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 3,348,854,855 shares were granted, of which options over 3,122,849,211 shares remained outstanding (i.e. not exercised or cancelled) as at the end of the financial year.

Report of the Directors

(vi) There were no options granted at a discount during the financial year ended 31 December 2011.

(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:

(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

(1) 2009 Warrants

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

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

(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 "2009 Warrants").

At the time of issue, the 2009 Warrants represented 1.0% of the issued share capital of the Company. Assuming all of the 2009 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 shares 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.

On 15 September 2011 the Company announced certain adjustments to the 2009 Warrants following the recent rights issue and pursuant to the terms and conditions of the 2009 Warrants. The exercise price of each 2009 Warrant was adjusted to S$0.0325 and the number of 2009 Warrants in each of the warrant groups referred to above was adjusted, in each case doubling the number of 2009 Warrants.

Following these adjustments, the 2009 Warrants continued to represent 1.0% of the issued share capital of the Company. Assuming all of the 2009 Warrants were exercised by the warrant holder, the Company could expect to receive aggregate proceeds of S$5,619,601.

Report of the Directors continued

(2) Columbia Warrants

On 30 June 2011, the Company announced that it had entered into a conditional subscription agreement (the "Columbia Subscription Agreement") for the issue of an aggregate of 105,000,000 warrants at nominal consideration. Each warrant entitles the warrant holder the right to subscribe for one new ordinary share in the capital of the Company, at an exercise price of S$0.02 per warrant (subject to adjustment in certain circumstances pursuant to the terms and conditions on which the warrants are issued).

On 8 August 2011, the Company announced the completion of the subscription for nine groups of warrants, exercisable in the following numbers and from the following dates:

a) 26,250,000 Group A Warrants, 8 August 2011;

b) 9,843,750 Group B Warrants, 31 August 2011;

c) 9,843,750 Group C Warrants, 30 November 2011;

d) 9,843,750 Group D Warrants, 29 February 2012;

e) 9,843,750 Group E Warrants, 31 May 2012;

f) 9,843,750 Group F Warrants, 31 August 2012;

g) 9,843,750 Group G Warrants, 30 November 2012;

h) 9,843,750 Group H Warrants, 28 February 2013; and

i) 9,843,750 Group I Warrants, 31 May 2013

(together the "Columbia Warrants")

At the time of issue, the Columbia Warrants represented 1.2% of the issued share capital of the Company, although this percentage reduced following completion of the rights issue in September 2011. Assuming all of the Columbia Warrants were exercised by the warrant holders, the Company could expect to receive aggregate proceeds of S$2,100,000. The exercise price represented a 100% premium to the prevailing market price of the ordinary shares in the capital of the Company prior to the signing of the Columbia Subscription Agreement, based on the volume weighted average price of S$0.01 for trades done on 29 June 2011, being the last market day prior to the signing of the Columbia Subscription Agreement on which there were trades done on the shares.

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 January 2011	Issued	Cancelled/ expired	Balance at 31 December 2011	Subscription price (S$)	Expiry date
15 December 2009	86,455,400		(86,455,400)[1]	-	0.05	15.10.2014
08 August 2011	-	105,000,000	-	105,000,000	0.076	08.08.2016
06 September 2011	-	172,910,800 [2]	-	172,910,800	0.325	15.10.2014
	86,455,400	277,910,800	(86,455,400)	277,910,800		

Note: *(1) These warrants were adjusted on 6 September 2011.*

(2) These warrants were not a new issue, but the adjustment of warrants issued on 15 December 2009.

Report of the Directors

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)
- Duncan James Daragon Lewis (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 four meetings in the financial year ended 31 December 2011. 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 the Company complies with Catalist Rules 712 and 715 in relation to its auditors. The Audit Committee 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

John Louis Scarano
Director

Singapore
23 March 2012

Statement of the Directors

In the opinion of the Directors,

(a) the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon 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 2011, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(b) 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

John Louis Scarano

Director

Singapore
23 March 2012

Independent Auditors' Report

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Independent Auditors' Report

Independent Auditors' Report to the members of euNetworks 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 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows of the Group and statement of changes in equity of the Company 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 balance sheet 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 and statement of changes in equity 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 2011 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

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 the subsidiary incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Certified Public Accountants

Singapore
23 March 2012

Financial Statements

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Financial Statements

Consolidated statement of comprehensive income for the financial year ended 31 December 2011

	Note	2011 €'m	2010 €'m
Revenue	5	72.1	43.8
Direct network expenses	6	(22.4)	(12.3)
Network operating expenses	6	(14.5)	(11.5)
Staff costs	7	(24.8)	(21.7)
Other administration expenses	8	(8.1)	(4.5)
Depreciation of property, plant and equipment	15	(17.3)	(13.9)
Amortisation of intangibles	16	(1.3)	(0.6)
Other operating income/(expenses)	9	0.2	(0.1)
Loss on disposal of plant and equipment		(0.7)	(0.6)
Operating loss		(16.8)	(21.4)
Financial costs	10	(8.4)	(10.9)
Exceptional financial costs	11	-	(2.6)
Gain on bargain purchase of a subsidiary	18	4.5	-
Loss before income tax	12	(20.7)	(34.9)
Income tax credit	13	0.6	0.7
Loss for the financial year		(20.1)	(34.2)
Other comprehensive income for the financial year		-	-
Total comprehensive loss for the year		(20.1)	(34.2)
Attributable to:			
Shareholders of the parent company		(20.1)	(34.2)
Loss per ordinary share (eurocents)			
- basic and diluted	14	(0.18)	(0.40)

The accompanying notes form an integral part of these financial statements

Financial Statements

Consolidated statement of financial position as at 31 December 2011

	Note	2011 €'m	2010 €'m
Assets			
Non-current assets			
Property, plant and equipment	15	183.6	155.6
Intangible assets	16	37.0	3.1
Deferred tax assets	34	4.9	-
Prepayments		0.3	0.3
Total non-current assets		225.8	159.0
Current assets			
Infrastructure assets held for resale	19	0.3	1.1
Trade receivables	20	8.7	7.4
Other receivables and prepayments	21	4.2	6.3
Cash and cash equivalents	22	45.4	9.5
Total current assets		58.6	24.3
Total assets		284.4	183.3
Equity and liabilities			
Capital and reserves			
Share capital	23	222.1	149.5
Treasury shares	24	(1.9)	(1.9)
Reserves	26	15.3	11.9
Accumulated losses		(74.6)	(54.5)
Total equity		160.9	105.0
Non-current liabilities			
Obligations under finance leases	27	7.7	-
Interest bearing borrowings	28	59.1	44.0
Option embedded in bond	28	6.5	8.5
Provisions	29	5.1	-
Deferred revenue	30	4.6	5.0
Deferred tax liabilities	34	6.7	3.7
Total non-current liabilities		89.7	61.2
Current liabilities			
Obligations under finance leases	27	1.6	0.2
Interest bearing borrowings	28	1.6	-
Deferred revenue	30	7.0	6.9
Trade and other payables	31	23.0	9.2
Income tax payable		0.6	0.8
Total current liabilities		33.8	17.1
Total equity and liabilities		284.4	183.3

The accompanying notes form an integral part of these financial statements

Financial Statements continued

Statement of financial position of the Company as at 31 December 2011

	Note	2011 €'m	2010 €'m
Assets			
Non-current assets			
Investments in subsidiaries	17	225.8	164.6
Total non-current assets		225.8	164.6
Current assets			
Other receivables and prepayments	21	0.7	0.3
Cash and cash equivalents	22	14.2	0.1
Total current assets		14.9	0.4
Total assets		240.7	165.0
Equity and liabilities			
Capital and reserves			
Share capital	23	222.1	149.5
Treasury shares	24	(1.9)	(1.9)
Reserves	26	34.4	31.0
Accumulated losses		(74.1)	(66.5)
Total equity		180.5	112.1
Non-current liabilities			
Interest bearing borrowings	28	52.8	44.0
Option embedded in bond	28	6.5	8.5
Total non-current liabilities		59.3	52.5
Current liabilities			
Trade and other payables	31	0.9	0.4
Total current liabilities		0.9	0.4
Total equity and liabilities		240.7	165.0

The accompanying notes form an integral part of these financial statements

Financial Statements

Consolidated statement of cash flows for the financial year ended 31 December 2011

	Note	2011 €'m	2010 €'m
Operating activities			
Loss before income tax		(20.7)	(34.9)
Add back/(deduct):			
Depreciation of property, plant and equipment	15	17.3	13.9
Amortisation of intangibles	16	1.3	0.6
Share option expenses		3.4	5.4
Financial costs	10,11	8.4	13.5
Gain on bargain purchase of a subsidiary	18	(4.5)	-
Loss on disposal of property, plant and equipment		0.7	0.6
Other operating expenses		-	0.1
Provisions		0.3	(0.1)
Operating cash flows before working capital changes		6.2	(0.9)
Total change in working capital	32	10.4	(2.4)
Income tax paid		(0.4)	(0.4)
Net cash inflow/(outflow) from operating activities		16.2	(3.7)
Cash flows from investing activities			
Purchase of property, plant and equipment	33	(25.6)	(15.0)
Purchase of intangible assets	33	(1.6)	(0.4)
Acquisition of subsidiaries	18	(22.1)	-
Proceeds on disposal of fixed assets		1.3	-
Net cash outflow from investing activities		(48.0)	(15.4)
Cash flows from financing activities			
Gross proceeds from rights issue	23	73.2	-
Share issuance expense	23	(0.6)	-
Gross proceeds from issue of convertible bond	28	-	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	28	-	(20.4)
Repayment of vendor loan	18	(2.0)	-
Repayment of finance lease obligations	27	(1.5)	(0.2)
Interest paid		(1.5)	(0.1)
Net cash inflow from financing activities		67.6	22.0
Effect of exchange rates on cash and cash equivalents		0.1	(0.1)
Net change in cash and cash equivalents		35.9	2.8
Cash and cash equivalents at beginning of the year		9.5	6.7
Cash and cash equivalents at end of the year	22	45.4	9.5

