eunetworks

ANNUAL REPORT 2013

eunetworks

bandwidth. from the ground up.

ANNUAL REPORT 2013

Contents

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Operational Overview

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OUR BUSINESS

We believe that every business can benefit from bandwidth without limits.

- Bandwidth changes everything. As the essential enabler of the digital age, connecting individuals to each other, business to consumers, enterprises to enterprises and governments to people.
- euNetworks delivers its customers a superior bandwidth experience based on its fibre network, its commitment to great data, process and systems and also its people.
- euNetworks is a horizontally integrated bandwidth infrastructure company. It sells bandwidth products to wholesale customers and bandwidth based solutions to enterprises.

OUR GOALS

Deliver growth both organically and inorganically.

Target scale, thereby delivering:

80%	45%	30%	15%
gross margins	adjusted EBITDA margins	capital expenditure*	operating cash flow *

Focus on our shareholders, our customers, our people and the communities in which we operate.

* Expressed as a percentage of revenue

Our Profile

euNetworks Group Limited (SGX: 5VT.SI) is a unique bandwidth infrastructure provider, owning and operating 13 fibre based metropolitan networks across Europe connected with a high capacity intercity backbone covering 38 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 Wholesale 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.

Horizontally integrated business model

euNetworks benefits from operating a horizontally integrated business model in an industry characterised by high barriers to entry and unique assets, namely deep metropolitan networks. In today's market, replicating these assets would be complex, time consuming and costly.

Facilities based owned infrastructure

euNetworks owns and maintains high density last mile fibre networks in 15 major European cities, with 13 of these in operation – London, Dublin, Amsterdam, Rotterdam, Utrecht, Frankfurt, Berlin, Hamburg, Munich, Dusseldorf, Stuttgart, Cologne and Paris. These deep metropolitan networks are the cornerstone for euNetworks' development and ability to scale in line with customer and market demand. They are interconnected with a fibre-based long haul intercity backbone network spanning most of Western Europe, and regionally across Germany, enabling a seamless bandwidth experience for customers in cities, between cities, and countries. euNetworks also owns and operates 28 data centre facilities, with 26 of these located in Germany and two in the Netherlands. These sites support euNetworks' bandwidth services as customers require connectivity from data centres to redundant sites or office locations. euNetworks further enables this requirement with direct connection to over 230 data centres across Europe today. The company also offer direct connection to 670 enterprise buildings and 140 wireless towers in metropolitan markets, with a further 137 wireless towers located within connected data centres and enterprise buildings.

A focused product set, enabling mega trends

euNetworks believes in high gross as well as EBITDA margins, so product focus and scalability are critical. The product set in place today is aligned to meet the direct service needs of wholesale customers and to enable bundling for solution delivery to enterprises. euNetworks' bandwidth infrastructure product set consists of three transmission products - Dark Fibre, Wavelengths in the metro and long haul, 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 back up, cloud service provision to converged networking. The Internet product provides connectivity over a shared infrastructure, providing a better cost model for smaller customers who have similar application requirements but with less traffic demand. euNetworks' Colocation enables the company to provide not only the bandwidth and connectivity, but also the space and power to host customers' telecommunications and IT equipment.

Lean and 'friction free' production system

With ownership of its unique assets, horizontal business model approach, and its focused product set, euNetworks seeks to be a focused and low cost producer, keeping the production system as lean and as simple as possible. The company's delivery model requires a relentless pursuit of linking good data to processes to systems to platforms in a way that is without 'friction'. This ultimately enables the business to scale effectively, driving out variation and maintaining an efficient production system and service delivery model for its customers, no matter what size the company becomes.

Serving large bandwidth consuming customers

euNetworks delivers solutions directly to enterprise customers, from online retailers, manufacturers and logistics companies, to financial services and media agencies. euNetworks delivers infrastructure services supporting partners' and wholesale providers' offerings. Customers range from large wholesale carriers and mobile operators, to regional service providers, cloud service providers and integrators. As more people,

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Trends, Segments and Products

The euNetworks business is fundamentally driven by the technology revolution that has been ongoing since the invention of the transistor. Information technology and the Internet are collectively creating a world that is increasingly interlinked. Information, data and video from anywhere in the world is instantly accessible from everywhere else. Bandwidth and the fibre that runs up and down city streets today, is the fundamental enabler of what is now every day human behaviour.

companies, applications and devices take advantage of the many benefits of being connected, a seemingly insatiable demand is created for bandwidth; from major international hosting centres and Internet traffic aggregation points, to regional and city data centres, redundant buildings, and ultimately, fibre to every major office build and even houses. It is these mega trends that are at the heart of the euNetworks investment thesis as they point to a large and growing need for deep fibre networks in the densely populated city centres in Europe's major cities. The euNetworks team believes that every business can benefit from bandwidth without limits. The Company focuses on delivering this to the European market with its unique fibre assets, with particular focus on connecting to all the key data centres across the region and in cities.

Customer Base

In 2013, euNetworks implemented a targeted customer account approach and focused on growing revenue from its existing customer base.

Since its inception euNetworks has used its infrastructure to enable the bandwidth revolution, selling services to mainly other telecom companies and partners in order to help them meet their end customers' needs. In 2013, euNetworks generated 40% of its recurring revenue from other telecom companies, up from 38% in 2012. This is the company's traditional Wholesale business and has served as the key foundation for growth.

Similar to the Wholesale business, another indirect route through which euNetworks satisfies bandwidth demand is by selling services to System Integrators, Managed Services Providers and other traditional IT Channel type customers. More deeply

"As a global data centre operator, we are focused on helping companies accelerate performance by connecting them to their customers and partners inside the world's most networked data centres. Today our Frankfurt data centres are important hubs for more than 900 companies and are also among the world's most carrier dense facilities. The bandwidth connections between our four locations in the city are ever more important for our customers' experience and we need our supporting network for this to be high in quality, performance and scale. We have been working with euNetworks for the last two years in Frankfurt and their networking performance, capability, technical expertise and professionalism is excellent. The instant bandwidth solution this partnership delivers strengthens the experience for our whole ecosystem."

Donald Badoux, General Manager of Equinix Germany

"euNetworks has delivered bandwidth services to us for over three years and we continue to be impressed with their technical expertise, support and commitment to managing our network. Our decision to renew our contract we have with euNetworks was based on our close working relationship and robustness of the networking solution they continue to provide us. The fact they own the infrastructure at the fibre level provides us with greater service assurance as we continue to grow."

Frank Naumann, Head of IT of HUK-COBURG

"Effective and reliable technology systems underpin our business model. The fibre delivered by euNetworks gives us the flexibility and control we need to deliver very high bandwidth services across our enterprise."

Dino Ciminello, Group Service Infrastructure Director at Hogarth Worldwide

"A reliable infrastructure is vital to AMS-IX, as we strive to serve our member's and customer's growing exchange needs. We have been working with euNetworks for over six years and continue to benefit from their responsiveness, flexibility and most importantly, their infrastructure capabilities. They understand the needs of the exchange and the importance of high quality infrastructure to its efficient running."

Henk Steenman, Chief Technology Officer of AMS-IX

"We needed a solution that was able to scale with our needs, catering to our high activity periods on any given day. We needed a specialist bandwidth infrastructure provider with a localised approach but footprint across multiple cities and regions, ensuring our centralised applications are freely available to our geographically dispersed education centres. euNetworks offers us both that solution and reliability in infrastructure as we move our business into the digital 21st century. We have been truly impressed with their capability, dedication and professionalism in delivering this connectivity solution to us."

Matthias Weiß, Senior IT-Consultant of Deutsche Vermögensberatung

Trends, Segments and Products continued

integrated into their clients' IT infrastructure than the Wholesale segments described above, euNetworks' Channel customers collectively generated 20% of the Group's recurring revenue in 2013.

While the Wholesale and Channel segments continue to drive growth for the Group (due to the underlying demand growth of its enterprise and retail customers), the company has increasingly seen Enterprises looking to buy directly from specialist bandwidth infrastructure suppliers such as euNetworks. An excellent illustration of that is from the Financial Services community, encompassing global banks, insurers, transaction processing engines and niche hedge funds, all of whom use euNetworks' bandwidth infrastructure. In 2013, this segment generated 23% of euNetworks' recurring revenue, as it did in 2012.

euNetworks also serves customers from traditional industries. In 2013, 8% of recurring revenue was from industry, in fields as diverse as Oil and Gas, Exploration, Logistics and Manufacturing. The Media segment, delivering 4% of recurring revenue in the year, included Media Production, Broadcast, Advertising and Agencies. Professional services and Online were also segments served by euNetworks in the year.

Underlying Demand Drivers

Today's IT literature reveals a multitude of buzzwords, from cloud computing to server virtualisation, remote working and collaboration and workflow enablement. This jargon can be confusing, but what most of the terminology is trying to describe is people, anywhere – in the office, at home, in the airport lounge – having completely open access to the business tools they rely upon to be effective and productive workers (hosted in 'the cloud').

Simplifying this view down to infrastructure, companies want to run their software programmes (hosted applications) on efficient computers (virtualised servers) in specialised data centres (colocation), either on a stand-alone 'private cloud' basis (dedicated colocation facility) or, as is becoming ever more common, on a completely shared environment provided by a 'Software as a Service' company (SaaS).

Connectivity to these 'clouds' either takes the form of huge bandwidth 'pipes' between data centres (e.g. for replicating servers for disaster recovery purposes) or as access to mechanisms for workers (and other computers) to be able to connect to those clouds from their office and homes, either over a secure, private and dedicated network, or via the public Internet.

While all of that plays to euNetworks' strengths, what accelerates the impact of these trends is that as people and companies seek to create more and more interconnections to better understand and control the world we live in, the volume of data being moved to data centres, between data centres, and out to consumers essentially explodes. Businesses that start with a single Internet connection grow to require secure bandwidth between locations. They move their major servers out of their offices and into hosting centres. Over time they grow to secure those servers, placing them into dedicated colocation facilities. They reach out to suppliers and customers to create linked production systems. The desire to keep and motivate staff leads to the need to enable them to flexibly work from home, with this further complicating the IT and network landscape.

All of this drives a relentless growth of bandwidth, fibre miles and specialist data centres.

The Product Set to Meet Demand

- IP Services
- Ethernet
- Wavelengths
- Metro Wavelengths
- Dark Fibre
- Colocation

euNetworks aims to meet the bandwidth needs of the market through a vertically integrated product set that addresses any telecoms users' needs, from the global carrier to the regional law firm. euNetworks bundles these products to deliver targeted bandwidth solutions that scale with customer needs.

euNetworks sells **Colocation** space in 28 data centres across Europe to companies and carriers alike, enabling them to host servers as well as telecom switching equipment for interconnecting to other carriers. Colocation and associated Power delivered 18% of the Group's recurring revenue in 2013.

In the Group's 13 operating metropolitan markets, euNetworks offers dedicated fibre optic networks to Enterprises and Wholesale providers, with an unparalleled degree of flexibility in routing and reach at affordable price points. These Fibre connections are used to connect up data centres to other data centres, or to office buildings or between offices. Fibre services also underpin growth models for mobile operators across Europe, with backhaul networks being delivered via the company's FTTX initiative. **Dark Fibre** recurring revenue accounted for 17% of the business in 2013.

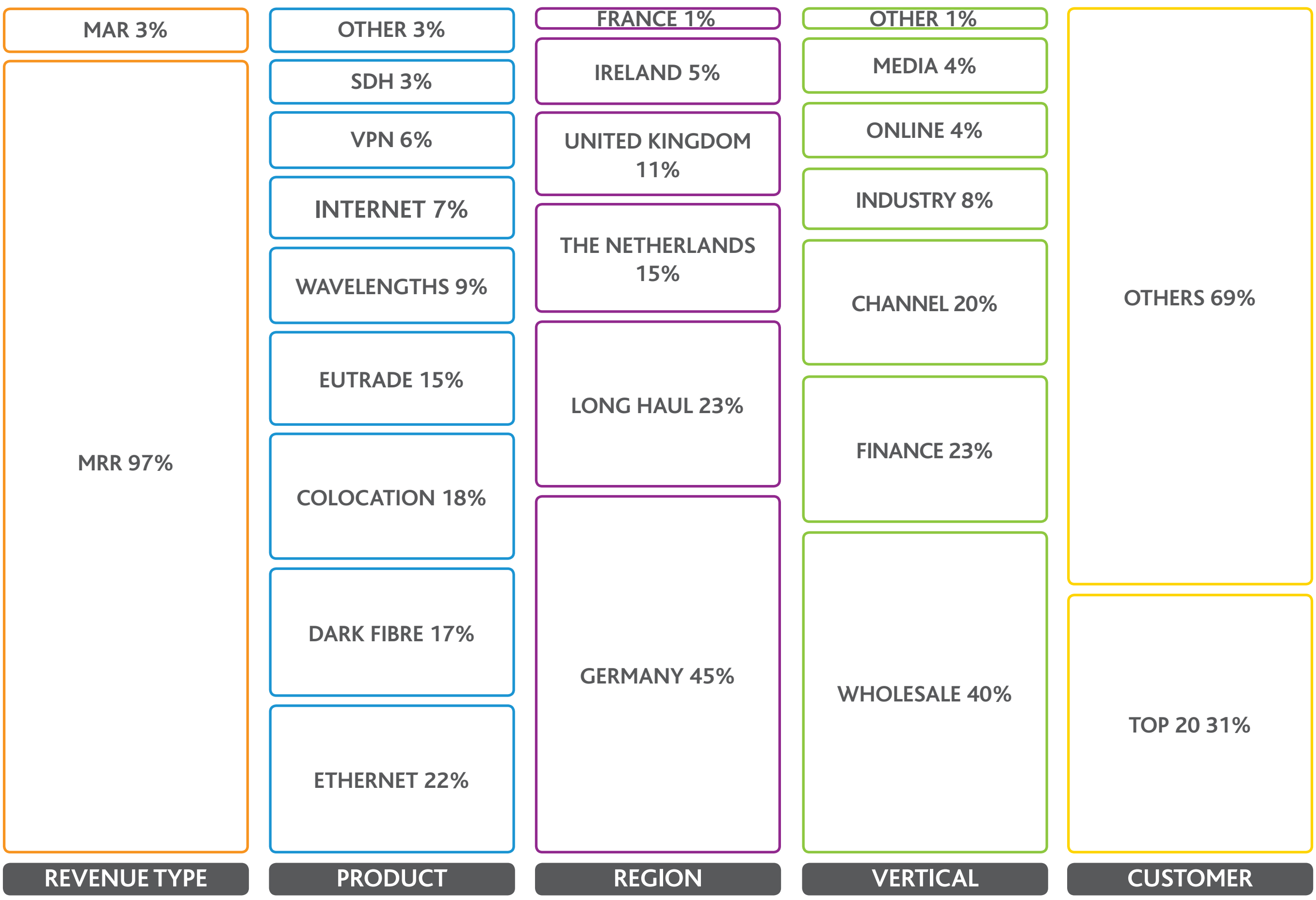
Leveraging the fibre footprint, euNetworks' **Long Haul and Metro Wavelengths** products are used primarily for data centre to data centre connections, with the long haul connections appealing mostly to other carriers and large content companies. The Metro Wavelengths transport platform is designed around data centre to data centre replication, often for provision directly to Enterprise customers. The two Wavelengths products delivered 9% of recurring revenue for the Group in 2013. **euNetworks' euTrade service portfolio**, offering ultra low latency wavelength connections between key financial trading locations, including exchanges in London, Frankfurt, Stockholm, Zurich, Milan and Moscow, delivered 15% of recurring revenue.

euNetworks' **Ethernet** product is at the core of the company's Enterprise offering. This product is used by customers to connect data centre to data centre with sub-wavelengths (under 1Gbps) as well as serving many hundreds of office buildings using a combination of euNetworks' own fibre and connections from third parties. Speeds typically range from 10 -100Mbps+ and most Ethernet connections are used to give customers access to their own private clouds. Ethernet is the Group's largest single product, delivering 22% of the Company's 2013 recurring revenue.

The final core product for euNetworks is Internet, the key IP service in the business. Providing customers with access to the company's own Autonomous System (AS13237) for access to the Internet generated 7% of recurring revenue in the year. This product supports the provision of access to the Internet in a customer's own office, adding web access to their private clouds in data centres and enabling them to get their own web content out onto the Internet or world wide web. As a Tier 2 Internet Service Provider (ISP), euNetworks' AS13237 leverages the combination of direct peering relationships and upstream transit from leading Tier 1 ISPs to provide the most highly connected and redundant solution possible.

Across the product set, the geographic mix of revenues in 2013 was broadly in line with the distribution of the Company's network assets, with German services making up the largest section of revenues (45%), Dutch services delivering 15%, in line with the Colocation capability in that market, the UK 11% and Ireland 5%. Just over a fifth (23%) of euNetworks' services delivered crossed national borders, and so are denoted long haul. This means most typically crossing between two of the four core operating countries of the business.