The accompanying notes form an integral part of these financial statements

Financial Statements continued

Statement of changes in equity for the financial year ended 31 December 2011

	Share capital €'m	Treasury shares €'m	Reserves: Employee share option reserve €'m	Reserves: Foreign currency translation reserve €'m	Reserves: Asset revaluation reserve €'m	Accumulated losses €'m	Total equity €'m
Group							
2011							
At 1 January 2011	149.5	(1.9)	11.2	0.7	-	(54.5)	105.0
Issue of new shares (note 23)	72.6	-	-	-	-	-	72.6
Loss for the year	-	-	-	-	-	(20.1)	(20.1)
Other comprehensive income	-	-	-	-	-	-	-
Share option expense	-	-	3.4	-	-	-	3.4
At 31 December 2011	222.1	(1.9)	14.6	0.7	-	(74.6)	160.9
2010							
At 1 January 2010	149.5	(1.9)	5.8	0.7	-	(20.3)	133.8
Loss for the year	-	-	-	-	-	(34.2)	(34.2)
Other comprehensive income	-	-	-	-	-	-	-
Share option expense	-	-	5.4	-	-	-	5.4
At 31 December 2010	149.5	(1.9)	11.2	0.7	-	(54.5)	105.0
Company							
2011							
At 1 January 2011	149.5	(1.9)	11.2	-	19.8	(66.5)	112.1
Issue of new shares (note 23)	72.6	-	-	-	-	-	72.6
Loss for the year	-	-	-	-	-	(7.6)	(7.6)
Other comprehensive income	-	-	-	-	-	-	-
Share option expense	-	-	3.4	-	-	-	3.4
At 31 December 2011	222.1	(1.9)	14.6	-	19.8	(74.1)	180.5
2010							
At 1 January 2010	149.5	(1.9)	5.8	-	19.8	(54.4)	118.8
Loss for the year	-	-	-	-	-	(12.1)	(12.1)
Other comprehensive income	-	-	-	-	-	-	-
Share option expense	-	-	5.4	-	-	-	5.4
At 31 December 2010	149.5	(1.9)	11.2	-	19.8	(66.5)	112.1

The accompanying notes form an integral part of these financial statements

Notes to Financial Statements

1. General information

euNetworks Group Limited (the "Company") is a limited liability Company incorporated in Singapore and listed on the Singapore Exchange Securities Trading Limited ("SGX – ST"). The registered office and principal place of business of the Company is 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

The principal activities of euNetworks Group Limited ("the Company") are those of investment holding and acting as a corporate manager, advisor and administrative centre to support the business development and marketing of the businesses of its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

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

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

The main products and services of the Group include lease and sale of private fibre networks to corporate, carrier and mobile customers, bespoke private fibre networking designing and deployment, and carrier grade Internet Protocol (IP) services for enterprises.

The Group operates two secure data centre facilities in Amsterdam and one in Frankfurt as part of the legacy euNetworks business. Following the acquisition of LambdaNet, the Group also operates a further 25 colocation sites in Germany.

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

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Euros ("€'m"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. Euros is the presentation currency of the Group as the major part of the Group's business has been carried out in Euros. All values are rounded to the nearest million Euros ("€'m"), except when indicated otherwise.

The accounting policies adopted are consistent with those of the previous financial year. In the current financial year, the Group and Company have adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS did not result in changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior years.

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 yet effective:

Notes to Financial Statements continued

		Effective date (annual periods beginning on or after)
FRS 1	Amendments to FRS 1 – Presentation of item of other comprehensive income	1 July 2012
FRS 12	Amendments to FRS 12 Deferred tax: Recovery of underlying assets	1 January 2012
FRS 19	Employee benefits	1 January 2013
FRS 27	Separate financial statements	1 January 2013
FRS 28	Investment in associate and joint ventures	1 January 2013
FRS 101	Amendments to FRS 101 Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
FRS 107	Amendments to FRS 107 Disclosures – Transfer of financial assets	1 July 2011
FRS 110	Consolidated financial statements	1 January 2013
FRS 111	Joint arrangements	1 January 2013
FRS 112	Disclosure of interests in other entities	1 January 2013
FRS 113	Fair value measurements	1 January 2013

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

The management anticipates that the adoption of the above FRS and INT FRS 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 €20.1m for the financial year ended 31 December 2011 (2010: €34.2m).

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. 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.

Under the terms of the Convertible Bonds due to mature on 1 April 2013, bonds will automatically convert into new ordinary shares unless Bondholders elect to exercise their put option to redeem all of their bonds for cash. The maximum cash payable under the terms of the Convertible Bonds is €65.0m, equivalent to 126.53% of the face value of the Convertible Bonds (at 31 December 2011 exchange rates). Subsequent to the year end, the Company has announced that as part of its ongoing review of its capital structure, financial position and strategies, it proposes to make an Exchange Offer to Bondholders to exchange all (but not part) of their outstanding Convertible Bonds for new ordinary shares in the Company. At the date of this report, the Company has received irrevocable undertakings from Bondholders holding 94.9% of the Convertible Bonds that they will accept the Exchange Offer and therefore the maximum cash payable to Bondholders at the maturity date is now €3.3m (at 31 December 2011 exchange rates). Refer to note 28 for details of the Convertible Bonds and 3.3 (at 31 December 2011 exchange rates) to note 40 for details of the Exchange Offer.

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 €20.1m for the financial year ended 31 December 2011 (2010: €34.2m), 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 2011 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 and 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, 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.

Notes to Financial Statements

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 Business Combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at the lower of cost and fair value less costs to sell.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 Income Taxes and FRS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2.6 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 Group, in the course of its ordinary activities, routinely sells items of network infrastructure which it had previously held for use in its network services. The proceeds from such sales are recognised as revenue.

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.

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Data centre power revenues

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.

2.7 Income tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income 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 statement of comprehensive income, 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 offset 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 statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised 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.

2.8 Employee benefits

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the statement of comprehensive income 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.

2.9 Finance costs

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

2.10 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 the functional currency of the Company.

Transactions and balances

Transactions entered into by the Group's entities in a currency other than the currency of the primary economic environment in which they operate, (their "functional currency"), are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates

Notes to Financial Statements

ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

On consolidation, the results of overseas operations are translated into Euros at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences are recognised in profit or loss of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned and are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative amount of exchange differences recognised in the foreign exchange reserve relating to that foreign operation up to the date of disposal is recognised in the consolidated statement of comprehensive income as a part of the gain or loss on disposal.

2.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, 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 property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, 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:

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 property, 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, costs associated with network construction and provisioning of services. This includes employee related costs. 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 property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

The Group transfers infrastructure assets from property, plant and equipment to inventories at their carrying amount at the date on which the intended use of the asset changes from network service delivery to infrastructure sale of assets. These items are carried at the lower of net book value and fair value less cost to sell.

2.12 Intangible assets

Externally acquired intangible assets such as software are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value

Notes to Financial Statements continued

of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to the assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of gain or loss on disposal.

Customer Contracts acquired in a business combination

Customer contracts acquired are recognised at their 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 licenses 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, including employee related costs. Direct expenditure which enhances or extends the performance of the software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining the software are recognised as an expense as incurred.

Software licenses 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.

Trademarks

Trademarks are stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 5 years, which is the shorter of their estimated useful lives and periods of contractual rights.

2.13 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).

2.14 Impairment of tangible and intangible assets excluding goodwill

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.

2.15 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 an 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. 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 in hand and 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.

Impairment of financial assets

The Group and the Company assess 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 statement of comprehensive income, 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 receivable.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the 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 fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Notes to Financial Statements continued

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 statement of comprehensive income.

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.

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

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.

2.16 Convertible bonds

Convertible bonds issued by 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 the average of the 30 days closing price prior to the anniversary. The number of shares to be issued would be determined based on this reset of the conversion price where applicable.

The liability component of the convertible bond is recognised initially at the fair value of a similar liability that does not have an 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.

2.17 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.

2.18 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

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

Notes to Financial Statements

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 statement of comprehensive income.

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

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

2.19 Share-based payments

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

Equity-settled share-based payments are measured at the 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.

2.20 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 organizational 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.

Notes to Financial Statements continued

3. Critical accounting judgements and key sources of estimation uncertainty

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

The following are the critical judgements, apart from those involving estimates 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, judgement 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) Income taxes

The Management has exercised significant judgement 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 2011 is €0.6m (2010: €0.8m) and the carrying amount deferred tax liabilities as at 31 December 2011 is as disclosed in Note 34 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 useful economic 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 2011 as disclosed in Note 15 to the financial statements.

(ii) Impairment of non-current assets, excluding investments in subsidiaries and goodwill

Non-current assets are depreciated on a straight-line basis over their estimated useful lives and assessed for impairment whenever there is an indication that they may be impaired. The recoverable amount of non-current assets are determined

Notes to Financial Statements

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 non-current assets as at 31 December 2011 is as disclosed in Notes 15 &16 to the financial statements.

The Management consider that the Network business and the Data centre business each constitute cash generating units for the purposes of evaluating impairment loss.

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% (2010: 3%) for the Network business and 3% (2010: 2%) for the Data Centres and a discount rate of 10.0% (2010: 9.6%).

The Group has considered and determined that the carrying value of each cash generating unit as at 31 December 2011 is not higher than its respective recoverable amount. As a result of this assessment, no impairment loss of the assets in either unit is deemed to be necessary.

(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 10.0% (2010: 9.6%) and a long term growth rate of 3% (2010: 3%) for network business and 3% (2010: 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 2011 was €225.8m (2010: €164.6m).

(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 judgement. A considerable amount of judgement 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 2011 is as disclosed in Note 20 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 37 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.

(vi) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. No impairment loss was recognised during the financial year. The carrying amount of goodwill as at 31 December 2011 was €21.6m (2010: nil).

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4. Segmental reporting information

Segment information is based on distinguishable components of the Group that are engaged either in providing products and services (business segments) 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 network which combines a 'long-haul' inter-city network linking Germany, the Netherlands, the United Kingdom, Ireland, France, Belgium, Austria, Sweden, Denmark and the Czech Republic and high density 'last-mile' metropolitan optical fibre networks in London, Frankfurt, Munich, Berlin, Stuttgart, Hamburg, Düsseldorf, Cologne, Paris, Amsterdam, Rotterdam, Utrecht, and Dublin. Duct infrastructure is in place in The Hague and Hanover. The Group also has a national network in Germany.

The main products and services of the Group include lease and sale of private fibre networks to corporate, carrier and mobile customers, bespoke private fibre networking designing and deployment, and carrier grade Internet Protocol (IP) services for enterprises.