2013 Recurring Revenue



Financial and Operational Highlights

10%	97%	83%	79%
Growth in Gross Profit	Adjusted EBITDA Growth	Improving proxy Cash Flow	Improving Net Loss

Financial Highlights

- Strong performance for the year ended 31 December 2013, doubling adjusted EBITDA and significantly improving gross profit and proxy cash flow.
- Recurring revenue of €97.1m, improving 2.4% from 2012.
- Revenue growth impacted by an average churn of 2.2% of monthly recurring revenue in the year. Churn was 1.5% in 2012.
- Gross profit of €71.0m, increasing 10% from 2012.
- Gross margin of 72.9%, increasing from 68% in 2012.
- Adjusted EBITDA of €25.4m, improving 97% from €12.9m in 2012.
- Proxy cash flow of €(2.5)m, improving from €(14.9)m in 2012.
- Capital expenditure of €27.9m, in line with 2012 investment, but allocated more heavily to 2H 2013.
- Loss before income tax for the year of €(6.6)m, improving from €(29.5)m in 2012.

Operational Highlights

- Sales performance and customer contract value improved 4% from 2012, with €78.1m in total new sales order contract value in the year.
- The majority of new sales came from existing customers, in line with the company's commercial focus of target account selling in the year. In addition, 101 new customers were signed in the year.
- Average contract term for new customer contracts was 30 months, declining from 41 months in 2012.
- Over 94% of sales were within euNetworks' core product set, including Fibre, Wavelengths, Ethernet, Internet and Colocation.
- Revenue was driven by steady demand for Fibre and Wavelengths products. Metro Wavelengths continued to perform well, with demand for transport services anticipated to continue through 2014.
- euTrade and Ethernet also steadily contributed to growth, while there remained a continued decline from non-core SDH and VPN businesses.
- The Wholesale segment remained an important part of the euNetworks business.
- The Financial services segment, Online Content Providers, Internet Service Providers, the Media segment and Data Centre Operators were also key to the performance in the year.
- A milestone of reaching 1,000 on-net building was achieved, exiting 2013 with 1,046 connected. The growth rate of new buildings connected slowed in the year with sales focus on growing revenue from existing customer accounts.
- Additional network investment covered the new fibre based London to Stockholm ultra low latency network route for euTrade, the addition of a London to Moscow route and the London metropolitan network fibre expansion announced on 5 November 2013. The Frankfurt metropolitan network was also developed.
- Headcount at the end of the year was 3% lower than 2012, with 202 full time equivalent (FTE) people in euNetworks. 28 of these were quota-bearing people.

Corporate Highlights

- The 2013 Convertible Bonds matured on 1 April 2013 and 98.4% of the Convertible bonds issued in 2010 were converted or tendered for shares.
- A Share Consolidation was completed on 31 May 2013.
- Debt funding commitment was secured and announced on 8 May 2013, with funds being used for organic growth and to support inorganic growth opportunities.
- On 11 October the Group announced it had undertaken a share buyback.

2.4%	Recurring Revenue Growth
7%	Network Revenue Growth
2.2%	Churn
101	New Customers
202	FTE
+230	Data Centres Connected
1,046	Total Connected Buildings
58	Buildings in Progress

Chairman's Statement

Nicholas George, Non-Executive Chairman

euNetworks delivered strong financial performance in 2013. During the year the Company undertook some significant network investment projects that will drive growth in quarters and years to come. The results for 2013 are indicative of the improving operating performance of the business and the steady increase in demand for Western European bandwidth services.

Adjusted EBITDA improved by 97% from 2012, to €25.4m. Gross profit improved 10% to €71.0m and gross margin for the year was 72.9%, increasing from 68.0% in 2012. Churn impacted revenue performance through the year and was managed closely by the commercial team. New business gross margins were consistently higher than those associated with the churned revenue, improving the overall gross margin mix. In addition, a targeted customer account strategy was implemented in 2H 2013 to lower churn and this remains a focus for the business in 2014.

We concentrated on growing revenue from the existing customer base, hence the growth in new on-net buildings slowed compared to 2012. The team has been focused on connecting key data centres where many existing customers need to be located, rather than growing the number of enterprise buildings connected. As well as data centre connections, discretionary capital expenditure was driven by strategic network development projects, with 34% of capital expenditure in 2013 allocated to this, up from 7% in 2012. Capital spending was allocated more heavily to 2H 2013, with this reflected in the Group's proxy cash flow performance in both Q3 2013 and Q4 2013. Overall however, the Group's proxy cash flow position significantly improved over the last year, reflecting the benefits of continued scaling and progress towards our goal of having a lean production system. We drew down €15m from the debt facility that we secured in May, part of which was used for investment purposes.

The improving financial and operational performance of euNetworks seen in 2013 was underpinned by continued effort and focus within the company. We grew the sales team and realigned sales strategy. The commercial team has concentrated on monitoring and adjusting the product approach across the portfolio in line with market pressures and customer demand. The operations team has continued to focus on customer delivery and network performance, whilst the finance team has improved processes, billing and reporting. The end-to-end production system in place
at euNetworks continues to impress and deliver results. As I have mentioned before, steadily improving operating efficiency and leverage of increasing customer demand will enable euNetworks to deliver real value creation over time. That continues to be the focus moving into 2014.

From a customer perspective, euNetworks made great progress growing relationships and supporting the high bandwidth needs of significant brand names across a wide range of industry sectors. The more established segments of Wholesale and Finance remained significant to the business, whilst Media, Content, Internet Service Providers, Data Centres and Cloud Service Providers continued to rely on euNetworks for further bandwidth services. I am excited for the opportunities ahead with the Group's customer base.

Correspondingly, the strategic network projects undertaken in 2013 were in response to customer and market demand and to open up further addressable market share in quarters and years to come. Most notable were the developments in the company's ultra low latency dedicated network and significant expansion of its London duct and fibre infrastructure. euNetworks is also developing its metropolitan network in Frankfurt, rolling out a dense wave division multiplexing (DWDM) transport platform running between key data centres. The Group will continue its approach to investment, with close alignment to customer demand.

On corporate matters, the 2013 Convertible bonds matured on 1 April 2013 and 98.4% of the Convertible bonds issued in 2010 were converted or tendered for shares. No convertible bonds remain outstanding at this time. A Share Consolidation was completed on 31 May 2013 and was the first step to be taken in simplifying the Company's capital structure. Debt funding commitment was secured and announced on 8 May 2013, with funds being used for organic growth and also available to support inorganic growth opportunities. Finally, on 11 October 2013, the Group announced it had undertaken a share buyback as the Board of Directors and Management team did not believe that euNetworks' market value was fully reflective of the intrinsic value of the business.

A great deal has been achieved in the business this year with strong momentum for the Group. The steady improvement in financial metrics is testament to the focused management by the team. The Board and I continue to be very positive for the future and as ever, work closely with the Management team, monitoring, reviewing progress each month and assessing investment opportunities for growth. There were no changes to the Board of Directors in 2013. Joachim Piroth joined the Board of Directors as an Executive Director when he joined euNetworks on 1 January 2014 as Chief Financial Officer. John Neil Hobbs also joined the Board on 1 January 2014 as a Non-Executive Director. John Scarano, Executive Vice Chairman, resigned from his position on 14 February 2014, after re-locating back to the United States. On behalf of the Board, I thank John for all he hdid while at euNetworks and wish him well.

As we look forward to 2014, the Board of Directors and the Management team of the Company thank you again for your unwavering commitment to the business and trust in us to create value for you. Our focus remains steadfastly on creating value from the assets owned by euNetworks. We will continue to provide you more information on progress and updates on the various investment projects underway through the coming quarters and remain excited for the opportunity ahead as the euNetworks business continues to evolve.

NICHOLAS GEORGE,
Non-Executive Chairman

Chief Executive Officer's Message

Brady Rafuse, Chief Executive Officer

2013 was a year of continued development for euNetworks. I want to reflect on these matters whilst looking forward to our prospects in 2014.

Our Environment

At euNetworks we believe that bandwidth changes everything, allowing businesses unfettered access to the resources of our universe. We believe that every business can benefit from bandwidth without limits.

We look at our business through three dimensions: Customer, Geography and Product. If you were to compare our business year over year it would not point to seismic change. Our customer segments are relatively settled given our operating markets and footprint today, and the proportion of revenues generated by each Geography has not changed a great deal. What has changed, and we would anticipate will continue to change, is our core product set becoming an increasingly larger percentage of the Company's revenues. This confirms what I have said for some time: to support the explosive growth in data you need to have fibre networks. There are other technologies, such as microwave, that can serve certain markets and certain bandwidth needs, but they just don't match the performance of fibre. The fundamentals of our business remain the same: cloud computing and mobile data are driving exponential bandwidth growth and we are a horizontally integrated company that has the assets, the processes and the people to support that growth. It drives our strategy and defines our desire to become Europe's leading bandwidth infrastructure company.

One perspective that I haven't touched on a great deal in the past is Geography. Europe is not homogenous. Doing business with Enterprise customers and then doing business with Wholesale customers is different. But doing business in each of our geographies is very different too. Beyond that there are regional in-country variances. If you layer in all of these factors, it has a significant impact on your go-to-market strategy. I believe we have built a really strong team that reflects and addresses these differences, and in deploying a target account selling model, we are able to communicate with our customers and bundle bandwidth solutions together in a way that resonates with them. Our approach will continue to evolve but we are in a much stronger position today with how we target our customer base than we have been in the past. The large range of brand name customers we serve and the ever-growing commitment from our customer base for our core portfolio is testament to this.

Nature of Demand

To recap, euNetworks owns and maintains high density last mile fibre networks in 15 major European cities, with 13 of these in operation. These deep metropolitan networks are the cornerstone of the Company. Connecting buildings to these networks is what fuels our business and in 2013 we were more focused on connecting data centres than enterprise buildings. Data centres are high bandwidth consuming facilities and important connectivity hubs for many of the customer segments that euNetworks serves with bandwidth today.

By the end of 2013 we had more than 230 data centres connected to our network and we are always striving to add more and more with high fibre count. I have previously detailed our extraordinary returns on data centre connectivity. Obviously the further from the network the data centres are, the more costly it is to connect the site. Despite this, we will strive to find an economic solution because the network effect of more and more connected data centres is compounding and that connectivity is fundamental to our customers. We also have direct connection to more than 670 enterprise buildings in metropolitan markets today and over 140 wireless towers, with a further 137 wireless towers located in connected data centres and enterprise buildings.

What does the future of connectivity hold? As I explained in 2012, we see data centre to data centre connectivity demand rocket. We see huge growth in data centre to Enterprise building connectivity. We see IP (Internet Protocol) based customers moving to Fibre and we see an increasing number of companies move from the more managed service type network offering to fibre infrastructure. We saw all of these trends in the sales we made in 2013. euNetworks is well positioned to support these connectivity needs and the investments we made in 2013 are directly aligned with these trends.

Horizontal Integration

Our business approach and my thoughts on the direction of euNetworks remains the same. Through 2014 you will see more of the same effort and dedication to the horizontally integrated model we operate today. We seek to deliver a superior customer experience based upon our facilities based network, our commitment to great data 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. While there are many very successful companies that operate throughout the stack in telecommunications, our focus is solely on being a horizontally integrated company. We are intensely committed to creating value from our core asset, our fibre-based infrastructure. We have again made great progress with our 'friction free' operating model in 2013 and I truly believe we are one of the leaders in this approach. Feedback from our customers and understanding of our competitors' operating models and data management point to that. The depth and breadth of information the Management team and Board have available to them on a weekly and monthly basis is truly remarkable. We manage our business end-to-end in Salesforce and utilise Financial Force to bill directly from the same source data. Our customers also have access to this data as it relates to their services through the euNetworks Customer Portal. This is fundamental to our ability to deliver a superior customer experience.

Customer Contracts

Revenue under contract is an important measure in value creation and we have worked through 2013 to renew out of term customer contracts with as little price decrease as possible, and also manage known disconnections with precision. Our average contract length in place today for billing live services is 41.8 months. As I have mentioned through the year, we experienced much higher churn in 2013 than we had in the

past, averaging 2.2% of recurring revenue for the full year. We had expected much of this churn. Our Colocation product line impacted our churn performance both in Q2 2013 and Q4 2013, with a known disconnection in Q2 2013. Q4 2013 Colocation churn was due to some customers moving to self-built facilities; a trend that tier 1 data centre operators are also experiencing. euTrade also impacted this metric at times during the year, as it always does given the short contract lengths in place for this business and some pressure from alternate technologies (although less pressure than we had anticipated). The end of term customer contracts for non-core SDH and IP VPN services in Germany also continued to drive churn in 2013. More positively, core products of Fibre and Wavelengths businesses showed very little churn in the year and new sales gross margins were consistently high. With our sales teams focused on building relationships with key accounts, I am confident our churn in recurring revenue will decline. I will also provide more information in 2014 reporting on the various components that drive our churn, such as renewals, disconnections, price changes etc. We are working very closely with our customers today and as I have already mentioned, our investments are aligned with their bandwidth needs, both for now and for the future. We are focused on growing our market share through this.

Continued overleaf

Chief Executive Officer's Message continued

Capital

As ever I recognise that ultimately what matters to you, our shareholders, is that we manage your investment in euNetworks with care and discipline. We aim to spend as much of our capital as possible on growth and development. This capital expenditure is directly or indirectly related to customer contracts. Our overall capital expenditure remained flat from 2012 but the amount allocated directly to growth fell to 48%, down from 66% in 2012. This was because our discretionary capital expenditure in 2H 2013 was driven by strategic network development projects which will drive longer term growth in quarters to come. (As a bandwidth infrastructure company, it is important we continue to develop our network and core asset to compound longer term growth.) Meanwhile our payback on capital employed for incremental customer contracts ranged between 4.6 and 6 months in 2013, which we believe remains best in industry and demonstrates we continue to spend capital efficiently.

People

Our people are at the heart of our business and we have an outstanding team that we have added to during the course of the year. We again ran our intern programme that we launched in 2012. This brought a number of great people into our business and hopefully added to their experience in a beneficial way. We also worked in our local community in London to create Tech City Stars, an Apprenticeship scheme designed to give real 21st century digital economy skills to young people. We're delighted to have five Apprentices working with us now and look forward to seeing both them and the scheme flourish into the future.

I would like to extend my thanks to John Scarano who left us in early 2014. John served as our Vice Chairman and Executive Vice President. In his time with us John spearheaded a strategic and operating transformation of the Company from acquisitions and capital structure management, leading to scale and profitability. I thank John for his tremendous contribution and support. In thanking John I must also welcome two additions to our Management team. Joachim Piroth joined the Company with effect from 1 January 2014 as Chief Financial Officer (CFO), an Executive Director of euNetworks Group Limited and a Managing Director of euNetworks GmbH. Joachim brings great knowledge from working in the industry, having spent time at Mannesmann Group, LambdaNet Communications Deutschland AG and Versatel Deutschland GmbH. He also served as CFO and Managing Director of the German and Austrian activities of BT Global Services and most recently was Group CFO of the worldwide activities of zanox Group, a leading performance advertising network, 52% owned by Axel Springer AG. Kevin Dean also joined euNetworks as Chief Marketing Officer (CMO) on 1 March 2014 taking lead responsibility for product and marketing, with Uwe Nickl moving to the position of Chief Sales Officer (CSO). Most recently Kevin held the position of CMO at Interxion, a leading provider of cloud and carrier-neutral colocation data centre services. Prior to that he held senior marketing roles at Colt and Cable & Wireless and also spent ten years working in the IT industry. Both Joachim and Kevin bring the experience, the skill set and knowledge that will be valuable as we continue our journey to scale.

Values

Finally, the values we hold as a company are fundamental and remain from year to year. They guide the way that we make decisions. However great our assets, our data, or our processes, without everyone in our company living and breathing the same core beliefs, we will never maximise the value we could create. For those of you who have been to our European offices, we have these clearly displayed, and as euNetworks employees and stakeholders, these are firmly ingrained in our daily working lives. 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 2013 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 2014. We all thank you for your support.

BRADY RAFUSE, CEO

European Coverage

Metro Network

Data Centre presence only

Colocation facility

Owned/managed fibre route

Leased capacity

euNetworks Group Limited and its subsidiaries 2013 13

Review & Progression

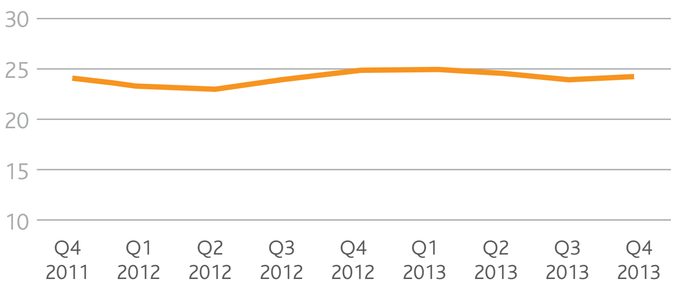
The Company reviews, monitors and tracks a number of metrics which provide a view on progression of the business.