Data Centres

The Group also operates two secure data centre facilities in Amsterdam and one in Frankfurt as part of the legacy euNetworks business. Following acquisition of LambdaNet, the Group also operates a further 25 colocation sites in Germany.

These facilities offer primary or back up data centres, disaster recovery locations and complex cloud hosting environments. These facilities provide customers with colocation space and power as either larger suites or individual racks. These activities complement the Network business as customers require connectivity from the data centre to office locations.

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	2011 €'m	2010 €'m
Revenue		
Network business	54.6	30.4
Data centres	17.5	13.4
Total	72.1	43.8
All revenue is derived from external sales		
Gross profit		
Network business	37.0	21.3
Data centres	12.7	10.2
Total	49.7	31.5
Gross profit is revenue less direct network expenses		
Operating loss		
Network business	(22.2)	(24.4)
Data centres	6.8	4.1
Total segments	(15.4)	(20.3)
Corporate costs	(1.4)	(1.1)
Total	(16.8)	(21.4)
Additions to property, plant and equipment and intangible assets		
Network business	30.8	15.0
Data centres	1.0	0.4
Total	31.8	15.4
Depreciation and amortisation		
Network business	(17.3)	(13.9)
Data centres	(1.3)	(0.6)
Total	(18.6)	(14.5)

Statement of financial position (Group)	2011 €'m	2010 €'m
Assets		
Network business	244.2	171.9
Data centres	25.3	11.0
Total segment assets	269.5	182.9
Corporate assets	14.9	0.4
Total assets	284.4	183.3
Liabilities		
Network business	54.9	19.6
Data centres	8.4	5.9
Total segment liabilities	63.3	25.5
Corporate liabilities	60.2	52.8
Total liabilities	123.5	78.3

Notes to Financial Statements continued

4. Segmental reporting information *(continued)*

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2011	2010	2011	2010
	€'m	€'m	€'m	€'m
Germany	34.3	13.2	146.5	85.3
Netherlands	17.6	17.1	21.5	20.0
United Kingdom	13.4	8.4	34.4	28.8
Ireland	6.8	5.0	13.1	13.5
France	-	0.1	9.0	9.9
Others	-	-	1.3	1.5
	72.1	43.8	225.8	159.0

Non-current assets information presented above consists of property, plant and equipment, intangible assets, deferred tax assets and prepayments as presented in the Consolidated Statement of Financial Position of the Group.

5. Revenue

	2011	2010
	€'m	€'m
Network services	54.6	30.4
Data centre services	17.5	13.4
	72.1	43.8

Included with networks services is revenue from the sale of infrastructure of €1.3m (2010: €4.6m).

Revenues from a single customer (in respect of data centre services) represented 9.4% of total revenues (2010: 13.7%).

6. Direct network expenses and network operating expenses

	2011	2010
	€'m	€'m
Direct network services	22.4	12.3
Network operating expenses	14.5	11.5

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 €8.9m (2010: €3.1m).

Notes to Financial Statements

7. Staff costs

	2011 €'m	2010 €'m
Wages and salaries	19.1	11.9
Social security costs	1.5	1.6
Share options expenses	3.4	5.4
Termination costs	2.1	1.9
Other staff costs	0.7	2.1
	26.8	22.9
Less: costs capitalised	(2.0)	(1.2)
	24.8	21.7

Wages and salaries include Directors' remuneration and Directors' fees. They also include the additional headcount as a result of the LambdaNet and TeraGate acquisitions

Termination costs include an exceptional charge of €0.4m (2010: €1.4m) relating to settlements with former Directors.

Share option expenses in 2010 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. There was no such charge in 2011.

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

8. Other administration expenses

	2011 €'m	2010 €'m
Legal and professional fees	3.6	1.4
Office rental	1.3	1.0
Other office costs	0.5	0.6
Travel expenses	1.2	0.7
Marketing costs	0.2	0.3
Other costs	1.3	0.5
	8.1	4.5

Legal and professional fees include acquisition costs of €0.5m (2010: €nil).

9. Other operating income/(expenses)

	2011 €'m	2010 €'m
Rental income	0.2	-
Foreign exchange loss	-	(0.1)
	0.2	(0.1)

Notes to Financial Statements continued

10. Financial costs

	2011 €'m	2010 €'m
Interest on Convertible Bond 3	7.8	5.0
Interest on Convertible Bond 2	-	1.0
Cost of hedge purchased in relation to proceeds from Convertible Bond 3 issuance	-	0.5
Change in value of the embedded derivative element of Convertible Bond 3	(2.0)	-
Foreign exchange movements on Convertible Bond 3 and embedded derivative	1.2	4.3
Other net interest	1.4	0.1
	8.4	10.9

Details of the convertible bonds are given in note 28.

11. Exceptional financial costs

	2011 €'m	2010 €'m
Charge in relation to redemption of the balance of the Convertible Bond 2 (refer to note 28)	-	2.6
	-	2.6

12. Loss before Income tax

The following items have been included in arriving at loss before tax:

	2011 €'m	2010 €'m
Audit fees:		
– Auditors of the Company	0.1 [1]	0.1[1]
– Other auditors	0.3	0.2
Non audit fees:		
– Auditors of the Company	-[2]	-[2]
– Other auditors	0.1	0.1
	0.5	0.4

Note: *(1) Audit fee paid/payable to the auditors of the Company is €67,000 (2010: €50,000)*
(2) Non-audit fee paid/payable to the auditors of the Company is €6,000 (2010: €5,400)

13. Income tax credit

Major components of income tax for the financial years ended 31 December 2011 and 2010 are as follows:

	2011 €'m	2010 €'m
Current tax:		
– Current year	(0.4)	(0.2)
– Over/(under)provision from prior years	0.6	(0.8)
Deferred income tax:		
– Current year	0.4	0.4
– Underprovision from prior years	-	1.3
	0.6	0.7

Notes to Financial Statements

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable domestic income tax rates in the respective jurisdictions where the Group operates for the years ended 31 December 2011 and 2010 is as follows:

	2011 €'m	2010 €'m
Loss before income tax	(20.7)	(34.9)
Tax at the domestic income tax rates applicable to profits/(losses) in the respective jurisdictions where the Group operates	3.4	6.6
Unrecognised tax losses	(3.4)	(6.4)
Adjustment for over/(under) provision of current tax in previous years	0.6	(0.8)
Adjustment for underprovision of deferred tax in prior years	-	1.3
	0.6	0.7

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction in which the Group operates.

14. Loss per share

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

	Basic and diluted 2011	2010
Loss attributable to shareholders of the Company (€m)	(20.1)	(34.2)
Weighted average number of ordinary shares (m)	11,368	8,646
Loss per ordinary share (eurocents)	(0.18)	(0.40)

8,992m (2010: 7,404m) issuable shares that could potentially dilute basic earnings per ordinary share in the future were not included in the calculation of diluted earnings per ordinary share because they are anti-dilutive for the years presented.

15. Property, plant and equipment

Group 2011	Telecommunications networks €'m	Network equipment €'m	Office furniture and equipment €'m	Assets under construction €'m	Total €'m
Cost					
Balance at 1 January 2011	221.5	21.6	4.4	0.2	247.7
Additions	13.4	15.4	0.7	0.7	30.2
Acquisition of subsidiaries	-	18.0	0.1	0.1	18.2
Disposals	(1.8)	(8.8)	-	-	(10.6)
Balance at 31 December 2011	233.1	46.2	5.2	1.0	285.5
Accumulated depreciation					
Balance at 1 January 2011	(83.3)	(5.0)	(3.8)	-	(92.1)
Depreciation	(11.5)	(5.7)	(0.1)	-	(17.3)
Disposals	0.3	7.2	-	-	7.5
Balance at 31 December 2011	(94.5)	(3.5)	(3.9)	-	(101.9)
Carrying amount					
At 31 December 2011	138.6	42.7	1.3	1.0	183.6

Notes to Financial Statements continued

15. Property, plant and equipment *(continued)*

Group

2010	Telecommunications networks €'m	Network equipment €'m	Office furniture and equipment €'m	Assets under construction €'m	Total €'m
Cost					
Balance at 1 January 2010	215.4	16.9	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					
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

Company

2011	Office furniture and equipment €'m
Cost	
Balance at 1 January 2011 and 31 December 2011	-
Accumulated depreciation	
Balance at 1 January 2011 and 31 December 2011	-
Carrying amount	
At 31 December 2011	-

Notes to Financial Statements

15. Property, plant and equipment *(continued)*

Company 2010	Office furniture and equipment €'m
Cost	
Balance at 1 January 2010	0.2
Disposals	(0.2)
Balance at 31 December 2010	-
Accumulated depreciation	
Balance at 1 January 2010	(0.2)
Depreciation	0.2
Balance at 31 December 2010	-
Carrying amount	
At 31 December 2010	-

16. Intangible assets

Group 2011	Customer contracts €'m	Trademarks €'m	Software €'m	Goodwill €'m	Total €'m
Cost					
Balance at 1 January 2011	5.7.	-	0.8.	-	6.5
Additions – Separately acquired	-	-	1.6	-	1.6
Additions – Acquisition of subsidiaries	11.1	0.5	0.4	21.6	33.6
Balance at 31 December 2011	16.8	0.5	2.8	21.6	41.7
Accumulated amortisation					
Balance at 1 January 2011	(3.2)	-	(0.2)	-	(3.4)
Amortisation	(0.8)	-	(0.5)	-	(1.3)
Balance at 31 December 2011	(4.0)	-	(0.7)	-	(4.7)
Carrying amount					
At 31 December 2011	12.8	0.5	2.1	21.6	37.0

Notes to Financial Statements continued

16. Intangible assets *(continued)*

Group 2010	Customer contracts €'m	Trademarks €'m	Software €'m	Goodwill €'m	Total €'m
Cost					
Balance at 1 January 2010	5.7	-	0.4	-	6.1
Additions – Separately acquired	-	-	0.4	-	0.4
Balance at 31 December 2010	5.7	-	0.8	-	6.5
Accumulated amortisation					
Balance at 1 January 2010	(2.6)	-	(0.2)	-	(2.8)
Amortisation	(0.6)	-	-	-	(0.6)
Balance at 31 December 2010	(3.2)	-	(0.2)	-	(3.4)
Carrying amount					
At 31 December 2010	2.5	-	0.6	-	3.1

Customer contracts, trademarks and goodwill

The Customer contracts additions arose as a result of the acquisitions of LambdaNet and TeraGate during the financial year (see Note 18).