In summary, developments from 2009 through 2013 have created a solid platform for organic and inorganic growth:

- Consistent improvement in operating performance over the last four years, with strong gross margin and adjusted EBITDA progression, and efficient capital usage.
- Simple systems and processes are in place in support of customer service delivery and network maintenance of simple products. This approach can scale.
- Continued investment is being made to build on the critical mass achieved to date and drive further growth.
- Organic or inorganic scaling is at the beginning of its curve.

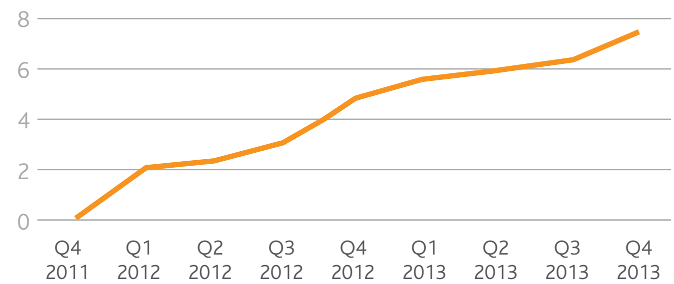
€Million	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Revenue	23.8	23.0	23.2	24.1	24.5	24.8	24.5	24.1	24.0
Recurring Revenue	22.3	23.0	23.2	24.1	24.5	24.8	24.5	23.8	24.0
Gross Profit	15.4	15.3	15.6	16.2	17.4	18.0	17.7	17.6	17.7
Gross Profit Margin %	64.7%	66.5%	67.1%	67.1%	71.2%	72.4%	72.0%	72.9%	74.4%
Adjusted EBITDA[1]	0.1	2.1	2.5	3.3	5.0	5.7	6.0	6.3	7.4
Adjusted EBITDA Margin %	0%	9%	11%	14%	20%	23%	24%	26%	31%
Capital Expenditure	13.8	8.1	8.2	6.5	5.0	3.6	4.9	8.7	10.7
Proxy Cash Flow[2]	(13.7)	(6.0)	(5.7)	(3.2)	0.0	2.1	1.1	(2.4)	(3.3)
Churn % (monthly avg.)	0.9%	1.3%	1.2%	1.7%	1.7%	1.2%	2.8%	2.2%	2.3%

(€M) Revenue



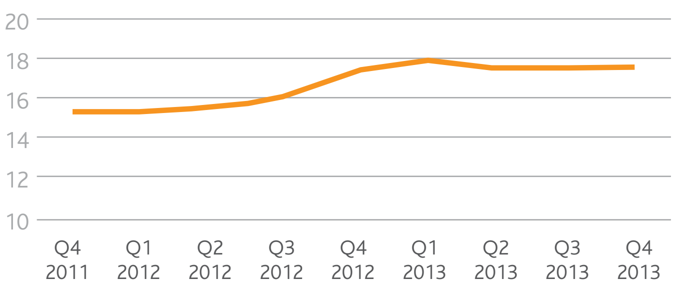
Higher churn post Q1 2013 offset new sales and revenue growth

(€M) Adjusted EBITDA[1]



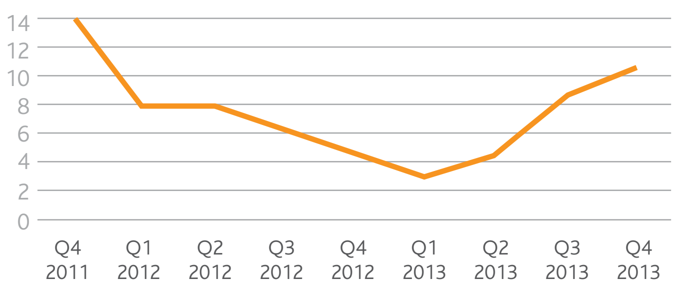
Strong adjusted EBITDA performance with significant improvement

(€M) Gross Profit



Improved from 2012, with focus on selling core products with high margin

(€M) Capital Expenditure



Heavier commitment in 2H 2013 for strategic network development

(1) Adjusted EBITDA means EBITDA before the deduction of share option expense.
(2 Proxy cash flow is calculated as Adjusted EBITDA less capital expenditure.

Review & Progression continued

The Group reported a strong financial performance for the year ended 31 December 2013, doubling adjusted EBITDA and significantly improving gross profit and proxy cash flow. Revenue performance remained flat through the year with average churn of 2.2% of monthly recurring revenue offsetting new sales. As with 2012, new sales gross margins were consistently high through 2013, meaning replacement revenue continued to deliver an improved gross margin profile for the business.

Total revenue in 2013 was €97.4m, growing 3% from 2012. Network service revenue drove this increase, growing 7% from 2012. euNetworks saw steady demand for Fibre and Wavelengths products. Metro Wavelengths continued to perform well, and the Company anticipates demand for its transport services to continue through 2014. euTrade and Ethernet also steadily contributed to growth, while there was continued decline from non-core SDH and VPN businesses which are now a much smaller part of the base. Colocation revenues declined by 12% from 2012 due to the known customer disconnection in Q2 2013.

Correspondingly, direct network expenses, those costs directly related to the delivery of customer revenue, declined 13%, from €30.3m in 2012 to €26.4m in 2013. This was due to a number of factors including the benefits of capital expenditure on network expansion, resulting in more on-net services being delivered, cost efficiencies achieved and also certain expenses being reclassified as network operating expenses instead. Network operating expenses, relating to the general operation and maintenance of the Group's network assets, and network related charges, increased from €21.5m in 2012 to €23.2m in 2013, due to entering into longer term lease relationships for fibre in the year.

Overall euNetworks exited 2013 with 202 full time equivalent people (FTE), reflecting a 3% reduction from 2012. Staff costs declined by 17% in the year, largely due to the rationalisation of staff numbers following full integration of prior acquisitions. There was also a reduction in share options costs, with unvested options being cancelled on the departure of a former employee.

Depreciation and amortisation costs increased from €24.1m in 2012 to €27.9m in 2013, principally due to the increased scope of the Group's network. As a result of this and further costs detailed above, the Group's operating loss significantly decreased from €17.1m in 2012 to €5.0m in 2013.

The loss before income tax for the year was €(6.6)m, compared to €(29.5)m in 2012. This was due to the lower costs as stated above. Finance costs were also lower in the year, dropping from €12.4m in 2012 to €1.6m in 2013. This was largely due to significantly smaller exposure to Singapore cash balances, as well as the reduction in foreign exchange and interest on the 2013 Convertible bond which was fully converted in April 2013.

Network & Operating Review and Progression

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Capital Expenditure (€Million)	13.8	8.1	8.2	6.5	5.0	3.6	4.9	8.7	10.7
Growth & Development	*6.7*	*6.1*	*6.3*	*4.5*	*3.4*	*2.6*	*3.6*	*7.2*	*9.6*
Maintenance, Capitalised Labour & Exceptionals	*7.1*	*2.0*	*1.9*	*2.0*	*1.6*	*1.0*	*1.3*	*1.5*	*1.1*
Installed Units	425	541	550	589	563	437	490	486	456
On-net Buildings	633	701	790	853	912	945	985	1,011	1,046
Metro Route Miles ('000s)	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.9
Intercity Route Miles ('000s)	8.5	8.6	8.7	8.8	8.9	8.9	8.9	9.9	9.9

Sales performance and customer contract value continued to improve in 2013, albeit slightly. The majority of sales came from the company's existing customer base in line with the commercial focus in place, with 94% of new sales within the core product portfolio set including Fibre, Wavelengths, Ethernet, Colocation and Internet.

euNetworks saw steady competition in fibre markets and for high bandwidth services, but their focus on connecting more data centres continued to enable strong demand for euNetworks Fibre. In addition, data centre operators are increasingly looking for enhanced network capabilities, either directly or indirectly, to provide a full service solution for their target customers. euNetworks is actively working with data centre operators on both fibre and transport based bandwidth solutions, connecting multiple sites in cities for them.

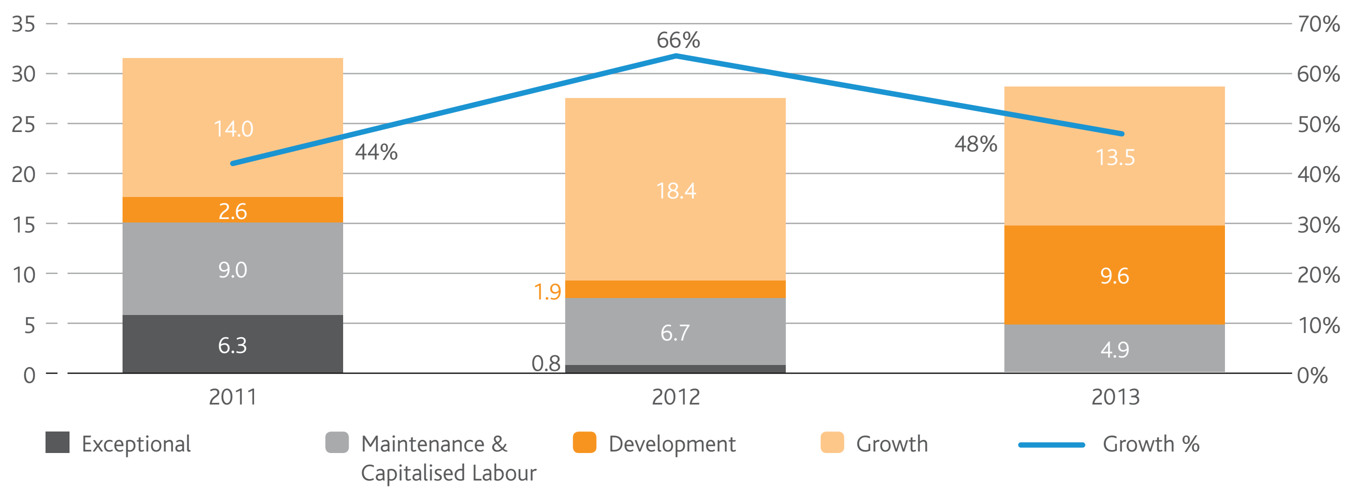
Review & Progression continued

Demand for high volume Long Haul Wavelengths, in particular from online content providers and Internet Service Providers (ISPs), remained strong after investment in the transport platform in 2012. The first customer for Terabit level capacity was installed in Q3 2013 and euNetworks' market share continues to grow. The Metro Wavelengths product was strengthened in 2013 with the London metro network expansion announced in November 2013 and Frankfurt metro wavelengths deployment commencing in Q4 2013. These network developments provide further opportunity for sales growth in 2014 and beyond.

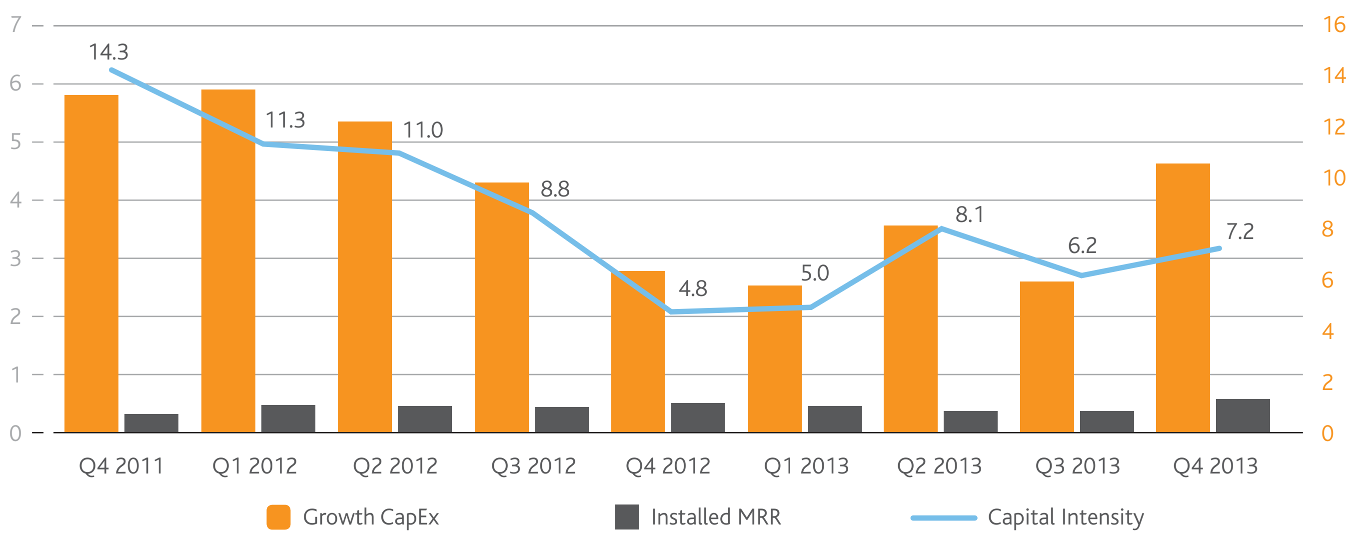
The euTrade service portfolio also delivered strong growth in 2013, with fibre and wireless solutions co-mingled as part of customers' trading strategies. euTrade performance picked up in Q4 2013 following the launch of new routes to Stockholm and Moscow on 30 October 2013. With market leading latencies on offer, euNetworks anticipates strong growth for euTrade to continue through Q1 2014 and will continue to monitor this market, investing in line with customer demand.

Sales in the year, particularly in 2H 2013, were driven by network investments identified in 2012 and undertaken in 2013, as outlined above. These projects meant a slight shift in discretionary capital allocation in 2013, with a growing proportion allocated to network development as stated earlier in this report. While investing directly for customer service revenue remains a priority for the business, network investment for a bandwidth infrastructure company is vital for continued organic growth in quarters and years to come, increasing addressable market share and to future proof the network.

Capital Expenditure Allocation (€M)



Capital Intensity (€M)

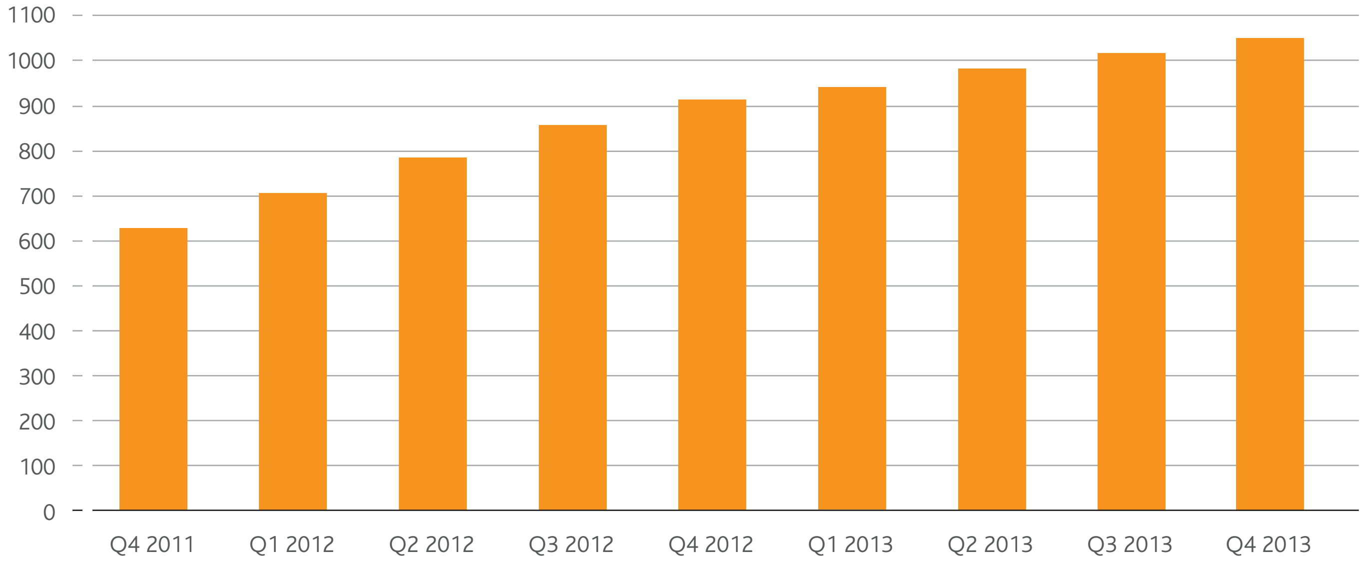


Review & Progression

Key Network Developments

The key network developments undertaken in 2013 and as summarised above, were as follows:

1. Buildings Connected in the Metro Networks



1,046 buildings on-net at 31 December 2013, including;

- 237 data centres
- 140 wireless tower sites
- 669 enterprise office buildings
- With 137 of the data centres and enterprise buildings with at least one wireless tower connected.

Growing the number of on-net buildings directly connected to the network remained important to euNetworks in 2013, but as stated earlier, with the commercial focus on growing revenue from the existing customer base, the growth in new on-net buildings connected slowed compared to 2012. Connecting data centres was a key focus in 2013.

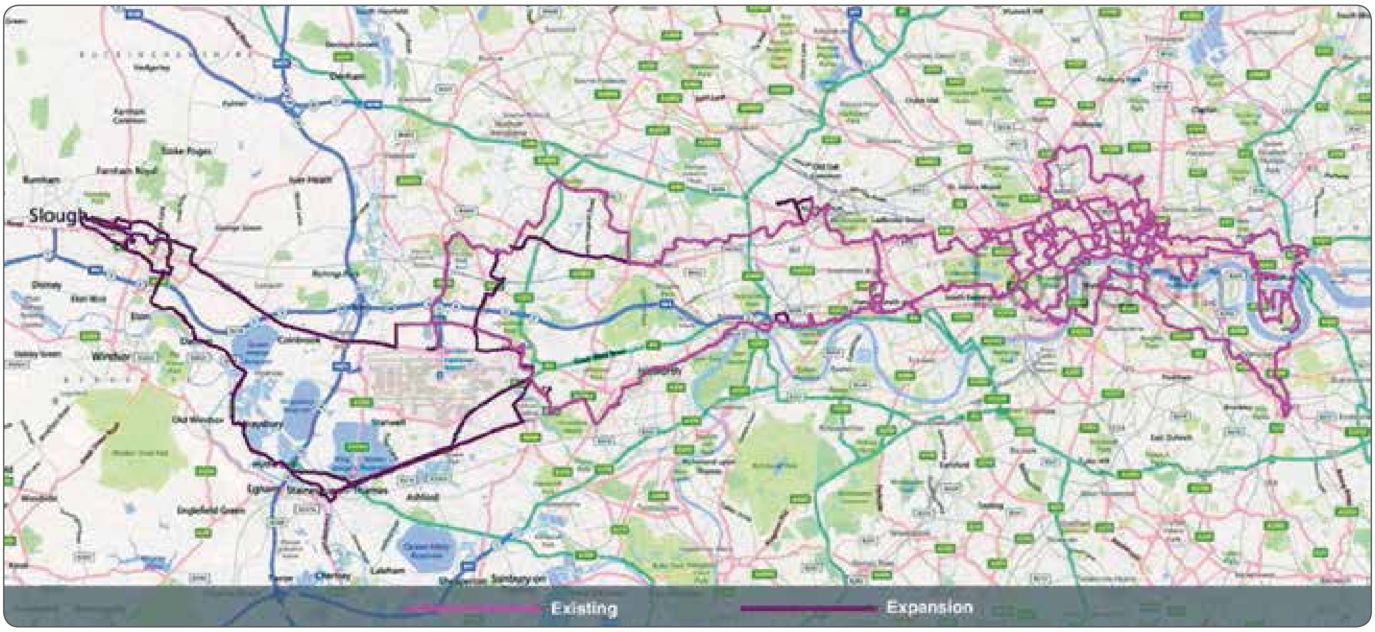
2. euTrade Stockholm and Moscow

euNetworks has offered ultra low latency services from London to Stockholm since Q4 2010 and upgraded that route to a fibre based solution in 2013, delivering market leading performance. Adding connectivity to Moscow in Q4 2013 means that today euNetworks delivers leading low latency euTrade services across their London metropolitan network, through to Slough and Basildon, to Frankfurt, Stockholm, Zurich, Milan and Moscow, directly to multilateral trading facilities (MTFs). Investment in this network development platform continues to drive growth for the business and is expected to be a similar contributor to the company's sales mix going forward following 2013 investment. The company will continue to monitor this market for competitive pressure from alternate technologies such as microwave, and to invest appropriately in line with customer demand.

Review & Progression continued

3. London Metropolitan Network

In London euNetworks undertook a duct based network expansion through a mixture of utilising unused network assets, new construction and duct procurement. This added Slough to its metro network to the West of London, with diverse routes across London. Slough and the surrounding area is a thriving connectivity hub for a number of high bandwidth consuming sectors, with significant data centre presence serving the London, UK and international markets. euNetworks now owns and operates approximately 300 route kilometres of duct and fibre infrastructure across London, with route diversity and full product portfolio availability for its customers as well as direct connection to the key data centres in the market. With effective unlimited bandwidth between more customer locations and data centres, this investment offers euNetworks a larger addressable market share in what is an important and growing market for the company.



4. Frankfurt Metropolitan Wavelength build

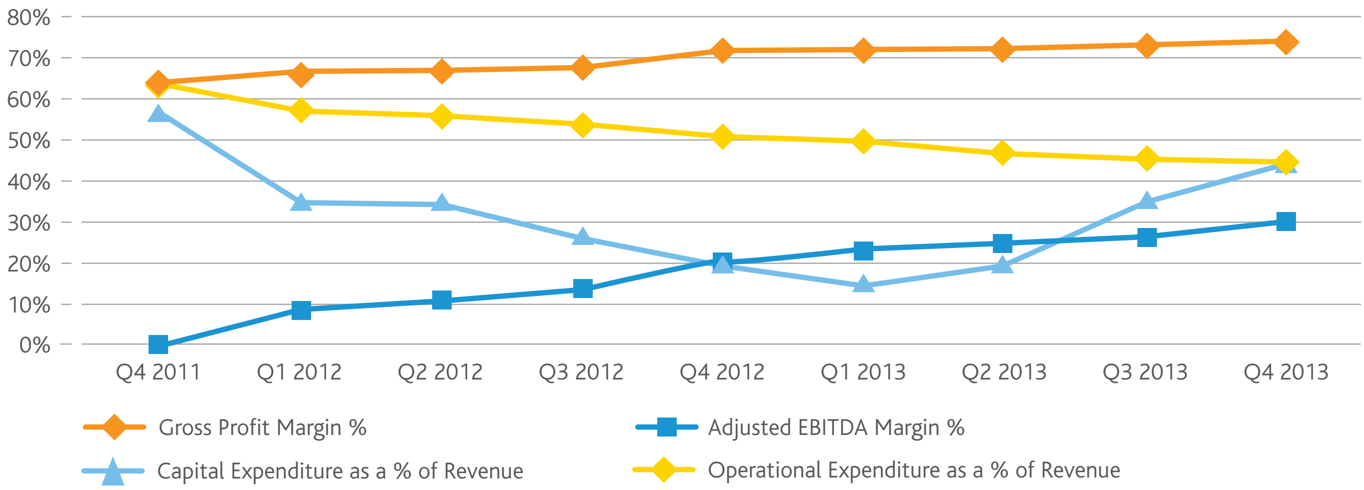
euNetworks has been developing its metro network in Frankfurt, rolling out a dense wave division multiplexing (DWDM) transport platform running between key data centres. This investment not only positions euNetworks as the key data centre to data centre connectivity provider in Frankfurt, but also delivers increased support for encryption to address the growing security concerns every business has today - supporting local data centre to data centre replication and back up activities. euNetworks is working with a number of the data centre operators in the market, including Equinix Germany as announced on 6 March 2014. As data centre operators increasingly look to bundle connectivity with their other products to end customers, euNetworks' capability and ability to deliver instant bandwidth with high quality, performance and with scale, directly meets their bandwidth needs. The company will be working to develop this proposition further in 2014 as appropriate.

Review & Progression

A Scaling Business

The Group's performance through 2013 indicated further strong signs of scaling.

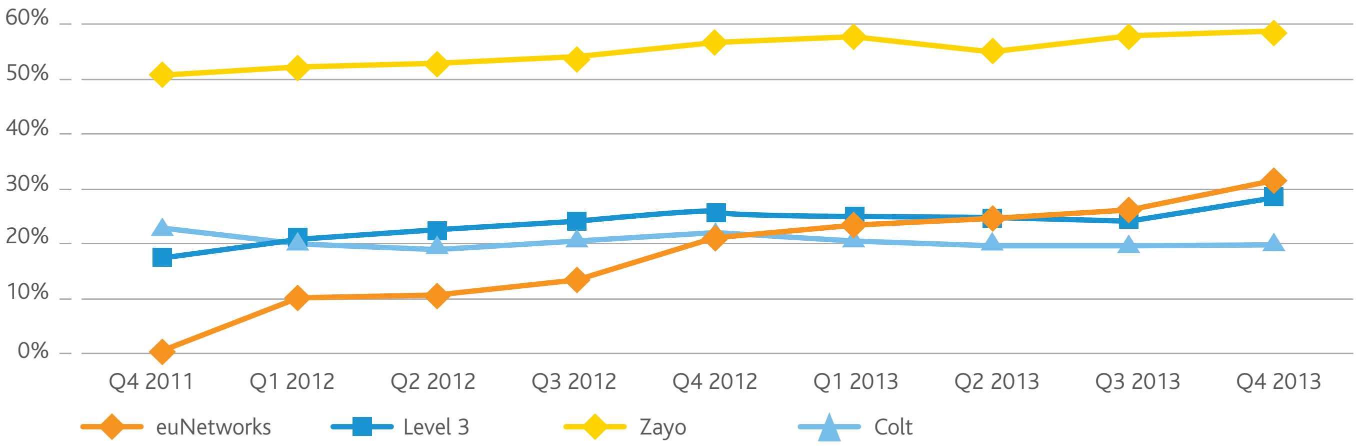
	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Gross Profit Margin %	64.7%	66.5%	67.1%	67.1%	71.2%	72.4%	72.0%	72.9%	74.4%
Adjusted EBITDA Margin %	0%	9%	11%	14%	20%	23%	24%	26%	31%
Capital Expenditure as a % of Revenue	58%	35%	35%	27%	20%	15%	20%	36%	45%
Operational Expenditure as a % of Revenue	65%	57%	56%	54%	51%	49%	47%	47%	44%
Annualised Revenue per FTE (€k)	428.8	436.0	435.7	461.2	471.2	524.9	526.9	491.8	475.2



To recap, euNetworks' goal when at scale is to deliver gross margins of 80%, Adjusted EBITDA margins of 45%, a 30% capital expenditure to revenue ratio and operating cash flow of 15%.

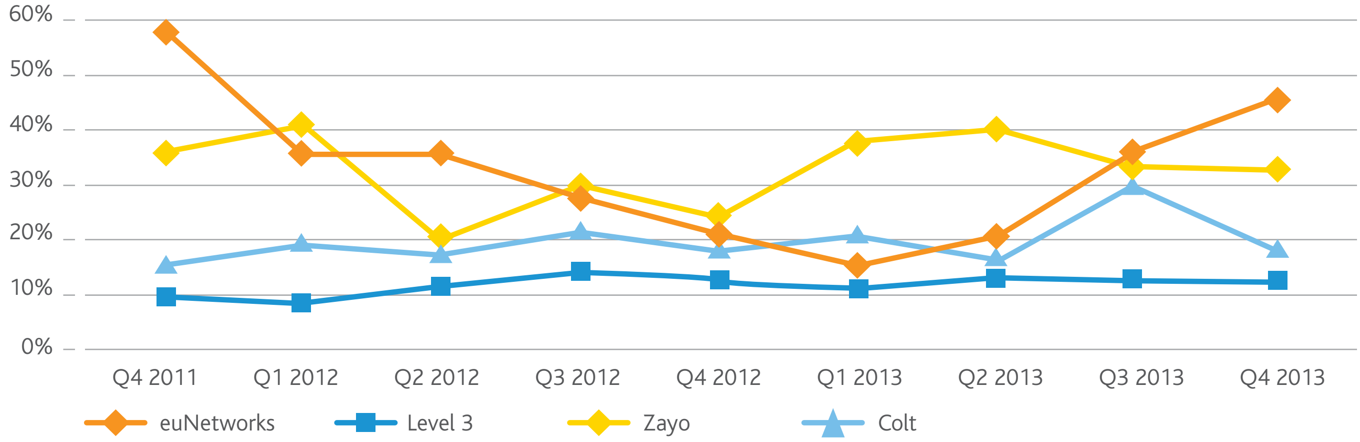
Benchmarking euNetworks against similar yet more established businesses indicates euNetwoks is developing well along this path.

EBITDA Margin Trends (%)



Review & Progression continued

Capital Expenditure as a % of Revenue



Source: Telecom Ramblings and Company Filings

Measuring the scalability of euNetworks remains at the heart of the Company's performance metrics. euNetworks is focused on delivering services quickly and efficiently, not only to delight customers, but also to maximise speed with which revenues turn into profits. The Company also looks to minimise headcount costs associated with turning up a service, and further enhancing financial returns.

euNetworks' focus on its lean and 'friction free' production system is paramount to being able to achieve its goals and take full advantage of organic and inorganic growth opportunities.

2014 Outlook

Following another year of strong financial performance, close management of key metrics and the roll out of strategic network investment projects, euNetworks expects to further grow its market share and opportunity in 2014. It has a strong customer base, and is serving significant brand names that have further requirements to grow their bandwidth usage with euNetworks.

The sales team is focused on leveraging 2013 investment and working with existing customers to that end, and reducing churn in the business. In parallel, the product and marketing teams work to further refine solution propositions by segment in support of new sales across the footprint and to sell additional products into existing accounts. They are also monitoring and adjusting commercial and product approaches in line with market pressures and customer demand. The operations team continues to work on efficiency and its lean production model in support of customers and to manage an ever-scaling business. The Management team and Board of Directors continue to assess investment opportunities for further organic growth, work through capital structure simplification and are ready to proceed appropriately should inorganic growth opportunities arise in the European market to further accelerate euNetworks' business model and market position.

Tight management of financial metrics will continue through 2014, with the primary goal of delivering further growth for its shareholders. euNetworks will continue to develop relationships with data centre operators and deploy discretionary capital expenditure efficiently to serve customers' needs today and to future proof the network, euNetworks' core asset. As ever, customers remain at the centre of all effort ensuring euNetworks delivers a world class service experience for bandwidth provision.

Corporate Information

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Corporate Information

BOARD OF DIRECTORS

Non-Executive Chairman

Nicholas George	Independent

Executive

Brady Reid Rafuse	Chief Executive Officer
John Louis Scarano	Vice Chairman and Executive Vice President of Finance, Operations and Corporate Development (resigned on 13 February 2014)
Joachim Piroth	Chief Financial Officer (appointed on 1 January 2014)
Uwe Markus Nickl	Chief Sales Officer

Non-Executive

Daniel Simon Aegerter	Non-Independent
Lam Kwok Chong	Independent
John Neil Hobbs	Independent (appointed on 1 January 2014)
Duncan James Daragon Lewis	Independent
Kai-Uwe Ricke	Independent
John Tyler Siegel Jr.	Non-Independent
Jason Robert Booma	Non-Independent, Alternate director to John Tyler Siegel Jr.
Simon Daniel Koenig	Non-Independent, Alternate director to Daniel Simon Aegerter

AUDIT COMMITTEE

Lam Kwok Chong (Chairman)
Nicholas George
Duncan James Daragon Lewis
John Tyler Siegel Jr.

NOMINATING COMMITTEE

Duncan James Daragon Lewis (Chairman)
Nicholas George
Kai-Uwe Ricke
John Tyler Siegel Jr.
Brady Reid Rafuse

REMUNERATION COMMITTEE

Nicholas George (Chairman)
Kai-Uwe Ricke
John Tyler Siegel Jr.

ESOS COMMITTEE

Nicholas George (Chairman)
Kai-Uwe Ricke
John Tyler Siegel Jr.

COMPANY SECRETARY

Jimmy Yap Tuck Kong

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AUDIT PARTNER-IN-CHARGE
Aw Vern Chun Philip
(Year of appointment: 2012)

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SPONSOR
CIMB Bank Berhad
Singapore Branch
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#09-01 Singapore Land Tower
Singapore 048623

Board of Directors

NICHOLAS GEORGE

Non-Executive Chairman

Nicholas George is the Non-Executive Chairman of the Group 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, Millennium and Copthorne Hotels PLC and Aberdeen New Dawn Investment Trust PLC, both listed in London, and Nutmeg Saving and Investment Limited.

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 last re-elected on 28 April 2011. Mr. George will be seeking re-election at the forthcoming Annual General Meeting.

BRADY REID RAFUSE

Chief Executive Officer

Brady Rafuse is the Chief Executive Officer of euNetworks Group Limited.

He has successfully led the business through restructuring, two acquisitions and subsequent integration, debt and equity fund raising, while developing a team that has collectively worked to deliver continued improvement in the financial and operating performance of the business.