The trademark arose on the acquisition of LambdaNet during the financial year (see Note 18).

The goodwill arose as a result of the acquisition of LambdaNet during the financial year (see Note 18). There were no other intangible assets with indefinite useful lives at 31 December 2011.

Impairment testing on customer contracts, trademarks and goodwill

The goodwill, customer contracts and trademarks acquired through business combination and acquired separately have been allocated to two cash generating units (CGUs), which are also the reportable operating segments, for impairment testing as follows:

- Network business
- Data centres

The carrying amounts of goodwill and other intangibles allocated to each CGU are as follows:

	Network business		Data centres		Total	
	2011 €'m	2010 €'m	2011 €'m	2010 €'m	2011 €'m	2010 €'m
Goodwill	17.5	-	4.1	-	21.6	-
Customer contracts	9.1	-	2.0	-	11.1	-
Trademarks	0.4	-	0.1	-	0.5	-

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for these value-in-use calculations are those regarding the discount rates, growth rates and expected changes to revenue and costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on the industry growth forecasts. Changes in revenue and costs are based on past practices and expectations of future changes in the market.

The key assumptions adopted for the testing include:

a) Pre-tax discount rate - Management assessed its weighted average cost of capital and adjusted this rate for asset specific risks as at 31 December 2011 in determining an appropriate pre-tax discount rate for impairment purposes. The resulting discount rate calculated was 10.0%.

Notes to Financial Statements

b) Cash flows - Value in use calculations are based on cash flows expected to be generated by the Group over the next 5 years, and is aligned with the long-term forecast approved by the Board of Directors on 23 February 2012. The long-term forecast approved by the Board incorporates forecast operating cash flows for the network business and data centres. All cash flow projections were completed in Euros.

c) Inflation rate – The assumed inflation rate applied to future expenditure is 3%.

d) The terminal value growth rate applied is 3%.

e) Sensitivity testing has been performed on the value in use model applied for a reasonably possible change in key assumptions. For both the Network Business and Data Centre CGUs, the model showed sufficient headroom over the carrying value of assets, further indicating no impairment loss is required at 31 December 2011.

The testing carried out at the end of the year indicated that both the network business and data centre assets and associated goodwill were not impaired.

17. Investments in subsidiaries

	Company	
	2011	2010
	€'m	€'m
Unquoted equity shares, at cost	84.0	73.2
Receivables from subsidiaries	141.8	91.4
	225.8	164.6

The receivables from related parties of €141.8m (2010: €91.4m) comprise mainly advances provided by the Company to the subsidiaries to fund the subsidiaries' capital expenditure and working capital and therefore, is treated as part of the cost of investment in these subsidiaries. The repayment of these debts owing by the subsidiaries are not expected to be in the foreseeable future. No interest is charged on these receivables.

The details of the subsidiaries are as follows:

Name	Country of incorporation and operation	Principal activities
euNetworks Pte Limited (1)	Singapore	Investment holding company
euNetworks AG (2)	Germany	Data network services
euNetworks (BVI) Limited (6)	British Virgin Islands	Investment holding company
euNetworks Ireland Private Fiber Limited (3)	Ireland	Data network services
euNetworks B.V. (4)	The Netherlands	Data network services
euNetworks Data Centres BV (6)	The Netherlands	Data centre services
euNetworks DCH BV (6)	The Netherlands	Data centre services
euNetworks Fiber UK Limited (5)	United Kingdom (England)	Data network services
euNetworks Services GmbH (2)	Germany	IP transit & data centre services
European Fiber Networks Asset GmbH (6)	Germany	Infrastructure provision
European Fiber Networks "GND" GmbH (6)	Germany	Infrastructure provision
TeraGate AG Storage Optical Network (2)	Germany	Data network services
LambdaNet Communications Deutschland AG (2)	Germany	Data network services
LambdaNet Communications Austria GmbH (6)	Austria	Data network services
LambdaNet Communications s.r.o (6)	Czech Republic	Data network services
euNetworks SAS (7)	France	Data network services
euNetworks BVBA (6)	Belgium	Data network services

The Company has an effective equity interest of 100% in all subsidiaries as at 31 December 2011 and 2010.

Note: (1) *Audited by BDO LLP, Singapore, a member firm of BDO International Limited.*
(2) *Audited by BDO AG Wirtschaftsprüfungsgesellschaft, a member firm of BDO International Limited.*
(3) *Audited by BDO (Ireland), a member firm of BDO International Limited.*
(4) *Audited by BDO Audit & Assurance B.V., a member firm of BDO International Limited.*
(5) *Audited by BDO LLP (United Kingdom), a member firm of BDO International Limited.*
(6) *Audit not required by law in the country of incorporation*
(7) *Audited by Deloitte SA*

Notes to Financial Statements continued

18. Acquisition of subsidiaries

LambdaNet Communications Deutschland GmbH

On 31 May 2011, the Company acquired 100% equity interest in LambdaNet Communications Deutschland GmbH. Upon the acquisition, LambdaNet Communications Deutschland GmbH and its direct wholly-owned subsidiaries, LambdaNet Communications Austria GmbH and LambdaNet Communications s.r.o (collectively "LambdaNet") became subsidiaries of the Group.

The fair values of the identifiable assets and liabilities of LambdaNet as at the date of acquisition were:

	Fair value recognised on date of acquisition €'m
Property, plant and equipment	14.8
Intangible assets*	10.8
Deferred tax assets	4.9
Trade and other receivables	5.5
Cash and cash equivalents	1.7
Total assets	37.7
Trade and other payables	6.5
Interest bearing borrowings	9.8
Obligations under finance lease	9.7
Provisions	4.8
Deferred tax liability	3.1
Total liabilities	33.9
Net identifiable assets at fair value	3.8
Consideration for acquisition of 100% equity interest, in cash	25.4
Goodwill arising from acquisition	21.6

The effects of the acquisition of the subsidiary on cash flows are as follows:	**€'m**
Total consideration in cash**	25.4
Less: Cash and cash equivalents of subsidiary acquired	(1.7)
Net cash outflow on acquisition	23.7

From the date of acquisition, LambdaNet has contributed €20.3m and €1.1m to the revenue and profit net of tax of the Group, respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and profits net of tax would have been €34.4m and €2.3m respectively.

The results of LambdaNet described above include portions of the restructuring and integration costs incurred by the Company in the post-acquisition period.

* Following the Group's purchase price allocation exercise, customer relationships of €10.3m and a trademark of €0.5m were identified together with a deferred tax liability thereon of €3.1m.

** The Group incurred acquisition costs of €0.3m, which are included in the Group's operating loss and, as a condition of closing, repaid €2.0m of a vendor loan, which is included as a cash outflow from financing activities.

Goodwill of €21.6m arising from the acquisition is attributable to the value of strengthening the Group's market position, improved resilience to sector specific volatilities, and cost reduction synergies expected to arise from the acquisition. Goodwill is allocated to the network business and data centre segments.

None of the goodwill recognised is expected to be deductible for income tax purposes.

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TeraGate GmbH

On 29 July 2011, the Company acquired 100% equity interest in TeraGate GmbH ("TeraGate"). Upon the acquisition, TeraGate became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of TeraGate as at the date of acquisition were:

	Fair value recognised on date of acquisition €'m
Property, plant and equipment	3.4
Intangible assets*	1.2
Trade and other receivables	0.9
Cash and cash equivalents	4.9
Total assets	10.4
Trade and other payables	1.4
Obligations under finance lease	0.9
Deferred tax liability	0.3
Total liabilities	2.6
Net identifiable assets at fair value	7.8
Consideration for acquisition of 100% equity interest, in cash	3.3
Gain on bargain purchase*	(4.5)

The difference between the fair value of the net assets acquired and the amount paid for the acquisition reflects the fact that the acquired entity was loss making and needed to restructure at considerable cost. Accordingly the amount paid factored in this cost.

The effects of the acquisition of the subsidiary on cash flows are as follows:

	€'m
Total consideration in cash**	3.3
Less: Cash and cash equivalents of subsidiary acquired	(4.9)
Net cash inflow on acquisition	(1.6)

From the date of acquisition, TeraGate has contributed €3.0m and €(1.8)m to the revenue and loss net of tax of the Group, respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and losses net of tax would have been €7.1m and €(4.7)m respectively.

The results of TeraGate described above include portions of the restructuring and integration costs incurred by the Company in the post-acquisition period.

* Following the Group's purchase price allocation exercise, customer relationships of €0.8m were identified together with a deferred tax liability thereon of €0.3m. As a result of the acquisition, a gain on bargain purchase of a subsidiary of €4.5m was recognised in the consolidated statement of comprehensive income for the Group. This is reflective of the benefit obtained from acquiring the €7.8m net assets of TeraGate for consideration of €3.3m.

** In addition to the purchase consideration, the Group incurred acquisition costs of €0.2m, which are included in the Group's operating loss.

19. Infrastructure assets held for sale

The infrastructure assets held for resale of €1.1m at 31 December 2010 comprised specific network assets, of which €0.8m were sold in the year for consideration of €1.3m.

Notes to Financial Statements continued

20. Trade receivables

	Group 2011 €'m	Group 2010 €'m
Amounts due from third parties	9.9	7.9
Allowance for doubtful trade receivables	(1.2)	(0.5)
	8.7	7.4

The average credit period on trade receivables in 2011 is 36 days (2010: 59 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:

	Group 2011 €'m	Group 2010 €'m
Balance at 1 January	0.5	0.2
Acquisition of subsidiaries	0.6	-
Written off against allowance	(0.1)	-
Write back of allowance	-	(0.3)
Additions	0.2	0.6
Balance at 31 December	1.2	0.5

Aged analysis (past due but not impaired)

	Group 2011 €'m	Group 2010 €'m
Days due		
0 – 90 days	1.7	5.9
91 – 180 days	-	0.5
181 days and over	0.2	-
Total	1.9	6.4

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.

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

	Group 2011 €'m	Group 2010 €'m
Euro	8.3	5.8
Pound Sterling	0.4	1.6
	8.7	7.4

Notes to Financial Statements

21. Other receivables and prepayments

	Group		Company	
	2011	2010	2011	2010
	€'m	€'m	€'m	€'m
Deposits	0.5	0.4	-	-
Prepayments	3.1	3.4	0.5	0.1
Sundry receivables	0.6	2.5	0.2	0.2
	4.2	6.3	0.7	0.3

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

	Group		Company	
	2011	2010	2011	2010
	€'m	€'m	€'m	€'m
Euro	1.1	2.9	0.2	0.2
	1.1	2.9	0.2	0.2

22. Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
	€'m	€'m	€'m	€'m
Bank balances	43.4	8.6	14.2	0.1
Fixed deposits	2.0	0.9	-	-
	45.4	9.5	14.2	0.1

Fixed deposits of the Group amounting to €1.7m (2010: €0.8m) 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	
	2011	2010	2011	2010
	€'m	€'m	€'m	€'m
Euro	21.5	5.6	-	-
Pound Sterling	9.7	3.7	-	-
Singapore Dollar	14.2	0.2	14.2	0.1
	45.4	9.5	14.2	0.1

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

Notes to Financial Statements continued

23. Share capital

	Group and Company			
	2011	2010	2011	2010
	No. of ordinary shares (m)		€'m	€'m
Issued and paid up:				
At beginning of year	8,646	8,646	149.5	149.5
Issued during year	8,495	-	72.6	-
At end of year	17,141	8,646	222.1	149.5

The Company announced a Rights Issue on 20 May 2011 which was completed on 9 September 2011. As a result of the Rights Issue 8,494,291,524 ordinary shares were issued by the Company, with net proceeds of S$127m or €72.6m.

Additionally, a partial conversion of the 2013 bond was undertaken during the year. This resulted in the issue of 324,481 ordinary shares at a price of S$0.018491 each and 1,209,222 ordinary shares at a price of S$0.017780 each, increasing share capital by €16,000.

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.

24. Treasury shares

	Group and Company			
	2011	2010	2011	2010
	Number of ordinary shares		€'m	€'m
Issued and paid up:				
At beginning and end of year	46,160,000	46,160,000	(1.9)	(1.9)

25. Warrants

(1) 2009 Warrants

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

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

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

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

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

(together the "Warrants").

At the time of issue, the Warrants represented 1.0% of the issued share capital of the Company. Assuming all of the Warrants were exercised by the warrant holder, the Company could expect to receive aggregate proceeds of 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.

On 15 September 2011 the Company announced certain adjustments to the Warrants following the recent Rights Issue and pursuant to the terms and conditions of the Warrants. The exercise price of each Warrant was adjusted to S$0.0325 and the number of Warrants in each of the Warrant groups referred to above was adjusted, in each case doubling the number of Warrants.

Following these adjustments, the Warrants continued to represent 1.0% of the issued share capital of the Company. Assuming all of the 2009 Warrants were exercised by the Warrant holder, the Company could expect to receive aggregate proceeds of S$5,619,601.

(2) Columbia Warrants

On 30 June 2011, the Company announced that it had entered into a conditional subscription agreement (the "Columbia Subscription Agreement") for the issue of an aggregate of 105,000,000 warrants at nominal consideration. Each warrant entitles the warrant holder the right to subscribe for one new ordinary share in the capital of the Company, at an exercise price of S$0.02 per warrant (subject to adjustment in certain circumstances pursuant to the terms and conditions on which the warrants are issued).

On 8 August 2011, the Company announced the completion of the subscription for nine groups of warrants, exercisable in the following numbers and from the following dates:

(a) 26,250,000 Group A Warrants, 8 August 2011;

(b) 9,843,750 Group B Warrants, 31 August 2011;

(c) 9,843,750 Group C Warrants, 30 November 2011;

(d) 9,843,750 Group D Warrants, 29 February 2012;

(e) 9,843,750 Group E Warrants, 31 May 2012;

(f) 9,843,750 Group F Warrants, 31 August 2012;

(g) 9,843,750 Group G Warrants, 30 November 2012;

(h) 9,843,750 Group H Warrants, 28 February 2013; and

(i) 9,843,750 Group I Warrants, 31 May 2013

(together the "Columbia Warrants")

At the time of issue, the Columbia Warrants represented 1.2% of the issued share capital of the Company, although this percentage reduced following completion of the Rights Issue in September 2011. Assuming all of the Columbia Warrants were exercised by the warrant holders, the Company could expect to receive aggregate proceeds of S$2,100,000. The exercise price represented a 100% premium to the prevailing market price of the ordinary shares in the capital of the Company prior to the signing of the Columbia Subscription Agreement, based on the volume weighted average price of S$0.01 for trades done on 29 June 2011, being the last market day prior to the signing of the Columbia Subscription Agreement on which there were trades done on the shares.

Movement in the 2009 Warrants and the Columbia Warrants in the year

	Number	S$	Expiry Date
Balance at 1 January 2011	86,455,400	0.0500	15.10.2014
Issued on 8 August 2011	105,000,000	0.0760	08.08.2016
Issued on 6 September 2011	172,910,800	0.0325	08.12.2014
Cancellation of 2009 warrants on 6 September 2011	(86,455,400)	0.0500	-
Balance at 31 December 2011	277,910,800		

Notes to Financial Statements continued

26. Reserves

	Group		Company	
	2011	2010	2011	2010
	€'m	€'m	€'m	€'m
Employee share option reserve	14.6	11.2	14.6	11.2
Foreign currency translation reserve	0.7	0.7	-	-
Asset revaluation reserve	-	-	19.8	19.8
	15.3	11.9	34.4	31.0

Movements in these reserves accounts are set out in the statements 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 2.19 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. Any movement in this account is disclosed 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.

27. Obligation under finance lease

The Group has finance leases for certain items of property, plant and equipment. The finance lease payable is denominated in Euro. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		
	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	€'m	€'m	€'m
2011			
Within one year	2.2	(0.6)	1.6
Within one to five years	7.1	(1.3)	5.8
Greater than 5 years	2.0	(0.1)	1.9
	11.3	(2.0)	9.3
Current			1.6
Non-current			7.7
			9.3
2010			
Within one year	0.2	-	0.2
Within one to five years	-	-	-
Greater than 5 years	-	-	-
	0.2	-	0.2
Current			0.2
Non-current			-
			0.2

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The finance leases terms range from 5 to 18 years.

The average effective interest rate charged during the financial year is 7.49% (2010: 19.25%) per annum. Interest rates are fixed at the contract date. As at the end of the financial year, the fair values of the Group's finance lease obligations approximate their carrying amounts.

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

The Groups obligation's under finance leases are secured by the lessors title to the leases assets, which will revert to the lessor in the event of a default by the Group.

28. Interest bearing borrowings

	Group		Company	
	2011	2010	2011	2010
	€'m	€'m	€'m	€'m
Current	1.6	-	-	-
Non-current	59.1	44.0	52.8	44.0
	60.7	44.0	52.8	44.0

Current and Non-current interest bearing borrowings comprise loans from the former owners of an acquired company of which €1.6m are current and €6.3m are non-current; the balance of non-current borrowing being the carrying amount of the liability component of the convertible bonds.

The loan from the former owner is repayable in five annual instalments of €1.6m each and incurs interest at a rate of LIBOR +2%. The loan has been guaranteed in exchange for the issue of Columbia Warrants. Refer to note 25 for more details on the warrant issue.

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

	Group and Company	
	2011	2010
	€'m	€'m
Convertible Bond 2		
Liability component at 1 January	-	16.8
Interest expense	-	1.0
Redemption of the bond	-	(17.8)
Liability component at 31 December	-	-
Convertible Bond 3		
Liability component on 1 January/issue of bond	44.0	35.5
Interest expense	7.8	5.0
Foreign exchange movement	1.0	3.5
Liability component at 31 December	52.8	44.0
Total liability component of bonds at 31 December	52.8	44.0
Fair value of bonds at 31 December	52.8	44.0

Notes to Financial Statements continued

28. Interest bearing borrowings *(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 €32.0m in principal amount of the convertible bonds due 2012.

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

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 statement of comprehensive income. 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 statement of comprehensive income (see note 11).

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 consolidated statement of comprehensive income.

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.

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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 S$0.02 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 S$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 consolidated statement of comprehensive income.

The embedded derivative was valued at €8.0m at inception and at €6.5m at 31 December 2011 (2010: €8.5m).

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

On 16 March 2012 and 23 March 2012 the Company announced that as part of its ongoing review of its capital structure, financial position and strategies, it proposes to make a voluntary offer to Bondholders to exchange all (but not part) of their outstanding Convertible Bonds for new ordinary shares in the Company at an exchange price of S$0.015806. Refer to note 40 and to the Company announcements dated 16 March 2012 and 23 March 2012 for further details.

29. Provisions

	Group	
	2011	2010
	€'m	€'m
At 1 January	-	0.1
Arose during the year	0.3	-
Released during the year	-	(0.1)
Acquisition of subsidiary	4.8	-
At 31 December	5.1	-

The provision for restoration costs was in relation to the rebuilding obligations that exist on the 15 point of presence locations in Germany for the acquired businesses. In the prior year, the provision was in relation to the rebuilding obligations that existed on the point of presence in Stuttgart.

Notes to Financial Statements continued

30. Deferred revenue

	Group	
	2011	2010
	€'m	€'m
The deferred revenue will be released		
- within one financial year	7.0	6.9
Total current deferred revenue	7.0	6.9
- Between two and five financial years	3.3	3.4
- more than five financial years	1.3	1.6
Total non-current deferred revenue	4.6	5.0
Total deferred revenue	11.6	11.9

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

31. Trade and other payables

	Group		Company	
	2011	2010	2011	2010
	€'m	€'m	€'m	€'m
Trade payables – owed to third parties	6.7	4.2	0.1	0.1
Other payables – owed to third parties	1.3	2.0	-	-
Accrued expenses	15.0	3.0	0.8	0.3
	23.0	9.2	0.9	0.4

The average credit period on trade payables is 36 days (2010: 49 days).

No interest is charged on the trade and other payables.