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 last re-elected on 24 April 2013.

JOACHIM PIROTH

Chief Financial Officer

Joachim Piroth is Chief Financial Officer of euNetworks Group Limited. He joined the Company in January 2014 and is responsible for Financial activities of the Company.

Prior to joining euNetworks, Mr. Piroth worked for zanox Group for three years, where he held the position of Group Chief Financial Officer of the worldwide activities of zanox Group. Prior to this Mr. Piroth served as Chief Financial Officer and Managing Director of the German and Austrian activities of BT Global Services, overseeing successful restructuring processes, M&A management and delivering strong cash flow management. He also held similar positions at Versatel Deutschland GmbH and LambdaNet Communications AG and began his career at Mannesman Group.

Mr. Piroth received a Master of telecommunication engineering from RWTH Aachen, Germany.

He was appointed to the Board on 1 January 2014 and will be seeking re-election at the forthcoming Annual General Meeting.

UWE MARKUS NICKL

Chief Sales Officer

Uwe Nickl is Executive Director on the Board of Directors and Chief Sales Officer of euNetworks Group Limited, responsible for all direct and indirect sales activities for the Company, in addition to business development. Mr. Nickl is also Managing Director (Geschäftsführer) of the Group's German businesses. He joined the Company in July 2009 as Chief Marketing Officer, responsible for strategy, business development, products, marketing and sales.

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 and The Netherlands.

Mr. Nickl was appointed to the Board on 1 January 2012 and was re-elected on 26 April 2012.

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. He is also a Non-Executive Director at Adurion KG in Kiechtenstein, Application Craft UK. Limited and Nutmeg Saving and Investment Limited in the UK, Gutburg Immobilien S.A in Luxembourg and Kitedesk, Inc in the United States.

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).

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 26 April 2012. He will be seeking re-election 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. He currently provides management services to businesses based in Singapore and the region and is a Non-Executive Director at CSE Global Limited and Life Planning Associates Pte Limited.

Mr. Lam first joined Keppel Telecommunications and Transportation Ltd 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 24 April 2013.

Board of Directors

JOHN NEIL HOBBS

Independent, Non-Executive Director

Neil Hobbs brings over 25 years of experience in the technology and telecommunications industry, holding Chief Executive, Chairman and senior executive positions.

Mr. Hobbs is Chief Executive Officer (CEO) of TerraPact Inc, taking up this position in June 2013. He holds a position on the Board of Directors of Cologix and is also Chairman of Teliris, having joined that business in 2010 as CEO. Prior to Teliris, Mr. Hobbs served as President and CEO for Atlantix Global Systems. He also held a number of senior positions at Level 3 Communications, where he guided the company to positive cash flow for the first time in its history. As Executive Vice President of Operations at Level 3, Mr. Hobbs was responsible for $4.2B revenue, $1B EBITDA and a $500M capital budget operating in 22 countries around the world. Prior to Level 3, he led global sales, marketing and customer service, operating in 65 countries for Concert, a joint venture between AT&T and British Telecom.

Mr. Hobbs was appointed to the Board on 1 January 2014 and will be seeking re-election at the forthcoming Annual General Meeting.

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 to 2008. Between 2002 and 2008 he served as an advisor to The Carlyle Group. Today he is on the Board of Directors of Goldacre Data Limited, Harlow DC GP Limited, JQW plc, Mobbu Limited, MPme Limited, NextiraOne bv, niu-Solutions Limited, Spirent Communications Plc, Skydox Limited and Teletique Limited.

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

He was appointed to the Board on 17 October 2011 and was re-elected on 26 April 2012. Mr. Lewis will be seeking re-election 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 and SUSI Partners AG in Switzerland. He worked for nearly 20 years in the telecommunication industry, finally serving as Chief Executive Officer of Deutsche Telekom AG.

Mr. Ricke 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.

He was appointed to the Board on 12 April 2010 and was last re-elected on 24 April 2013.

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 Internet Infrastructure and Enterprise IT Services investments. He is also a member of the Board of Directors of GTS Central Europe, CloudSherpas, Summit IG, TerraPact, Teliris Inc, Cologix, and Virtustream.

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 26 April 2012. Mr.Siegel will be seeking re-election 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 Internet Infrastructure and Enterprise IT services sectors. He is a member of the Board of Directors of 2nd Watch, Cloud Sherpas, Summit IG and TerraPact and is directly involved in Columbia's investments in Endgame Systems, Zayo Group LLC, and GTS Central Europe.

Prior to joining Columbia Capital, Mr. Booma was an investor at Centennial Ventures and held operating roles at Level 3 Communications. Mr. Booma received a Bachelor of Science in Computer Engineering from Northwestern University and a Master of Business Administration from the Kellogg School of Management.

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

SIMON DANIEL KOENIG

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

Simon Koenig has been a Managing Director and member of the Board of Directors at Armada Investment Group, a Swiss based single Family Office, since 2009. He is involved in the overall wealth management of the Aegerter Family and responsible for numerous holding companies. In addition, he is a CEO at Gutburg Immobilien S.A, a Luxembourg based real estate company.

Prior to joining Armada Investment Group, Mr. Koenig held various positions with Pemba Credit Advisors, KPMG Corporate Finance and Credit Suisse.

Mr. Koenig received a Bachelor of Sciences in Finance and Economics from the University of Applied Sciences in Zurich. He is a member of the CFA Institute and the Swiss CFA Society.

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

Key Management

KEVIN DEAN – Chief Marketing Officer

Kevin Dean joined euNetworks Group Limited as Chief Marketing Officer in March 2014. He is responsible for products, marketing, sales operations and strategic activities of the Company.

Prior to joining euNetworks, Mr. Dean worked for Interxion for 4 years where he held the position of Chief Marketing Officer. He was actively involved in the IPO of the company and also responsible for the marketing strategy, segment marketing and business development activity across Europe. Prior to this he spent 6 years at Colt telecom in senior marketing roles, and was also Vice President, Marketing at Cable & Wireless. Before moving into communications, Mr. Dean spent 10 years in the IT industry, giving him a unique perspective on the emerging cloud computing market.

He holds a Master of Business Administration, in addition to his first degree in Applied Physics. Mr. Dean is a fellow of the Chartered Institute of Marketing.

ANDREW FIELD – Group Finance Director

Andrew Field is Group Finance Director for euNetworks. He joined the Group in January 2012 and is responsible for the financial reporting, cash management, management accounting and centralised finance functions of the Group.

Mr. Field has 32 years' experience as a Chartered Accountant, both within the UK and internationally. He spent time with PWC (Price Waterhouse as it was then), initially in Southampton and then Johannesburg where he managed a portfolio of multinational clients including Esso and Toyota. After a period with Grant Thornton advising small to medium sized businesses, he then transitioned from practice to industry, initially in the mobile phone infrastructure and handset business with a joint venture between Vodafone and LM Ericsson. Subsequently his career has seen him hold senior financial roles in a number of industries including Internet payment processing where he was one of the first employees of WorldPay and helped develop their back office systems in what was at the time one of the first high volume internet payment processors. He has also been influential in a number of other industries including private mobile telephony, traffic management systems, the pay TV industry, fine art auctions and retailing.

GARY JORDAN – Senior Vice President, Operations

Gary Jordan is Senior Vice President of Operations, responsible for all Operations functions within the business, including developing and maintaining the network, ensuring its physical integrity and performance. He is also responsible for the deployment of all customer services and bandwidth associated projects. He joined the Company in November 2008.

Mr. Jordan has held telecommunications operational roles for over 23 years. Prior to joining euNetworks, he held a number of senior posts in fixed and wireless design, deployment and operation of fibre, copper and GSM networks in Europe, the Middle East and Africa. As a Senior Manager in Metromedia Fibre Networks, Mr. Jordan was responsible for the engineering and construction of high capacity fibre networks in 16 cities across 8 European countries. Before this he held senior positions at Lucent Technologies EMEA, Southwestern Bell and Cox Communications. He was responsible for the planning and design of one of the first CATV systems to be introduced into the UK, which later became Virgin Media.

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

RICHARD TAYLOR – General Counsel

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

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

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

Corporate Governance

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Corporate Governance Report

The Company is committed to high standards of corporate governance in order to protect shareholders' interests and maximise long-term shareholder value. As required by the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("SGX-ST", the "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 2012 (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 objectives, values and standards (including ethical standards and sustainability issues).
- 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.
- Identify key stakeholder groups and recognise that their perceptions affect the Company's reputation.
- Consider sustainability issues as part of its strategic formulation.
- Ensure that obligations to shareholders and other stakeholders are understood and met.

The Board has in place a formal Delegation of Authority to Management which it reviews from time to time. 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. The Board also delegates decision making to a committee of its members from time to time, whilst retaining overall responsibility.

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 ("NC"), the Remuneration Committee ("RC"), the Audit Committee ("AC") and the Employee Share Option Scheme Committee (the "ESOS Committee"). In financial year 2013, the Terms of Reference of the AC were updated to reflect that the Board had formally delegated to the AC responsibility for assisting the Board with risk governance and oversight. In financial year 2013, the Terms of Reference of the RC were updated to reflect the changes to the Code of Corporate Governance. The Terms of Reference of the Nominating Committee were updated in February 2014 to reflect the changes to the Code.

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 2013 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.

Name	Board		Audit Committee		Remuneration Committee		ESOS		Nominating Committee	
	No. of meetings		No. of meetings		No. of meetings		No. of meetings		No. of meetings	
	held	attended	held	attended	held	attended	held	attended	held	attended
Nicholas George	8	8	4	4	2	2	2	2	3	3
Brady Reid Rafuse	8	8	N/A	N/A	N/A	N/A	N/A	N/A	3	3
John Louis Scarano	8	8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Uwe Markus Nickl	8	8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Daniel Simon Aegerter[1]	8	8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lam Kwok Chong	8	8	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Duncan James Daragon Lewis	8	7	4	3	N/A	N/A	N/A	N/A	3	3
Kai-Uwe Ricke	8	7	N/A	N/A	2	2	2	2	3	2
John Tyler Siegel Jr[2]	8	8	4	3	2	2	2	2	3	3

(1) Including attendances by Daniel Aegerter's alternate, Simon Daniel Koenig
(2) Including attendances by John Siegel's alternate, Jason Robert Booma

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. The Company's articles of association provide for meetings to be held by telephone and video conference.

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 individual induction 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 21 June 2013, 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' 2013 programme included training elements (in particular with regard to the management of risk), and further training for Directors will extend to relevant new laws, regulations and changing commercial risks from time to time. Each Director has identified any need that they have for additional training. The Company is responsible for arranging and funding the training of Directors.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board currently has a strong and independent element, with five out of 10 Directors (including the Chairman and the Chairman of the NC) considered Independent by the NC. The NC 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 NC will continually review the size and composition of the Board so that it will have the necessary competency to be effective. The NC 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: 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 and responsibilities are set out in his appointment letter and include acting as Chairman of the Board, RC and ESOS Committee 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 also ensures that adequate time is available for discussion of the agenda items, in particular strategic issues, and promotes a culture of openness and debate of the Board.

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 2013 are set out on page 22.

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

- Duncan James Daragon Lewis (Chairman) (Independent Director)
- Nicholas George (Independent Director)
- Kai-Uwe Ricke (Independent Director)
- John Tyler Siegel Jr. (Non-Independent Director)
- Brady Reid Rafuse (Executive Director)

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

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

(a) NC 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) NC 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) NC 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 NC 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 NC also recommends Directors for re-appointment based on Directors having demonstrated the same criteria.

The NC is also charged with determining the "Independence" status of the Directors annually and as and when circumstances require and provide its views to the Board for consideration as appropriate in accordance with the Code. Further, the NC has the responsibility for re-nomination of Directors, having regard to the Director's competencies, commitment, 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 and composition and progressive renewal of the Board.

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 ("AGM"), and a Director newly appointed by the Board must submit himself for re-election at the AGM immediately following his appointment.

Corporate Governance Report continued

In addition, the NC makes recommendations to the Board on relevant matters relating to;

(a) The review of Board succession plans for Directors, in particular, the Chairman and the CEO

(b) The development of a process for evaluation of the performance of the Board, committees and the Directors.

(c) The review of training and professional development programmes for the Board.

The NC 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, taking into consideration the Director's number of listed company Board representations and other principle commitments. The NC takes into account the effectiveness of the individual Director and the Director's 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 and other principal commitments.

Although the Independent Directors hold directorships in other companies, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors widen the experience of the Board and give it a broader perspective.

On this basis, and given that Directors seek approval of the NC before accepting additional listed company directorships, the NC did not consider it appropriate for it or the Board to determine a maximum number of listed company board representations that any Director may hold.

One of the duties of the NC is to assess the qualifications of the appointed alternate Directors to the Board. The alternate Directors of the current Board are:

- Jason Robert Booma — Alternate to John Tyler Siegel Jr.
- Simon Daniel Koenig — Alternate to Daniel Simon Aegerter

The Board approved the appointment of alternate Directors by two Non-Independent, Non-Executive Directors pursuant to Article 98(A) of the Company's Articles of Association. The alternate Directors are appropriately qualified and possess relevant skill sets, and are familiar with the Group's business.

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

Pages 22-26: 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 23-26: Board committees served on (as a member or Chairman), whether appointment is Executive or Non-Executive, whether considered by the NC to be Independent.

Page 38: Shareholdings in the Company and its subsidiaries.

Pages 23-26: Biographies of the Directors including directorships or chairmanships (present and in the preceding three years) in other listed companies and other principal commitments.

PRINCIPLE 5: BOARD PERFORMANCE

The Board has undertaken an annual assessment of the effectiveness of the Board as a whole, its committees and the Chairman and each individual Director, led by the NC. The performance criteria reviewed did not change from the previous year.

Each of the Directors completed an anonymous online questionnaire and, based on the answers, the UK Institute of Directors (IoD) prepared a Board Governance Analysis Report (BGA 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.

Following the review of the BGA Report by the NC, the Chairman of the NC and the CEO have agreed to identify areas for improvement to the Board's effectiveness and to propose a schedule to address these at Board meetings over the coming year. In addition, the Chairman is meeting with each Director individually to undertake individual evaluation in accordance with Guideline 5.4 of the Code.

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 and on an ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities. The information provided to the Board includes necessary background or explanatory information.

The Company Secretary and General Counsel, one of whom attends each Board meeting, have responsibility for ensuring that Board procedures are followed, that applicable rules and regulations are complied with and for advising on governance matters. The General Counsel defers to the Company Secretary on matters of Singapore regulatory compliance.

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, that applicable rules and regulations are complied with and for advising on governance matters. 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 advising the Board through the Chairman on all procedural matters, 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 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 any 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.

The RC has reviewed the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoids rewarding poor performance. Where possible, the RC will consider the use of contractual provisions to allow the Company to reclaim incentive components.

The level and structure of remuneration is designed to be aligned with the long term interest and risk policies of the Company and to be appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company. A significant and appropriate proportion of Executive Directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance, aligned with the interests of shareholders and promoting the long term success of the Company. The Executive Directors and key management personnel have all been granted share options as a long term incentive scheme with options vesting over a period of years.

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

The RC seeks expert advice from independent external consultants in the field of corporate compensation outside the Company whenever 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. No external consultants were engaged in 2013.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The Company's CEO, Mr Brady Reid Rafuse, Chief Sales Officer, Mr Uwe Markus Nickl and Chief Financial Officer, Mr Joachim Piroth, have rolling contracts with the Company of a duration that is not fixed, with 12 month, 9 month and 6 month notice periods respectively. 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. Rewards are linked to corporate and individual performance, within which the Company's compliance with its risk policies is considered.

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 AGM. 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.

Corporate Governance Report continued

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

Remuneration of the Directors of the Company for the year ended 31 December 2013

Remuneration Band & Name of Director	Total S$	Base/Fixed Salary	Director's Fees	Consultancy Fee	Benefits-in-Kind	Performance Based Bonuses	Employers Pension Contributions	Share Options	Payments on Termination
Executive Directors									
Brady Reid Rafuse	3,212,000	21%	-	-	2%	21%	3%	53%	-
John Louis Scarano	1,932,000	23%	-	-	17%	16%	-	44%	-
Uwe Markus Nickl	1,342,700	31%	-	-	1%	22%	1%	45%	-
Non-Executive Directors									
Kai-Uwe Ricke	235,000	-	23%	16%	-	-	-	61%	-
Duncan James Daragon Lewis	101,000	-	64%	36%	-	-	-		-
Lam Kwok Chong	119,000	-	54%	31%	-	-	-	15%	-
Nicholas George	195,000	-	73%	19%	-	-	-	8%	-

Remuneration of top five Executives of the Company for the year ended 31 December 2013

Remuneration Band & Name of Executive	Base/Fixed Salary	Benefits-in-Kind	Performance Based Bonuses and/or Commission	Employers Pension Contributions	Share Options
From S$1,000,000 to below S$1,250,000					
David Selby	35%	-	18%	2%	45%
Andrew Weddell	34%	2%	14%	2%	48%
From S$750,000 to below S$1,000,000					
Richard Taylor	35%	-	18%	2%	45%
From S$500,000 to below S$750,000					
Gary Jordan	43%	-	12%	2%	43%
From S$250,000 to below S$500,000					
Andrew Field	55%	-	17%	3%	25%

The total remuneration of the top 5 management personnel was S$3,982,642.