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

	Group		Company	
	2011	2010	2011	2010
	€'m	€'m	€'m	€'m
Euro	14.9	8.0	-	-
Pound Sterling	5.9	1.0	0.1	0.1
Singapore Dollar	1.1	-	0.8	0.3
United States Dollar	1.1	0.2	-	-
	23.0	9.2	0.9	0.4

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

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32. Total change in working capital

	Group	
	2011	2010
	€'m	€'m
Decrease/(Increase)in trade receivables (including allowance for doubtful trade receivables)	2.6	(2.1)
Decrease/(Increase)in other receivables and prepayments	4.8	(2.8)
Decrease in receivables from related parties	-	0.4
Increase in trade and other payables	4.5	1.8
Decrease in deferred revenue	(2.4)	(1.2)
Decrease in infrastructure assets held for resale	0.9	1.5
	10.4	(2.4)

33. 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 €31.8m (2010: €15.4m) of which €0.3m (2010: €nil) was acquired by means of finance leases. Cash payments of €27.2m (2010: €15.4m) were made to purchase plant and equipment and intangible assets. There were no non-cash payments (2010: €nil).

34. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority. The amounts, determined after appropriate offsetting, are shown on the consolidated statement of financial position as follows:

	Group	
	2011	2010
	€'m	€'m
Deferred tax assets		
- to be recovered after one year	4.9	-
Deferred tax liabilities		
- to be settled after one year	(6.7)	(3.7)

Notes to Financial Statements continued

34. Deferred tax assets/(liabilities) *(continued)*

The movements in deferred tax liabilities are as follows:

Group	Difference in amortisation of intangibles €'m	Difference in depreciation for tax purposes €'m	Provisions €'m	Total €'m
2011				
At beginning of financial year	-	3.7	-	3.7
Acquisition of subsidiaries	3.2	-	0.2	3.4
Credited to consolidated statement of comprehensive income (Note 13)	-	(0.4)	-	(0.4)
At end of financial year	3.2	3.3	0.2	6.7
2010				
At beginning of financial year	-	4.1	1.3	5.4
Credited to consolidated statement of comprehensive income (Note 13)	-	(0.4)	(1.3)	(1.7)
At end of financial year	-	3.7	-	3.7

At the end of the financial year, the Group had unutilised tax losses of approximately €284.2m (2010: €246.8m) which are available for off-set against future taxable profits. A deferred tax asset of €4.9m has been recognised in respect of €24.1m (2010: €nil) of such losses. This arose from the acquisition of LambdaNet during the year which mainly pertains to tax losses of the subsidiary which are available to offset against future taxable profits.

No deferred tax asset has been recognised in respect of the remaining of €260.1m (2010: €246.8m) due to uncertainty of their future realisation. These losses may be carried forward indefinitely subject to agreement by relevant tax authorities.

35. 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	
	2011 €'m	2010 €'m
Not later than one year	25.1	7.1
Later than one year and not later than five years	35.0	20.4
Later than five years	21.4	21.7
	81.5	49.2

Notes to Financial Statements

Group as lessor

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

	Group	
	2011	2010
	€'m	€'m
Not later than one year	6.7	4.8
Later than one year and not later than five years	13.8	8.7
Later than five years	6.5	2.4
	27.0	15.9

Capital Commitments

As at the end of the financial year, commitments in respect of capital expenditure are as follows:

	Group	
	2011	2010
	€'m	€'m
Capital expenditure contracted but not provided for:		
- Commitments for the acquisition of property, plant and equipment	4.5	0.9
	4.5	0.9

36. 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	Interest paid to related parties €'m
Shareholders of the Group		
Columbia EUN Partners V, LLC	2011	0.1
EUN Partners V, LLC	2011	0.7
GK Goh Strategic Holdings Pte Ltd	2011	0.1
Key management personnel of the Group		
Directors	2011	0.1

During the year the above Shareholders and Directors made loans totalling €37.8m to the Company which were repaid within the year. The loans all incurred interest at a rate of 9% per annum.

There were no other related party transactions in the prior year.

Notes to Financial Statements continued

36. Related parties disclosures *(continued)*

Compensation of key management personnel of the Group:

	2011 €'m	2010 €'m
Short term employee benefits	1.3	0.5
Services rendered	-	0.3
Share option expenses	1.5	3.5
Settlements with departing Directors	0.4	1.8
	3.2	6.1

The total remuneration of the Directors of the Company during the year amounted to €3.8m.

37. 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

(a) The shares under option are to be 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 2011 are as follows:

Date of grant	Balance at 1 January 2011 or date of grant if later No.	Cancelled/ expired No.	Balance at 31 December 2011 No.	Subscription price S$	Vesting date
2000 Scheme					
28 February 2005	19,525,000	(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	18,234,900	(2,337,808)	15,897,092	0.0433	31 December 2009
01 January 2007	22,500,000	-	22,500,000	0.0333	31 December 2009
30 June 2009	50,432,317	-	50,432,317	0.03	29 June 2012
	327,962,858	(206,572,736)	121,390,122		

Notes to Financial Statements

Date of grant	Balance at 1 January 2011 or date of grant if later	Cancelled/ expired	Balance at 31 December 2011	Subscription price	Vesting date
	No.	No.	No.	S$	
2009 Scheme					
27 October 2009	88,261,348	(5,763,694)	82,497,654	0.025	26 October 2010
27 October 2009	88,261,348	(5,763,693)	82,497,655	0.025	26 October 2011
27 October 2009	79,615,807	(5,763,693)	73,852,114	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	(1,444,257)	11,527,386	0.015	26 March 2011
26 March 2010	12,971,643	(1,444,257)	11,527,386	0.015	26 March 2012
26 March 2010	12,971,643	(1,444,256)	11,527,387	0.015	26 March 2013
28 April 2010	34,582,161	(2,881,847)	31,700,314	0.020	28 April 2011
28 April 2010	34,582,161	(2,881,847)	31,700,314	0.020	28 April 2012
28 April 2010	34,582,161	(2,881,846)	31,700,315	0.020	28 April 2013
28 April 2010	265,685,694	(24,877,762)	240,807,932	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	15,866,656	-	15,866,656	0.016	02 December 2011
02 December 2010	15,866,657	-	15,866,657	0.016	02 December 2012
02 December 2010	15,866,657	-	15,866,657	0.016	02 December 2013
21 June 2011	8,333,333	-	8,333,333	0.015	21 June 2012
21 June 2011	8,333,333	-	8,333,333	0.015	21 June 2013
21 June 2011	8,333,334	-	8,333,334	0.015	21 June 2014
14 November 2011	745,194,055	-	745,194,055	0.0158	14 November 2013
14 November 2011	372,597,027	-	372,597,027	0.0158	14 November 2014
14 November 2011	372,597,027	-	372,597,027	0.0158	14 November 2015
21 December 2011	7,500,000	-	7,500,000	0.0178	21 December 2013
21 December 2011	3,750,000	-	3,750,000	0.0178	21 December 2014
21 December 2011	3,750,000	-	3,750,000	0.0178	21 December 2015
21 December 2011	94,997,587	-	94,997,587	0.0178	21 December 2012
21 December 2011	94,997,587	-	94,997,587	0.0178	21 December 2013
21 December 2011	94,997,587	-	94,997,587	0.0178	21 December 2014
	3,335,521,522	(212,672,311)	3,122,849,211		
Total	3,663,484,380	(419,245,047)	3,244,239,333		

Notes to Financial Statements continued

37. Share option scheme *(continued)*

During the financial year 1,815,380,870 (2010: 745,278,729) share options were granted. The estimated fair values of the share options granted are €18.4m (2010: €4.9m) for the vesting period from 21 June 2012 to 21 December 2014 (2010: 16 March 2011 to 28 April 2014).

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.

Date of grant	Expected dividend yield (%)	Performance conditions	Expected volatility (%)	Risk-free interest rate (%)	Expected life of options (years)	Exercise price (S$)	Share price at date of grant (S$)	Fair value at measurement date (S$)	Valuation model
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	0.025	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	No	70	1.12	8	0.02	0.02	0.0116	Black-scholes
28 April 2010	0	Yes	70	1.12	8	0.02	0.02	0.0123	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
21 June 2011	0	No	70	1.05	8	0.015	0.01	0.0062	Black-Scholes
14 November 2011	0	No	70	0.56	8	0.0158	0.016	0.0110	Black-Scholes
14 November 2011	0	Yes	70	0.56	8	0.0158	0.016	0.0088	Monte Carlo
14 November 2011	0	No	70	0.56	5	0.0158	0.016	0.0092	Black-Scholes
21 December 2011	0	No	70	0.61	8	0.0178	0.018	0.0124	Black-Scholes
21 December 2011	0	Yes	70	0.61	8	0.0178	0.018	0.0108	Monte Carlo

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.

Notes to Financial Statements

38. 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.

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 Group has been increasing its customer base in the year to December 2011, revenues from a single customer represented 9.4% of total revenues (2010: 13.7%).

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

38. Financial risk management objectives and policies *(continued)*

Group	Effective interest rate	Up to 3 months	Between 3 and 12 months	1 to 2 years	2 to 4 years	Total
	%	€m	€m	€m	€m	€m
Financial assets						
Cash and cash equivalents	0	45.4	-	-	-	45.4
Trade and other receivables	0	9.8	-	-	-	9.8
As at 31 December 2011		55.2	-	-	-	55.2
Cash and cash equivalents	0	9.5	-	-	-	9.5
Trade and other receivables	0	10.3	-	-	-	10.3
As at 31 December 2010		19.8	-	-	-	19.8
Financial liabilities						
Trade and other payables	0	23.0	-	-	-	23.0
Obligations under finance leases	17	0.4	1.2	2.9	4.8	9.3
Convertible Bonds	18	-	-	65.1	-	65.1
As at 31 December 2011		23.4	1.2	68.0	4.8	97.4
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

Company	Effective interest rate	Up to 3 months	Between 3 and 12 months	1 to 2 years	2 to 4 years	Total
	%	€m	€m	€m	€m	€m
Financial assets						
Cash and cash equivalents	0	14.2	-	-	-	14.2
Trade and other receivables	0	0.2	-	-	-	0.2
As at 31 December 2011		14.4	-	-	-	14.4
Cash and cash equivalents	0	0.1	-	-	-	0.1
Trade and other receivables	0	0.2	-	-	-	0.2
As at 31 December 2010		0.3	-	-	-	0.3
Financial liabilities						
Trade and other payables	0	0.9	-	-	-	0.9
Convertible Bonds	18	-	-	65.1	-	65.1
As at 31 December 2011		0.9	-	65.1	-	66.0
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

Notes to Financial Statements

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 2011, if there were conversions of €1.0m of the convertible bonds, the effect on income statement would have been €0.18m (2010: €0.16m) 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 and Singapore Dollar. The sensitivity analysis assumes an instantaneous change of 10 eurocent for a Pound Sterling or a Singapore Dollar in the foreign currency exchange rates from the statement of financial position date, with all variables held constant.