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

No employee of the Company or its subsidiaries whose remuneration exceeded S$50,000 during the financial year ended 31 December 2013 was an immediate family member of a Director, the Chief Executive Officer or a substantial shareholder.

Details of Employee Share Option Scheme

During the financial year ended 31 December 2013, 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 Page 39-42 for details of the schemes.

Corporate Governance Report

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 since November 2011 provided for vesting over four years.

Remuneration Matters

PRINCIPLE 10: ACCOUNTABILITY

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

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-ST, 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 Board members with monthly management accounts, reports, explanation and information that keep the Board informed of the Group's performance, position and prospects. The monthly report consists of the consolidated profit and loss accounts, analysis of sales, operating profit, pre-tax and attributable profit with explanation given for variances as well as management forecasts.

In financial year 2013, the Board formally delegated to the AC responsibility for assisting the Board with risk governance and oversight of the Company's implementation and maintenance of its Enterprise Risk Management Framework. The Company further reviewed and enhanced its risk management processes 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 from the Group, down to each significant business unit level.

During the year, the AC reviewed the effectiveness of the Group's internal controls including financial, operational and compliance and information technology. These reviews were undertaken together with Management and the Company's Internal Auditors. Any material non-compliance or failure in internal control and recommendation for improvement is discussed with Management for action. The AC monitors the follow-up actions taken by Management in its quarterly AC meetings. The AC regularly reported its findings to the Board.

The Board takes steps to ensure compliance with legislative and regulatory requirements, including requirements under the SGX Listing Rules.

Based on the Group's framework of management control, internal control policies and procedures established and maintained by the Group, regular audits, monitoring and reviews performed by internal auditors, the Board, with the concurrence of the AC, is of the view that the Group's internal controls are adequate to address the relevant financial, operational, compliance risks and information technology controls.

The Board has received assurance from the CEO and the CFO:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) regarding the effectiveness of the Company's risk management and internal control systems.

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.

However, it should be recognised that such systems are designed to provide reasonable assurance, but not an absolute guarantee against material misstatement or loss.

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets. The Board determines the nature and extent of the significant risks which it is willing to take in achieving its strategic objectives

PRINCIPLE 12: AUDIT COMMITTEE

The 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)
- Duncan James Daragon Lewis (Independent Director)
- John Tyler Siegel Jr. (Non-Independent Director)

No former partner or Director of the Company's existing auditing firm is a member of the AC.

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 and at least two members, including the Chairman, have recent and relevant accounting or related financial management expertise or experience.

The AC's main role is to assist the Board to ensure integrity of financial reporting and hence ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance. The AC also reviews and reports to the Board, at least annually, on the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls.

In 2013, the AC also formally assumed responsibility in respect of assisting the Board with risk governance and oversight. The AC has explicit authority to investigate any matters within its terms of reference, full access to and co-operation of 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. During the year, the AC also met both with external and internal auditors without the presence of Management.

The AC seeks guidance from the auditors on any changes to accounting standards or issues which may have a direct impact on the financial statements.

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 would have reviewed any 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 and any other persons are encouraged and enabled to report any concerns regarding impropriety in financial matters directly to the AC for consideration and review.

PRINCIPLE 13: INTERNAL AUDIT

In financial year 2013, the Company appointed a full time Internal Auditor. The Company is of the view that he 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. The internal auditor is also able to call on the assistance of a professional services firm, Grant Thornton UK LLP, when he requires additional resource or expertise. In this manner, the Company has established an effective internal audit function that is adequately resourced.

The Internal Auditor's primary line of reporting is to the AC Chairman, although he reports administratively within the CFO's organisation. The Company is satisfied that the Internal Auditor is independent of the activities that he audits.

The AC approved the hiring and compensation of the Internal Auditor. The Internal Auditor has unfettered access to all of the Company's documents, records, properties and personnel, including access to the AC.

The AC reviewed and approved the Internal Auditor's internal audit plans and agreed a scope of work for FY2013 and beyond. This will continue to be implemented in the year to 31 December 2014. The AC reviewed and is satisfied with the internal audit plans and the adequacy of the internal audit function and will continue to keep this under review.

Shareholder Rights and Responsibilities

PRINCIPLE 14: SHAREHOLDER RIGHTS

The Company treats all shareholders fairly and equitably and recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements.

As explained in the following section, the Company facilitates the exercise of ownership rights by all shareholders and keeps them informed of changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares.

All shareholders are invited to the AGM and other general meetings of the Company and duly informed of the rules, including voting procedures, that govern general meetings. Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Company's Articles of Association allow each shareholder to appoint up to two proxies to attend AGMs and other general meetings. The Company will consider amending its Articles of Association to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in AGMs and other general meetings as proxies. Currently, shareholders who hold shares through such corporations may attend the AGMs or other general meetings as observers.

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

The Company actively engages its shareholders and has in place an investor relation policy to promote regular, effective and fair communication with shareholders, as explained below.

During the financial year ended 31 December 2013, 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 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.

The Board has established and maintains regular dialogue with shareholders to gather views or inputs and to address their concerns through direct conversations and meetings with individual shareholders and the services of Ark Advisors Pte. Ltd.

All shareholders will be sent an Annual Report together with a Notice of the AGM which is also published through SGXNet.

The Company currently does not adopt any fixed dividend policy. The Company has not paid a dividend as it has reinvested and continues to reinvest its operating cash flow in capital expenditure.

The Notice of the AGM is also advertised in a daily newspaper.

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

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

Shareholders can vote either in person or through proxies. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

The Directors and the Chairman of the AC, NC and RC or their representatives will be available at the forthcoming AGM to attend to queries raised by the shareholders. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders.

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

Resolutions are passed at the general meetings by hand and by poll, if required. The Board will adhere to the requirements of the SGX-ST Listing Manual where all resolutions are to be voted by poll for general meetings held on and after 1 August 2015.

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. The Code of Conduct was reviewed by the Board and updated in February 2013. 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 considerations. This has been made known to Directors, Management and staff of the Company and the Group. In particular, it has been highlighted that it is an offence to deal in the Company's securities when the officers (Directors and employees) are in possession of unpublished, material, price sensitive information.

During the financial year ended 31 December 2013, the Company has complied with the best practices on dealings in securities in accordance with Rule 1204(19) of the Catalist Rules.

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

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.

Interested Person Transactions

There were no transactions with interested persons during 2013.

Audit and Non-audit Fees

Fees of €519,340 (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 2013. Of these fees, €372,951 was paid for audit services and €146,389 was paid for non-audit services in relation to taxation advice, preparation of filings, advice on share option schemes, business combination, revenue recognition, property, plant and equipment, impairment of assets, carrying value of investments in subsidiary companies, financial instruments and share based payments, going concerns.

Non-sponsorship Fees

During 2013, approximately S$16,000 (excluding GST) of brokerage fees were paid to CIMB Securities (Singapore) Pte. Ltd., a related entity of the Company's sponsor, CIMB Bank Berhad, Singapore Branch, in connection with the Company's repurchase of its shares in October 2013.

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 2013 and the statement of financial position of the Company as at 31 December 2013 and statement of changes in equity of the Company for the financial year ended 31 December 2013.

1. Directors

The Directors of the Company in office during the year and/or at the date of this report are:

- Nicholas George
- Brady Reid Rafuse
- John Louis Scarano (resigned 13 February 2014)
- Uwe Markus Nickl
- Joachim Piroth (appointed 1 January 2014)
- Daniel Simon Aegerter
- Lam Kwok Chong
- John Neil Hobbs (appointed 1 January 2014)
- Duncan James Daragon Lewis
- 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 was 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, Chapter 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**	**At end of the year following the 50:1 share consolidation on on 31 May 2013**	**At beginning of the year**	**At end of the year following the 50:1 share consolidation on on 31 May 2013**
The Company (Ordinary shares)				
Daniel Simon Aegerter	1,806,284,867	36,125,697	-	-
Nicholas George	11,577,000	231,540	-	-
John Tyler Siegel Jr.	-	-	8,591,598,538	171,831,970
Lam Kwok Chong	16,592,053	331,841	9,245,033	184,900
Kai-Uwe Ricke	40,063,500	965,270	-	-
Brady Reid Rafuse	-	100,000	-	-
Uwe Markus Nickl	-	57,000	-	-
John Louis Scarano	-	500,000	-	-
The Company (Options to subscribe for number of ordinary shares)				
Kai-Uwe Ricke	84,227,702	1,684,552	-	-
Nicholas George	43,227,702	864,552	-	-
Brady Reid Rafuse	867,369,272	17,245,155 (1)(3)	-	-
John Louis Scarano	284,992,761	5,663,027 (3)	-	-
Uwe Markus Nickl	322,165,730	6,410,679 (2)(3)	-	-
Lam Kwok Chong	21,613,850	432,277	-	-

(1) Out of the 17,245,155 options to subscribe for or purchase, 606,958 ordinary shares are subject to a Performance Target.
(2) Out of the 6,410,679 options to subscribe for or purchase, 190,545 ordinary shares are subject to a Performance Target.
(3) This shows the effect on the outstanding options granted subject to a Performance Target related only to the percentage of the Convertible Bond issued on 1 April 2010 that was exchanged or converted to shares. The ESOS Committee deemed the proportion of those ESOS Options granted in 2011 no longer capable of achieving the Performance Target as lapsed. Approximately 98.4% of the Bond was exchanged or converted into shares.

The Company granted options over 5,000,000 shares to Joachim Piroth on 7 January 2014.

	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	At end of the year following the 50:1 share consolidation on 31 May 2013	At beginning of the year	At end of the year following the 50:1 share consolidation on 31 May 2013
The Company (Number of Warrants)				
John Tyler Siegel Jr.	-	-	75,446,012	1,508,920

By virtue of Section 7 of the Act, all of the Directors save for Duncan James Daragon Lewis and John Neil Hobbs, namely Nicholas George, Brady Reid Rafuse, Uwe Markus Nickl, Joachim Piroth, Daniel Simon Aegerter, Lam Kwok Chong, Kai-Uwe Ricke, John Tyler Siegel Jr. and John Louis Scarano (until the date of his resignation), 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.

With the exception of the grant of options to Joachim Piroth, there were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2014.

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 33 to the financial statements.

5. Share options

(a) The Horizon Share Option Scheme was approved by the shareholders of the Company at an Extraordinary General Meeting held on 4 January 2000. The shareholders of the Company approved the change of name of the Scheme to the GlobalVoice Group Limited Share Option Scheme on 7 June 2005 and to the euNetworks Group Limited Share Option Scheme on 29 April 2009 (the "2000 Scheme"). The 2000 Scheme expired for the grant of new options on 4 January 2010.

(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.

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 (all figures are post-adjustment).

The option grants made under the 2000 Scheme and the 2009 Scheme were adjusted on 31 May 2013 to reflect the 50 to 1 consolidation of ordinary shares completed by the company on 31 May 2013.

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 2013 were as follows:

Report of the Directors continued

Date of grant	Balance at 1 January 2013	Restated following share consolidation 50:1	Cancelled/ expired	Balance at 31 December 2013	Subscription price	Vesting date
	No.	No	No.	No.	S$	
2000 Scheme						
1 January 2007	32,560,713	651,214	(651,214)	-	2.33	31 December 2008
1 January 2007	14,961,969	299,239	(299,239)	-	2.16	31 December 2009
1 January 2007	22,500,000	450,000	(450,000)	-	1.66	31 December 2009
30 June 2009	21,613,850	432,277	-	432,277	1.50	29 June 2012
	91,636,532	1,832,730	(1,400,453)	432,277		
2009 Scheme						
27 October 2009	82,497,654	1,649,953	(88,888)	1,561,065	1.25	26 October 2010
27 October 2009	82,497,655	1,649,953	(88,888)	1,561,065	1.25	26 October 2011
27 October 2009	73,852,114	1,477,042	(88,888)	1,388,154	1.25	26 October 2012
27 October 2009	57,636,936	1,152,739	-	1,152,739	0.75	16 February 2010
27 October 2009	86,455,404	1,729,108	-	1,729,108	0.75	15 March 2010
27 October 2009	57,636,936	1,152,739	-	1,152,739	0.75	16 February 2011
27 October 2009	86,455,404	1,729,108	-	1,729,108	0.75	15 March 2011
27 October 2009	57,636,936	1,152,739	-	1,152,739	0.75	16 February 2012
27 October 2009	86,455,404	1,729,108	-	1,729,108	0.75	15 March 2012
27 October 2009	86,455,404	1,729,108	-	1,729,108	0.75	15 March 2013
26 March 2010	11,527,386	230,548	-	230,548	0.75	26 March 2011
26 March 2010	11,527,386	230,548	-	230,548	0.75	26 March 2012
26 March 2010	11,527,387	230,548	-	230,548	0.75	26 March 2013
28 April 2010	31,700,314	634,006	(57,637)	576,369	1.00	28 April 2011
28 April 2010	31,700,314	634,006	(57,637)	576,369	1.00	28 April 2012
28 April 2010	31,700,315	634,006	(57,637)	576,369	1.00	28 April 2013
28 April 2010	238,902,478	4,778,050	(275,945)	4,502,105	1.00	28 April 2014
6 July 2010	21,613,851	432,277	(432,277)	-	0.75	6 July 2011
6 July 2010	21,613,851	432,277	(432,277)	-	0.75	6 July 2012
6 July 2010	21,613,851	432,277	(432,277)	-	0.75	6 July 2013
6 July 2010	8,310,397	166,208	(166,208)	-	0.75	6 July 2014
2 December 2010	15,866,656	317,333	-	317,333	0.80	2 December 2011
2 December 2010	15,866,657	317,333	-	317,333	0.80	2 December 2012
2 December 2010	15,866,657	317,333	-	317,333	0.80	2 December 2013
14 November 2011	709,050,095	14,181,002	(2,106,427)	12,074,575	0.79	14 November 2013
14 November 2011	354,525,046	7,090,501	(1,053,213)	6,037,288	0.79	14 November 2014
14 November 2011	354,525,047	7,090,501	(1,053,213)	6,037,288	0.79	14 November 2015
21 December 2011	94,997,587	1,899,952	(12,276)	1,887,676	0.89	21 December 2012
21 December 2011	94,997,587	1,899,952	(12,276)	1,887,676	0.89	21 December 2013
21 December 2011	94,997,586	1,899,952	(12,276)	1,887,676	0.89	21 December 2014
4 January 2013	-	200,000	-	200,000	0.75	4 January 2015
4 January 2013	-	100,000	-	100,000	0.75	4 January 2016
4 January 2013	-	100,000	-	100,000	0.75	4 January 2017
8 March 2013	-	1,969,710	(222,681)	1,747,029	0.80	8 March 2015
8 March 2013	-	984,854	(111,340)	873,514	0.80	8 March 2016

Date of grant	Balance at 1 January 2013 No.	Restated following share consolidation 50:1 No	Cancelled/ expired No.	Balance at 31 December 2013 No.	Subscription price S$	Vesting date
2009 Scheme (continued)						
8 March 2013	-	984,854	(111,340)	873,514	0.80	8 March 2017
25 June 2013	-	675,000	-	675,000	0.75	25 June 2015
25 June 2013	-	337,500	-	337,500	0.75	25 June 2016
25 June 2013	-	337,500	-	337,500	0.75	25 June 2017
17 October 2013	-	300,000	-	300,000	0.75	17 October 2015
17 October 2013	-	150,000	-	150,000	0.75	17 October 2016
17 October 2013	-	150,000	-	150,000	0.75	17 October 2017
15 November 2013	-	100,000	-	100,000	0.85	15 November 2015
15 November 2013	-	50,000	-	50,000	0.85	15 November 2016
15 November 2013	-	50,000	-	50,000	0.85	15 November 2017
	2,950,010,295	65,489,625	(6,873,601)	58,616,024		
Total	3,041,646,827	67,322,355	(8,274,054)	59,048,301		

Note: *The grants above have been announced on SGXNet.*

(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	Restated following share consolidation 50:1	Aggregate options outstanding as at end of financial year
Lam Kwok Chong	21,613,850	432,277	432,277

Note: *No options have been exercised, cancelled or expired in respect of the above Director 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 2013.