	Increase/(Decrease)	
Group	**Consolidated statement of comprehensive income**	
	2011 €'m	**2010 €'m**
Pound Sterling		
Strengthens against Euro	0.4	0.4
Weakens against Euro	(0.4)	(0.4)
Singapore Dollar		
Strengthens against Euro	(4.6)	(5.3)
Weakens against Euro	4.6	5.3

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

38. Financial risk management objectives and policies *(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).

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:

	2011 €'m	2010 €'m
Financial assets		
Cash and cash equivalents	45.4	9.5
Trade and other receivables	9.8	10.3
Total financial assets	55.2	19.8

	Amortised cost		Fair value through profit and loss	
	2011 €'m	2010 €'m	2011 €'m	2010 €'m
Financial liabilities				
Trade and other payables	23.0	9.2	-	-
Obligations under finance lease	9.3	0.2	-	-
Convertible bonds	52.8	44.0	-	-
Interest bearing loan	7.9	-	-	-
Option embedded bond (level 3 of hierarchy)	-	-	6.5	8.5
As at 31 December 2011	93.0	53.4	6.5	8.5

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 input (Level 3):

	2011 €'m	2010 €'m
Embedded derivative		
Opening balance	8.5	-
Entered into in the year	-	8.0
Total (gains) or losses		
- in profit or loss	(2.0)	0.5
Closing balance	6.5	8.5

Notes to Financial Statements

Impact of changes to key assumptions of 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 derivative 2011	6.5	4.0	(3.9)

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.

39. 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 2010.

	Group	
	2011	2010
	€'m	€'m
Interest bearing borrowings	60.7	44.0
Obligations under finance leases	9.3	0.2
Cash and cash equivalents	(45.4)	(9.5)
Net debt	24.6	34.7
Total equity	160.9	105.0
Total capital	185.5	139.7
Gearing ratio	13%	25%.

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.

Notes to Financial Statements continued

40. Subsequent events

Under the terms of the zero coupon mandatory Convertible Bonds due 2013 (the "Convertible Bonds"), each holder of the Convertible Bonds (the "Bondholders") has the right to require the Company to redeem for cash all (but not part) of such Bondholder's Convertible Bonds on the maturity date at 126.53 per cent. of the unpaid principal amount as of the maturity date. As at the date of this report, S$86,427,903 in principal amount of Convertible Bonds is outstanding. The Company has on 16 March 2012 and 23 March 2012 announced that as part of its ongoing review of its capital structure, financial position and strategies, the Company proposes to make a voluntary offer (the "Exchange Offer") to Bondholders to exchange with all (but not part) of its outstanding Convertible Bonds for new ordinary shares in the Company at an exchange price of S$0.015806.

In support of the Exchange Offer, each of the following persons has provided irrevocable undertakings (the "Irrevocable Undertakings") to the Company: (a) Columbia EUN Partners V, LLC; (b) EUN Partners V, LLC; (c) G.K. Goh Strategic Holdings Pte Ltd; (d) Alpha Securities Pte Ltd; (e) Mr Goh Geok Khim; (f) Mr Goh Yew Lin; (g) Mr Daniel Aegerter; and (h) CIM Investment Management Limited ("CIM") as investment sub-adviser to and on behalf of Mackenzie Cundill Recovery Fund Mackenzie Cundill Recovery Class ("MCR") (together, the "Undertaking Entities").

Pursuant to the Irrevocable Undertakings, the Undertaking Entities have undertaken that they will accept and in the case of CIM Investment Management Limited, it will accept on behalf of Mackenzie Cundill Recovery Fund and Mackenzie Cundill Recovery Class, the Exchange Offer in respect of all their Convertible Bonds held as at the date of their Irrevocable Undertaking. The aggregate principal amount of Convertible Bonds which will be tendered for exchange pursuant to the terms of the Irrevocable Undertakings is S$81,977,341, which represents approximately 94.9% of the outstanding Convertible Bonds as at the date of this report.

Pursuant to the Irrevocable Undertakings, the Undertaking Entities together with other undertaking shareholders (who are not Bondholders nor related to any Bondholder) have further undertaken that they will, where permitted by Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalist (the "Catalist Rules") and the Singapore Exchange Securities Trading Limited, vote (and in the case of CIM, it has recommended to Mackenzie Financial Corporation ("MFC") and MFC has undertaken to CIM to vote on behalf of the MCR) in respect of all of their shares in the Company held as at the date of their Irrevocable Undertakings (and in the case of MCR, at least 864,000,000 shares) in favour of (1) the resolution at the AGM to approve the general mandate to issue shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Catalist Rules, and (2) all resolutions at an extraordinary general meeting to approve the Exchange Offer to "restricted places" as set out in Rule 812(1) of the Catalist Rules and to interested persons of the Company as defined in Rule 904(4) of the Catalist Rules. The aggregate number of shares undertaken to be voted is at least 11,490,932,003, which represents approximately 67.0% of the outstanding share capital of the Company as at the date of this report.

The financial effect of the exchange of the Convertible Bonds for new ordinary shares of the Company is to extinguish the liabilities associated with the Convertibles Bonds and to replace them with an equivalent amount of Share Capital. As at the balance sheet date, the Convertible Bond liabilities were €59.3m (interest bearing borrowings of €52.8m and option embedded in the bond of €6.5m), but as at the date of this report an estimate of the actual value of the liabilities to be extinguished cannot be made and will not be known until the conclusion of the Exchange Offer process.

41. 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 23 March 2012.

Statistics of Shareholdings and Bondholdings

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Shareholders' Information
as at 12 March 2012

Shareholders' Information as at 12 March 2012

I.	Class of equity securities	:	Ordinary shares
	Number of equity securities	:	17,141,365,594
	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 0.27%.

Statistics of Shareholdings

Distribution of Shareholdings

Size of Holdings	Number of Shareholders	%	Number of Shares	%
1 - 999	68	1.02	23,519	0.00
1,000 - 10,000	1,684	25.29	9,586,617	0.06
10,001 - 1,000,000	4,615	69.32	711,293,507	4.15
1,000,001 and above	291	4.37	16,420,461,951	95.79
Total	6,658	100.00	17,141,365,594	100.00

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

Substantial Shareholder	Direct Interests No. of Shares	Direct Interests %[1]	Deemed Interests No. of Shares	Deemed Interests %[1]
Daniel Simon Aegerter [2]	1,290,273,796	7.53	-	-
Columbia EUN Partners V, LLC [3]	1,288,203,990	7.52	-	-
EUN Partners V, LLC [4]	4,138,818,882	24.15	-	-
Columbia Capital V, LLC and others [5]	-	-	5,427,022,872	31.66
G.K. Goh Strategic Holdings Pte Ltd	1,325,694,847	7.73	-	-
G.K. Goh Holdings Ltd [6]	-	-	1,325,694,847	7.73
GKG Investment Holdings Pte Ltd [7]	-	-	1,772,758,773	10.34
Goh Yew Lin [7]	91,875,426	0.54	1,772,758,773	10.34
Goh Geok Khim [7]	245,001,136	1.43	1,772,758,773	10.34
Mackenzie Cundill Recovery Fund [8]	1,440,000,000	8.40	-	-
Mackenzie Financial Corporation [9]	-	-	1,620,000,000	9.45
Gelco Enterprises Ltd., Nordex Inc. and Pansolo Holdings Inc. [9]	-	-	1,620,000,000	9.45
Power Financial Corporation, 171263 Canada Inc. and Power Corporation of Canada [9]	-	-	1,620,000,000	9.45
Mackenzie Inc. and IGM Financial Inc. [9]	-	-	1,620,000,000	9.45
Paul G. Desmarais [9]	-	-	1,620,000,000	9.45
Fortress Partners Offshore Securities LLC [10]	1,177,307,000	6.87	-	-
Fortress Partners Master Fund L.P. and Fortress Partners Offshore Master GP LLC [11]	-	-	1,177,307,000	6.87
Fortress Partners Advisors LLC, Fortress Investment Holdings II LLC, Fortress Operating Entity I L.P., FIG Corp. and Fortress Investment Group LLC [12]	-	-	1,892,727,000	11.04

Notes:

(1) Based on 17,141,365,594 Shares (excluding treasury shares) as at 12 March 2012.

(2) The 1,290,273,796 Shares are registered in the name of Citibank Nominees Singapore Pte Ltd.

(3) Out of 1,288,203,990 Shares held by Columbia EUN Partners V, LLC, 31,459,066 Shares are registered in the name of Citibank Nominees Singapore Pte Ltd.

(4) Out of 4,138,818,882 Shares held by EUN Partners V, LLC, 60,540,934 Shares are registered in the name of Citibank Nominees Singapore Pte Ltd.

(5) 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 1,288,203,990 Shares held by Columbia EUN Partners V, LLC and in the 4,138,818,882 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 1,288,203,990 Shares held by Columbia EUN Partners V, LLC and in the 4,138,818,882 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 1,288,203,990 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 4,138,818,882 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 11% and 8% 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;

(iv) Columbia Capital Equity Partners IV (QP), L.P. and Columbia Capital Equity Partners IV (QPCO) L.P., because they are associates who respectively hold 34% and 4% of the units in EUN Partners V, LLC; and

(v) 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, and Morgan Stanley Private Markets Fund V L.P., because they are associates who respectively hold 19%, 1%, 18% and 5% of the units in EUN Partners V, LLC.

(6) G.K. Goh Holdings Ltd is deemed interested in the 1,325,694,847 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 1,325,694,847 Shares held by G.K. Goh Strategic Holdings Pte Ltd and 447,063,926 Shares held by Alpha Securities Pte Ltd.

(8) The 1,440,000,000 Shares are registered in the name of DBS Nominees (Private) Limited.

(9) Mackenzie Financial Corporation ("MFC") is the investment manager of Mackenzie Cundill Recovery Fund ("MCRF"). Mackenzie Cundill Investment Management (Bermuda) Ltd., a subsidiary of MFC, is the investment manager of Cundill International Company Limited ("CICL"). Accordingly, MFC is deemed interested in the 1,440,000,000 Shares held by MCRF and 180,000,000 Shares held by CICL. The 1,440,000,000 Shares held by MCRF are registered in the name of DBS Nominees (Private) Limited and the 180,000,000 Shares held by CICL are registered in the name of DBSN Services Pte Ltd.