(v) From the commencement of the 2000 Scheme to the end of the financial year, a total of 16,774,706 options were granted (this number assumes all options were adjusted on 10 June 2009 and 31 May 2013), of which 432,277 options remained outstanding (i.e. not exercised or cancelled) as at the end of the financial year.

(vi) No options were granted at a discount during the financial year ended 31 December 2013.

(vii) No options were exercised during the financial year.

(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:

Report of the Directors continued

Name	Options granted during the financial year under review	Aggregate options granted since commencement of Scheme	Restated following share consolidation 50:1	Aggregate options outstanding as at end of financial year
Kai-Uwe Ricke	Nil	84,227,702	1,684,552	1,684,552
Nicholas George	Nil	43,227,702	864,552	864,552
Brady Reid Rafuse	Nil	867,369,272	17,245,155	17,245,155
John Louis Scarano	Nil	284,992,761	5,663,027	5,663,027
Uwe Markus Nickl	Nil	322,165,730	6,410,679	6,410,679

(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 2009 Scheme.

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
None	-	-	-

(iv) 6,489,418 options were granted during the financial year ended 31 December 2013 (2012: nil).

(v) From the commencement of the 2009 Scheme to the end of the financial year, assuming all options were adjusted on 31 May 2013, options over a total of 73,277,425 shares were granted, of which options over 58,616,024 shares remained outstanding (i.e. not exercised or cancelled) as at the end of the financial year.

(vi) No options were granted at a discount during the financial year ended 31 December 2013.

(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 (equivalent to S$1.25 post consolidation) 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 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 until 2 August 2012, at which time this figure reduced to 0.8%. 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.

On 21 May 2013, the Company announced certain adjustments to the 2009 Warrants following the recent share consolidation and pursuant to the terms and conditions of the 2009 Warrants. The exercise price of each 2009 Warrant was adjusted to S$1.625 and the number of 2009 Warrants in each of the warrant groups referred to above was adjusted from 172,910,800 2009 Warrants, being the number of 2009 Warrants before such adjustment, to 3,458,216 2009 Warrants, as a result of the Share Consolidation.

(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")

On 21 May 2013, the Company announced certain adjustments to the 2009 Warrants following the recent share consolidation and pursuant to the terms and conditions of the 2009 Warrants. The exercise price of each 2009 Warrant was adjusted to S$1.00 and the number of 2009 Warrants in each of the warrant groups referred to above was adjusted from 105,000,000 2009 Warrants, being the number of 2009 Warrants before such adjustment, to 2,100,000 2009 Warrants, as a result of the Share Consolidation.

	Number of Columbia Warrants before Adjustment	Number of Columbia Warrants after Adjustment
Group A Columbia Warrants	26,250,000	525,000
Group B Columbia Warrants	9,843,750	196,875
Group C Columbia Warrants	9,843,750	196,875
Group D Columbia Warrants	9,843,750	196,875
Group E Columbia Warrants	9,843,750	196,875
Group F Columbia Warrants	9,843,750	196,875
Group G Columbia Warrants	9,843,750	196,875
Group H Columbia Warrants	9,843,750	196,875
Group I Columbia Warrants	9,843,750	196,875

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 and is currently 0.5%. 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 (equivalent to S$0.50 post-consolidation) 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.

Except for the adjustments to reflect the share consolidation, there were no movements in warrants during the year.

	Date of Grant	Balance at 1 January 2013	Balance at 31 December 2013	Subscription price at 1 January 2013 S$	Subscription price at 31 December 2013 S$	Expiry date
2009 Warrants	08 December 2009	172,910,800	3,458,216	0.0325	1.625	08.12.2014
Columbia Warrants	08 August 2011*	105,000,000	2,100,000	0.020	1.00	08.08.2016
		277,910,800	5,558,216			

**announced on 15 September 2011, effective from 6 September 2011*

7. Audit Committee

The Audit Committee ("AC") 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 AC performs the functions specified in Section 201B (5) of the Act, the Listing Manual and the Code of Corporate Governance 2012. The AC held four meetings during the financial year ended 31 December 2013. In performing its functions, the AC reviewed the following:

(a) the audit plans of the internal and external auditors and the results of the internal auditor's examination and evaluation of the Company's systems of internal accounting controls;

(b) the Company's and the Group's financial and operating results and accounting policies;

(c) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the Directors of the Company and external auditor's report on those financial statements;

(d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the Management to the Company's external auditor;

(f) the re-appointment of the external auditor of the Company; and

(g) with regard to risk management, the Audit Committee shall:

i) advise the Board on the Company's overall risk tolerance and strategy;

ii) oversee and advise the Board on the current risk exposures and future risk strategy of the Company;

iii) in relation to risk assessment:

- keep under review the Company's overall risk assessment processes that inform the Board's decision making;
- review regularly and approve the parameters used in these measures and the methodology adopted; and
- set a process for the accurate and timely monitory of large exposures and certain risk types of critical importance;

iv) review the Company's capability to identify and manage new risk types;

v) before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions, focussing in particular on risk aspects and implications for the risk tolerance of the Company, and taking independent external advice where appropriate and available;

vi) review reports on any material breaches of risk limits and the adequacy of proposed action;

vii) keep under review the effectiveness of the Company's internal controls and risk management systems and review and approve the statements to be included in the annual report concerning the effectiveness of the Company's internal control and risk management systems;

viii) review the Company's procedures for detecting fraud, including the whistle-blowing policy. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

ix) monitor the independence of risk management functions throughout the organisation;

x) review promptly all relevant risk reports on the Company; and

xi) review and monitor Management's responsiveness to the findings.

The AC 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 AC. The AC also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The AC 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 AC 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.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, the AC and the Board are of the opinion that the Group's internal controls were adequate as at 31 December 2013 to address the relevant financial, operation and compliance risks.

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

Joachim Piroth
Director

Singapore
27 March 2014

Statement by 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, Chapter 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 2013, 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

Joachim Piroth

Director

Singapore
27 March 2014

Independent Auditor’s Report

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Independent Auditor's Report

Independent Auditor's Report to the members of euNetworks Group Limited

Report on the 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 2013, and the consolidated statements of profit or loss and other 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, as set out on pages 50 to 98.

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 sheets and to maintain accountability of assets.

Auditor's 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 auditor's 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 auditor 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 2013 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
Chartered Accountants

Singapore
27 March 2014

Financial Statements

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Financial Statements

Consolidated statement of comprehensive income for the financial year ended 31 December 2013

	Note	2013 €'m	2012 €'m
Revenue	5	97.4	94.8
Direct network expenses	6	(26.4)	(30.3)
Network operating expenses	6	(22.3)	(21.5)
Staff costs	7	(20.8)	(27.8)
Other expenses	8	(4.7)	(7.8)
Depreciation of property, plant and equipment	14	(25.4)	(21.8)
Amortisation of intangibles	15	(2.5)	(2.3)
Other operating income	9	-	0.2
Loss on disposal of property, plant and equipment		(0.3)	(0.6)
Operating loss		(5.0)	(17.1)
Financial costs	10	(1.6)	(12.4)
Loss before income tax	11	(6.6)	(29.5)
Income tax credit/(charge)	12	0.3	(0.3)
Loss for the year		(6.3)	(29.8)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(6.3)	(29.8)
Loss for the year and total comprehensive loss for the year attributable to:			
Shareholders of the Company		(6.3)	(29.8)
Loss per ordinary share (eurocents)			
basic and diluted	13	(1.41)	(0.15)

Note: *Earnings Per Share (EPS) in 2012 is calculated before the share consolidation that took place on 31 May 2013. If the EPS were calculated on a like for like basis with 2013, then the EPS for 2012 would be Eurocent (7.50).*

The accompanying notes form an integral part of these financial statements

Consolidated statement of financial position of the Group as at 31 December 2013

	Note	2013 €'m	2012 €'m
Assets			
Non-current assets			
Property, plant and equipment	14	188.6	186.7
Intangible assets	15	35.3	37.0
Deferred tax assets	31	4.9	4.9
Prepayments	16	2.2	0.3
Total non-current assets		231.0	228.9
Current assets			
Trade receivables	18	8.7	11.1
Other receivables	19	0.8	1.3
Prepayments	16	4.7	3.6
Cash and cash equivalents	20	16.3	22.6
Total current assets		30.5	38.6
Total assets		261.5	267.5
Equity and liabilities			
Equity			
Share capital	21	291.9	291.7
Treasury shares	22	(6.5)	(1.9)
Reserves	24	22.8	20.6
Accumulated losses		(110.7)	(104.4)
Total equity		197.5	206.0
Non-current liabilities			
Obligations under finance leases	25	4.5	5.9
Interest bearing borrowings	26	15.0	4.7
Provisions	27	4.4	5.3
Deferred revenue	28	7.8	8.2
Deferred tax liabilities	31	5.3	6.3
Total non-current liabilities		37.0	30.4
Current liabilities			
Obligations under finance leases	25	1.3	1.3
Interest bearing borrowings	26	-	2.8
Deferred revenue	28	4.1	5.4
Trade and other payables	29	21.2	20.7
Income tax payable		0.4	0.9
Total current liabilities		27.0	31.1
Total liabilities		64.0	61.5
Total equity and liabilities		261.5	267.5

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 2013

	Note	2013 €'m	2012 €'m
Assets			
Non-current assets			
Investments in subsidiaries	17	242.7	244.3
Total non-current assets		242.7	244.3
Current assets			
Other receivables	19	-	0.6
Prepayments	16	0.6	0.2
Cash and cash equivalents	20	0.2	2.4
Total current assets		0.8	3.2
Total assets		243.5	247.5
Equity and liabilities			
Capital and reserves			
Share capital	21	291.9	291.7
Treasury shares	22	(6.5)	(1.9)
Reserves	24	41.9	39.7
Accumulated losses		(85.5)	(86.0)
Total equity		241.8	243.5
Current liabilities			
Interest bearing borrowings	26	-	1.2
Trade and other payables	29	1.7	2.8
Total current liabilities		1.7	4.0
Total equity and liabilities		243.5	247.5

The accompanying notes form an integral part of these financial statements

Consolidated statement of cash flows for the financial year ended 31 December 2013

	Note	2013 €'m	2012 €'m
Cash flow from operating activities			
Loss before income tax		(6.6)	(29.5)
Add back/(deduct):			
Depreciation of property, plant and equipment	14	25.4	21.8
Amortisation of intangibles	15	2.5	2.3
Share options expenses	7	2.2	5.3
Financial costs	10	1.6	12.4
Loss on disposal of property, plant and equipment		0.3	0.6
Provisions		(0.9)	0.2
Operating cash flows before working capital changes		24.5	13.1
Changes in working capital	30	(2.0)	(3.1)
Income tax paid		(1.3)	(0.6)
Net cash inflow from operating activities		21.2	9.4
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(26.7)	(25.5)
Purchase of intangible assets	15	(0.8)	(2.3)
Net cash outflow from investing activities		(27.5)	(27.8)
Cash flows from financing activities			
Debt raised		15.0	-
Repayment of 2013 convertible bond		(1.1)	-
Share buy back		(4.6)	-
Bond conversion costs		-	(0.4)
Repayment of vendor loan		(6.3)	(1.6)
Repayment of finance lease obligations	25	(1.4)	(2.1)
Interest paid		(1.1)	(1.0)
Net cash inflow/(outflow) from financing activities		0.5	(5.1)
Effect of exchange rates on cash and cash equivalents		(0.5)	0.7
Net change in cash and cash equivalents		(6.3)	(22.8)
Cash and cash equivalents at beginning of the year		22.6	45.4
Cash and cash equivalents at end of the year	20	16.3	22.6

The accompanying notes form an integral part of these financial statements

Statement of changes in equity for the financial year ended 31 December 2013

			Reserves			
Group	Share capital €'m	Treasury shares €'m	Employee share option reserve €'m	Foreign currency translation reserve €'m	Accumulated losses €'m	Total equity €'m
2013						
At 1 January 2013	291.7	(1.9)	19.9	0.7	(104.4)	206.0
Loss for the year, representing total comprehensive income for the year	-	-	-	-	(6.3)	(6.3)
Contributions by and distributions to owners						
- Issue of new shares	0.2	-	-	-	-	0.2
- Share buy back	-	(4.6)	-	-	-	(4.6)
- Share options expenses	-	-	2.2	-	-	2.2
Total contributions by and distributions to owners	0.2	(4.6)	2.2	-	-	(2.2)
At 31 December 2013	291.9	(6.5)	22.1	0.7	(110.7)	197.5
2012						
At 1 January 2012	222.1	(1.9)	14.6	0.7	(74.6)	160.9
Loss for the year, representing total comprehensive income for the year	-	-	-	-	(29.8)	(29.8)
Contributions by and distributions to owners						
- Issue of new shares (Note 21)	69.6	-	-	-	-	69.6
- Share options expenses	-	-	5.3	-	-	5.3
Total contributions by and distributions to owners	69.6	-	5.3	-	-	74.9
At 31 December 2012	291.7	(1.9)	19.9	0.7	(104.4)	206.0

Statement of changes in equity for the financial year ended 31 December 2013

			Reserves			
Company	Share capital €'m	Treasury shares €'m	Employee share option reserve €'m	Asset revaluation reserve €'m	Accumulated losses €'m	Total equity €'m
2013						
At 1 January 2013	291.7	(1.9)	19.9	19.8	(86.0)	243.5
Profit for the year, representing total comprehensive income for the year	-	-	-	-	0.5	0.5
Contributions by and distributions to owners						
- Issue of new shares	0.2	-	-	-	-	0.2
- Share buy back	-	(4.6)	-	-	-	(4.6)
- Share options expenses	-	-	2.2	-	-	2.2
Total contributions by and distributions to owners	0.2	(4.6)	2.2	-	-	(2.2)
At 31 December 2013	291.9	(6.5)	22.1	19.8	(85.5)	241.8
2012						
At 1 January 2012	222.1	(1.9)	14.6	19.8	(74.1)	180.5
Loss for the year, representing total comprehensive income for the year	-	-	-	-	(11.9)	(11.9)
Contributions by and distributions to owners						
- Issue of new shares (Note 21)	69.6	-	-	-	-	69.6
- Share options expenses	-	-	5.3	-	-	5.3
Total contributions by and distributions to owners	69.6	-	5.3	-	-	74.9
At 31 December 2012	291.7	(1.9)	19.9	19.8	(86.0)	243.5

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 and domiciled in Singapore and listed on the Singapore Exchange Securities Trading Limited (SGX – ST). The registered office of the Company is 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. The principal place of business is at 15 Worship Street, London EC2A 2DT, United Kingdom.

The principal activities of 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 nationwide 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 also operates 2 secure data centre facilities in Amsterdam and 26 in Germany.

2. Summary of significant accounting policies

2.1 Statement of compliance

The financial statements have been drawn up in accordance with the provision of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") 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 and statement of changes in equity of the Company are presented in Euros ("€"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. Euro is the presentation currency of the Group as the major part of the Group's business has been carried out in Euros. All values presented are rounded to the nearest million ("€'m"), except when indicated otherwise.

In the current financial year, the Group has adopted all the new and revised FRS and 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 accounting policies and had no material effect on the amounts reported for the current or prior years, except as detailed below.

FRS 113 - Fair Value Measurement

FRS 113 provides a single source of guidance on fair value measurement and fair value disclosure requirements when fair value measurement and/or disclosure is required by other FRSs. It also provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope.

The adoption of FRS 113 does not have any material impact on any of the Group's fair value measurements, therefore there has been no material impact on the financial position or financial performance of the Group. The Group has included the additional required disclosures in the financial statements. In line with the transitional requirements, FRS 113 has been adopted from 1 January 2013 and therefore comparative information has not been presented for the new disclosure requirements.

FRS 19 - Employee Benefits (Revised)

The revised FRS 19 amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits.

The Group's employees are entitled to annual leave every year which, if not utilised during the current financial year, can be carried forward for a period of up to 3 months. The Group classified such entitlements as short-term employee benefits as employees are entitled to the benefits during the financial year. Upon the adoption of FRS 19 Revised, the Group reassessed the classification of its employee entitlements to annual leave based on the amended definition. Based on its assessment, the Group expects that the unutilised annual leave will be taken within 3 months after the reporting date and therefore should continue to be classified as short-term employee benefits. The adoption of FRS 19 Revised has not had any material impact on the amounts recognised in the financial statements.

FRS 107 - Disclosure-Offsetting Financial Assets and Financial Liabilities

This amendment includes new disclosures to enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities on the entity's financial position. This amendment does not have any impact on the accounting policies of the Group.