In addition to MFC, the following persons are also deemed to be interested in the 1,440,000,000 Shares held by MCRF and in the 180,000,000 Shares held by CICL:

(a) Gelco Enterprises Ltd., Nordex Inc., and Pansolo Holdings Inc. by virtue of their deemed interests in such Shares managed by their downstream subsidiaries as fund managers;

(b) Power Financial Corporation, 171263 Canada Inc. and Power Corporation of Canada ("PCC") by virtue of their deemed interests in such Shares managed by their downstream subsidiaries as fund managers;

(c) Mackenzie Inc. and IGM Financial Inc. by virtue of their deemed interests in such Shares managed by their downstream subsidiaries as fund managers; and

(d) Mr. Desmarais by virtue of his indirect controlling interest in, amongst others, PCC, which in turn has deemed interest in such Shares managed by PCC's subsidiaries as fund managers.

(10) The 1,177,307,000 Shares held by Fortress Partners Offshore Securities LLC ("FPOSL") comprised 847,911,000 Shares registered in the name of DBS Nominees (Private) Limited and 329,396,000 Shares registered in the name of Raffles Nominees (Pte.) Limited.

(11) Fortress Partners Master Fund L.P. ("FPMFL") is deemed interested in the 1,177,307,000 Shares held by FPOSL through its 100% shareholding in FPOSL. Fortress Partners Offshore Master GP LLC ("FPOMGL") is also deemed interested in the 177,307,000 held by FPOSL as it is the general partner of FPMFL and manages, controls the operation of, and determines the policy with respect to, FPMFL.

(12) The following persons are deemed to be interested in 1,892,727,000 Shares comprising (i) 1,177,307,000 Shares held by FPOSL and (ii) 715,420,000 Shares held by Fortress Partners Securities LLC ("FPSL"), comprising 666,970,000 Shares registered in the name of DBS Nominees (Private) Limited and 48,450,000

Shareholders' Information continued

Shares registered in the name of Raffles Nominees (Pte.) Limited:

(a) Fortress Partners Advisors LLC ("FPAL") is deemed interested in the 1,892,727,000 Shares held by FPOSL and FPSL as FPAL is the investment manager of both FPMFL (which in turn is deemed interested in the 1,177,307,000 Shares held by FPOSL through its 100% shareholding in FPOSL) and Fortress Partners Fund LP ("FPFL", which in turn is deemed interested in the 715,420,000 Shares held by FPSL through its 100% shareholding in FPSL);

(b) Fortress Investment Holdings II LLC ("FIHIL") is deemed interested in the 1,892,727,000 Shares held by FPOSL and FPSL through its 100% shareholding in FPAL;

(c) Fortress Operating Entity I L.P. ("FOEIL") is deemed interested in the 1,892,727,000 Shares held by FPOSL and FPSL through its 100% shareholding in FIHIL. For completeness, FOEIL is also deemed interested in:

(i) the 1,177,307,000 Shares held by FPOSL through its 100% shareholding in FPOGML, the general partner of FPMFL (which in turn holds 100% of the shares in FPOSL); and

(ii) the 715,420,000 Shares held by FPSL through its 100% shareholding in Fortress Principal Investment Holdings IV LLC which has a 100% shareholding stake in Fortress Partners GP LLC. Fortress Partners GP LLC is the general partner of FPFL (which in turn has a 100% shareholding stake in FPSL).

(d) FIG Corp. ("FC") is deemed interested in the 1,892,727,000 Shares held by FPOSL and FPSL as it is the general partner of FOEIL; and

(e) Fortress Investment Group LLC ("FIGL") is deemed interested in the 1,892,727,000 Shares held by FPOSL and FPSL through its 100% shareholding in FC.

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	EUN Partners V LLC	4,078,277,948	23.79
2	DBS Nominees Pte Ltd	3,130,816,048	18.26
3	Citibank Nominees Singapore Pte Ltd	2,763,876,646	16.12
4	G K Goh Strategic Holdings Pte Ltd	1,325,694,847	7.73
5	Columbia EUN Partners V, LLC	1,256,744,924	7.33
6	Alpha Securities Pte Ltd	447,063,926	2.61
7	DBSN Services Pte Ltd	437,655,000	2.55
8	Raffles Nominees (Pte) Ltd	405,114,000	2.36
9	Morgan Stanley Asia (Singapore) Securities Pte Ltd	304,464,000	1.78
10	Leong Wah Kheong	262,312,000	1.53
11	HSBC (Singapore) Nominees Pte Ltd	259,238,000	1.51
12	Goh Geok Khim	245,001,136	1.43
13	Goh Yew Lin	91,875,426	0.54
14	Ho Kam Yew	85,700,000	0.50
15	Brenda Ann O'Keefe	68,899,000	0.40
16	UOB Kay Hian Pte Ltd	51,040,714	0.30
17	United Overseas Bank Nominees Pte Ltd	46,266,000	0.27
18	Maybank Kim Eng Securities Pte Ltd	44,102,627	0.26
19	CIMB Securities (Singapore) Pte Ltd	41,304,000	0.24
20	Mayban Nominees (S) Pte Ltd	35,855,000	0.21
	Total	15,381,301,242	89.72

Percentage of Shareholdings in Public Hands

27.62% 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 Catalist.

Bondholders' Information as at 12 March 2012

Statistics of Bondholdings

Distribution of Bondholdings

Size of Holdings	Bondholders	%	No. of Bonds	%
1 - 999	58	17.84	16,286	0.02
1,000 - 10,000	214	65.85	670,806	0.77
10,001 - 1,000,000	45	13.85	2,703,640	3.13
1,000,001 and above	8	2.46	83,037,171	96.08
Total	325	100.00	86,427,903	100.00

Twenty Largest Bondholders

No.	Name	No. of Bonds	%
1	EUN Partners V LLC	38,172,877	44.17
2	Columbia EUN Partners V, LLC	11,846,406	13.71
3	G K Goh Strategic Holdings Pte Ltd	10,088,845	11.67
4	Citibank Nominees Singapore Pte Ltd	8,435,731	9.76
5	DBS Nominees Pte Ltd	7,280,170	8.42
6	Alpha Securities Pte Ltd	3,913,142	4.53
7	Goh Geok Khim	1,800,000	2.08
8	DBSN Services Pte Ltd	1,500,000	1.74
9	Goh Yew Lin	800,000	0.93
10	HSBC (Singapore) Nominees Pte Ltd	382,000	0.44
11	Gan Chin Kian	132,010	0.15
12	Lam Kwok Chong	120,000	0.14
13	Teo Boon Leng	105,000	0.12
14	Tan Beng Hock	99,000	0.11
15	Tan Yew Hian	80,000	0.09
16	Jason Cheah Soon Aun (Xie Shun'an)	77,000	0.09
17	DMG & Partners Securities Pte Ltd	76,200	0.09
18	Teo Cheok Chin Peggy	75,000	0.09
19	Li Wenhua	51,950	0.06
20	Sin Chee Mun	46,000	0.05
	Total	85,081,331	98.44

Notice of Annual General Meeting

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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 203, Level 2, 1 Raffles Boulevard Suntec City, Singapore 039593 on Thursday, 26 April 2012 at 10.30 a.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2011 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 John Louis Scarano	(Retiring under Article 97)	**(Resolution 2)**
Mr Uwe Markus Nickl	(Retiring under Article 97)	**(Resolution 3)**
Mr Duncan James Daragon Lewis	(Retiring under Article 97)	**(Resolution 4)**
Mr John Tyler Siegel Jr.	(Retiring under Article 91)	**(Resolution 5)**
Mr Daniel Simon Aegerter	(Retiring under Article 91)	**(Resolution 6)**

Mr Scarano will, upon re-election as a Director of the Company, be considered Non-Independent.

Mr Nickl will, upon re-election as a Director of the Company, be considered Non-Independent.

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

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

Mr Aegerter 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$416,000) for the year ending 31 December 2012 (2011: €250,000 (equivalent to S$446,700).
(Resolution 7)

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 8)

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 four per centum (4%) 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 9)

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 10)

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 11)

By Order of the Board

Yip Ming Fai
Secretary
Singapore, 2 April 2012

Notice of Annual General Meeting continued

Explanatory Notes

(i) The Ordinary Resolution 9 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, four per centum (4%) of the total number of issued shares (excluding treasury shares) in the capital of the Company.

The Company has on 16 March 2012 and 23 March 2012 announced that as part of its ongoing review of its capital structure, financial position and strategies, the Company proposes to make a voluntary Exchange Offer to Bondholders to exchange all (but not part) of their outstanding Convertible Bonds for new ordinary shares in the Company (the "Exchange Shares") at an exchange price of S$0.015806 and intends to use the General Mandate for the issue of Exchange Shares to Bondholders who are not restricted places nor interested persons of the Company. Please refer to the announcements dated 16 March 2012 and 23 March 2012 for further details.

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

(ii) The Ordinary Resolution 10 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 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 11 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 of 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 forty-eight 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 203, Level 2, 1 Raffles Boulevard Suntec City, Singapore 039593 on Thursday, 26 April 2012 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Adoption of Directors' Report and Audited Accounts for the year ended 31 December 2011		
2	Re-election of Mr John Louis Scarano as a Director		
3	Re-election of Mr Uwe Markus Nickl as a Director		
4	Re-election of Mr Duncan James Daragon Lewis as a Director		
5	Re-election of Mr John Tyler Siegel Jr. as a Director		
6	Re-election of Mr Daniel Simon Aegerter as a Director		
7	Approval of Directors' fees amounting to €250,000 (equivalent to S$416,000) for the year ending 31 December 2012		
8	Re-appointment of Messrs BDO LLP as Auditors		
9	Authority to issue new shares		
10	Authority to issue shares under the euNetworks Group Limited 2009 Share Option Scheme		
11	Authority to issue shares under the euNetworks Group Limited Share Option Scheme		

Dated this ________________ day of ________________ 2012

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

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

*Delete where inapplicable

Proxy Form continued

Notes:

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

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

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

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

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

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

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

General:

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

Notes

Notes

Singapore

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