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:

		Effective date (annual periods beginning on or after)
FRS 19 (Amendments)	: Defined Benefit Plans: Employee Contributions	1 July 2014
FRS 27 (Revised)	: Separate Financial Statements	1 January 2014
FRS 32 (Amendments)	: Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 36 (Amendments)	: Recoverable Amount Disclosure for Non-Financial Assets	1 January 2014
FRS 110	: Consolidated Financial Statements	1 January 2014
FRS 112	: Disclosure of Interests in Other Entities	1 January 2014
Improvements to FRSs 2014		1 July 2014
- FRS 16 (Amendments)	: Property, Plant and Equipment	
- FRS 24 (Amendments)	: Related Party Disclosure	
- FRS 38 (Amendments)	: Intangible Assets	
- FRS 102 (Amendments)	: Share-based Payment	
- FRS 103 (Amendments)	: Business Combinations	
- FRS 108 (Amendments)	: Operating Segments	
- FRS 113 (Amendments)	: Fair Value Measurement	
Transitional Guidance		1 January 2014
- FRS 110 (Amendments)	: Consolidated Financial Statements	
- FRS 112 (Amendments)	: Disclosure of Interests in Other Entities	
Investment Entities		1 January 2014
- FRS 27 (Amendments)	: Separate Financial Statements	
- FRS 110 (Amendments)	: Consolidated Financial Statements	
- FRS 112 (Amendments)	: Disclosure of Interests in Other Entities	

FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12, Consolidation – Special Purpose Entities. FRS 110 defines the principle of control and establishes a new control model as the basis for determining which entities are consolidated in the consolidated financial statements. FRS 27 remains as a standard applicable only to separate financial statements. On adoption of FRS110 management will be required to exercise more judgement than under the current requirements of FRS 27 in order to determine which entities are controlled by the Group. These changes will take effect from the financial year beginning on 1 January 2014 with full retrospective application.

As all subsidiaries are effectively 100% owned by the Group, there will be no impact or implication on the consolidation of investment held by the Group.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is a new standard which prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to provide more extensive disclosures regarding the nature of any risks associated with its interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. As this is a disclosure standard, there will be no impact on the financial position or financial performance of the Group on initial adoption of the standard in the financial year beginning on 1 January 2014.

Amendments to FRS 110, FRS 112 and FRS 27 - Investment Entities

The amendments to FRS 110 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries, but instead to measure its subsidiaries at fair value through profit or loss in accordance with FRS 39 Financial Instruments: Recognition and Measurement in its consolidated and separate financial statements. Consequential amendments have also been made to FRS 112 and FRS 27 to introduce new disclosure requirements for investment entities.

The Group does not anticipate that the amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

2.3 Going concern assumption

The Group incurred a loss of €6.3m for the financial year ended 31 December 2013 (2012 : €29.8m) and the Company's current liabilities exceeded its current assets by €0.9m (2012: €0.8m) as at 31 December 2013. In preparing the financial statements of the Group and the Company, 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 and the net current liabilities of the Company.

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.

In the opinion of the Directors of the Company, 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 €6.3m for the financial year ended 31 December 2013 (2012: €29.8m), 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 2013 on a going concern basis.

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

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 and 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.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

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 consideration transferred for 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. Consideration also includes the fair value of any contingent consideration.

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.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at 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's 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 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.

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

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other 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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. Deferred tax is charged or credited to the statement of profit or loss and other 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 profit or loss and other 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.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

Notes to Financial Statements

2.8 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are recognised as an expense in the statement of profit or loss and other comprehensive income in the same financial year as the employment that gives rise to the contributions.

Employee 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 expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

The Group's employees are entitled to annual leave every year which, if not utilised during the current financial year, can be carried forward for a period of up to 3 months.

2.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs, interest expense and similar charges are expensed in the statement of profit or loss and other comprehensive income in the period in which they are incurred using the effective interest method.

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 Euros (€), which is the functional currency of the Company.

Transactions and balances

Transactions entered into by the Group's entities in a currency other than their functional currency, are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates 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 profit or loss and other comprehensive income as 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 profit or loss and other 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 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 licences are initially capitalised at costs which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use, 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 licences are subsequently carried at costs less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 4 years.

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

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 neither planned for nor 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 non-financial 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 is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums 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

All financial assets are recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, 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.

The Group's and Company's loans and receivables in the statement of financial position comprise trade and other receivables and cash and cash equivalents.

Impairment of financial assets

The Group and the Company assess at the end of each financial year 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 profit or loss and other 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.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

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, including derivatives not designated are effective as a hedging instrument or it is designated as such upon initial recognition.

Other financial liabilities

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2.9).

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. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

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 profit or loss.

Where financial instruments are redeemed prior to maturity, the difference between the redemption proceeds and the carrying value at the date of redemption is recognised in profit or loss. Where financial instruments are converted to equity the increase in equity is recorded at the carrying 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

Finance 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.

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 of the Group 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 the consolidated statement of profit or loss and other comprehensive income.

Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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.

2.20 Segmental reporting

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

2.21 Related parties

A related party is defined as follows:

(a) A person or a close of member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions apply:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employees are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Critical accounting judgments and key sources of estimation uncertainty

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

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

3.1 Critical judgments made in applying the accounting policies

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

(i) Determination of functional currency

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

(ii) Leases

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

(iii) Income taxes

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

Given the wide range of international business arrangements, the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate adjustments to tax income and expense in future periods. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group and Company domicile. The carrying amount of income tax payable as at 31 December 2013 is €0.4m (2012: €0.9m) and the carrying amounts of deferred tax assets and liabilities as at 31 December 2013 are disclosed in Note 31 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 property, plant and equipment at 31 December 2013 are disclosed in Note 14 to the financial statements.

(ii) Impairment of property, plant and equipment

At the end of each financial year, an assessment is made whether there is objective evidence that property, plant and equipment is impaired.

An impairment exists when the carrying value of property, plant and equipment exceed their recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The recoverable of property, plant and equipment is determined based on value-in-use, by discounting the expected future cash flows for each cash generating unit ("CGU"). Management considers that the Network business and the Data Centre business each constitute a CGU.

The expected future cash flows are based on financial budgets approved by Management for a period up to 5 years using a discount rate of 10% (2012:10%) and a long term growth rate of 3% (2012: 3%). Based on this, Management estimated that recoverable of property, plant and equipment are in excess of its carrying value and accordingly no allowance for impairment was deemed necessary for property, plant and equipment as at 31 December 2013.

(iii) Impairment of intangible assets

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

Impairment exist when the carrying value of intangible assets, comprising of customer contracts, trademarks, software and goodwill, exceed their recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value-in-use. The recoverable amounts of intangible assets are determined based on value-in-use, by discounting the expected future cash flows for each CGU. Management considers that the Network business and the Data Centre business each constitute a CGU.

The recoverable amount is sensitive to discount rate used for discontinued cash flow model as well as the expected future cash inflows and the growth rates used. For further details of assumptions applied in the impairment assessment of intangible assets refer to Note 15 to the financial statements.

(iv) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made whether there is objective evidence that the investments in subsidiaries are impaired. Management's assessment is based on the estimation of the value-in-use of the CGU by forecasting the expected future cash flows for a period up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investments in subsidiaries at 31 December 2013 was €242.7m (2012: €244.3m).

(v) Allowance for doubtful receivables

The policy for allowances for doubtful receivables of the Group and the Company is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group and the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the trade and other receivables as at 31 December 2013 is as disclosed in Notes 18 and 19 to the financial statements.

(vi) 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 34 to the financial statements. The option valuation model used requires highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yields, risk-free interest rates and expected staff turnover. The Management draws upon a variety of external sources to aid them in determination of the appropriate data to use in such calculations.

4. 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 nationwide 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.

Colocation business

The Group also operates 2 secure data centre facilities in Amsterdam and 26 in Germany.

These facilities offer primary or back up data centres, disaster recovery locations and complex cloud hosting environments. They 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.

Notes to Financial Statements continued

	2013 €'m	2012 €'m
Revenue		
Network business	80.1	75.0
Colocation business	17.3	19.8
Total	97.4	94.8

All revenue is derived from external sales.

	2013 €'m	2012 €'m
Gross profit		
Network business	58.0	51.4
Colocation business	13.0	13.1
Total	71.0	64.5

Gross profit is revenue less direct network expenses

	2013 €'m	2012 €'m
Operating (loss)/profit		
Network business	(3.4)	(15.9)
Colocation business	5.9	8.6
Total segments	2.5	(7.3)
Corporate costs	(7.5)	(9.8)
Total	(5.0)	(17.1)
Additions to property, plant and equipment and intangible assets		
Network business	27.9	26.8
Colocation business	0.5	1.0
Total	28.4	27.8
Depreciation and amortisation		
Network business	(24.9)	(22.6)
Colocation business	(3.0)	(1.5)
Total	(27.9)	(24.1)
Statement of financial position (Group)		
Assets		
Network business	238.5	239.4
Colocation business	22.2	24.9
Total segment assets	260.7	264.3
Corporate assets	0.8	3.2
Total assets	261.5	267.5
Liabilities		
Network business	56.3	49.9
Colocation business	6.0	7.6
Total segment liabilities	62.3	57.5
Corporate liabilities	1.7	4.0
Total liabilities	64.0	61.5

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	
	2013	2012	2013	2012
	€'m	€'m	€'m	€'m
Germany	48.5	48.9	134.6	142.1
Netherlands	15.7	17.3	22.4	22.9
United Kingdom	15.4	13.4	50.3	40.5
Ireland	8.2	7.8	13.8	13.0
USA	4.3	3.8	-	-
France	1.5	0.5	8.5	8.9
Others	3.8	3.1	1.4	1.5
	97.4	94.8	231.0	228.9

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

	2013	2012
	€'m	€'m
Network services	80.1	75.0
Colocation services	17.3	19.8
	97.4	94.8

There was €0.3m from the sale of infrastructure included within network services in 2013 (2012: nil).

Revenue from the single largest customer represented 5.0% of total revenue (2012: 7.7%).

6. Direct network expenses and network operating expenses

	2013	2012
	€'m	€'m
Direct network expenses	26.4	30.3
Network operating expenses	22.3	21.5

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 €18.2m (2012: €12.8m).

7. Staff costs

	2013 €'m	2012 €'m
Wages and salaries	18.6	23.2
Social security costs	2.1	2.3
Share options expenses	2.2	5.3
Termination costs	0.2	0.3
Other staff costs	0.6	0.7
	23.7	31.8
Less: costs capitalised	(2.9)	(4.0)
	20.8	27.8

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

Other staff costs include costs of recruitment and costs associated with training.

8. Other administration expenses

	2013 €'m	2012 €'m
Legal and professional fees	1.5	1.5
Office rental	0.5	1.5
Other office costs	0.5	1.2
Travel expenses	0.9	1.0
Marketing costs	0.4	0.4
Allowance for doubtful receivables	0.1	1.1
Other costs	0.8	1.1
	4.7	7.8

9. Other operating income

	2013 €'m	2012 €'m
Rental income	-	0.2

10. Financial costs

	2013 €'m	2012 €'m
Interest on Convertible Bond 3	0.1	5.9
Foreign exchange movements	0.5	5.0
Interest on bank loan	0.8	-
Other net interest	0.2	1.5
	1.6	12.4

Details of the convertible bonds are given in Note 26.

11. Loss before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the consolidated statement of profit or loss and other comprehensive income, the above includes the following charges:

	2013 €'m	2012 €'m
Audit fees:		
Auditors of the Company [1]	0.1	0.1
Other auditors	0.3	0.3
Non-audit fees:		
Auditors of the Company [2]	-	-
Other auditors	0.1	0.2
	0.5	0.6

Note: *(1) Audit fee paid/payable to the auditors of the Company is €99,000(2012: €92,000)*

(2) Non-audit fee paid/payable to the auditors of the Company is €Nil (2012: €7,000)

12. Income tax (credit)/ charge

Major components of income tax for the financial years ended 31 December 2013 and 2012 are as follows:

	2013 €'m	2012 €'m
Current tax:		
- Current year	0.7	-
- Under provision from prior years	-	0.7
Deferred income tax:		
- Current year	(1.0)	(0.4)
	(0.3)	0.3

Domestic income tax is calculated at 17% (2012: 17%) of the estimated assessable profit for the year.

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2012: 17%) to loss before income tax as a result of the following differences:

	2013 €'m	2012 €'m
Loss before income tax	(6.6)	(29.5)
Income tax at statutory rate of 17% (2012:17%)	(1.1)	(5.0)
Effect of different tax rates of overseas operations	(1.2)	(1.1)
Unrecognised tax losses	4.2	7.3
Income not subject to tax	(1.2)	(1.6)
Under provision of current tax in previous year	-	0.7
Overprovision of deferred tax in previous year	(1.0)	-
	(0.3)	0.3

Notes to Financial Statements continued

13. Loss per ordinary share

Loss per ordinary 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		
	2013	2012	2012
Loss attributable to ordinary equity holders of the Company (€'m)	(6.3)	(29.8)	(29.8)
Weighted average number of ordinary shares (m)	447	385*	19,272
Loss per ordinary share (eurocents)	(1.41)	(7.50)*	(0.15)

On 31 May 2013 the ordinary share capital was consolidated on a 50:1 basis, thereby leading to the number of share in issue being reduced by a factor of 50.

* For the purpose of comparison, the 2012 comparative numbers shown here were adjusted as though the share consolidation had taken place last year.

64.6m (2012: 3,424m restated to 64.8m following the share consolidation described above) 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.

14. Property, plant and equipment

Group	Telecommunications networks	Network equipment	Office furniture and equipment	Assets under construction	Total
2013	€'m	€'m	€'m	€'m	€'m
Cost					
Balance at 1 January 2013	255.6	51.1	3.5	-	310.2
Additions	16.0	11.5	1.0	-	28.5
Disposals	(1.4)	-	-	-	(1.4)
Balance at 31 December 2013	270.2	62.6	4.5	-	337.3
Accumulated depreciation					
Balance at 1 January 2013	(105.0)	(16.0)	(2.5)	-	(123.5)
Depreciation	(15.7)	(8.9)	(0.8)	-	(25.4)
Disposals	0.2	-	-	-	0.2
Balance at 31 December 2013	(120.5)	(24.9)	(3.3)	-	(148.7)
Carrying amount					
At 31 December 2013	149.7	37.7	1.2	-	188.6

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

Group 2012	Telecommunications networks €'m	Network equipment €'m	Office furniture and equipment €'m	Assets under construction €'m	Total €'m
Cost					
Balance at 1 January 2012	233.1	46.2	5.2	1.0	285.5
Reclassifications	7.5	(4.3)	(2.2)	(1.0)	-
Additions	15.8	9.2	0.5	-	25.5
Disposals	(0.8)	-	-	-	(0.8)
Balance at 31 December 2012	255.6	51.1	3.5	-	310.2
Accumulated depreciation					
Balance at 1 January 2012	(94.5)	(3.5)	(3.9)	-	(101.9)
Reclassifications	3.7	(5.5)	1.8	-	-
Depreciation	(14.4)	(7.0)	(0.4)	-	(21.8)
Disposals	0.2	-	-	-	0.2
Balance at 31 December 2012	(105.0)	(16.0)	(2.5)	-	(123.5)
Carrying amount					
At 31 December 2012	150.6	35.1	1.0	-	186.7

As at 31 December 2013, network equipment of the Group with carrying amount of €4.0m (2012: €6.5m) were acquired under finance lease arrangements (Note 25). During the year, the Group acquired property, plant and equipment totalling €28.5m of which cash of €26.7m was paid and €1.8m remained unpaid as at the balance sheet date.

15. Intangible assets

Group 2013	Customer contracts €'m	Trademarks €'m	Software €'m	Goodwill €'m	Total €'m
Cost					
Balance at 1 January 2013	17.2	0.5	4.7	21.6	44.0
Additions	-	-	0.8	-	0.8
Balance at 31 December 2013	17.2	0.5	5.5	21.6	44.8
Accumulated amortisation					
Balance at 1 January 2013	(5.4)	(0.1)	(1.5)	-	(7.0)
Amortisation	(1.0)	(0.1)	(1.4)	-	(2.5)
Balance at 31 December 2013	(6.4)	(0.2)	(2.9)	-	(9.5)
Carrying amount					
At 31 December 2013	10.8	0.3	2.6	21.6	35.3

15. Intangible assets *(continued)*

Group 2012	Customer contracts €'m	Trademarks €'m	Software €'m	Goodwill €'m	Total €'m
Cost					
Balance at 1 January 2012	16.8	0.5	2.8	21.6	41.7
Additions	-	-	2.3	-	2.3
Reclassifications	0.4	-	(0.4)	-	-
Balance at 31 December 2012	17.2	0.5	4.7	21.6	44.0
Accumulated amortisation					
Balance at 1 January 2012	(4.0)	-	(0.7)	-	(4.7)
Amortisation	(1.3)	(0.1)	(0.9)	-	(2.3)
Reclassifications	(0.1)	-	0.1	-	-
Balance at 31 December 2012	(5.4)	(0.1)	(1.5)	-	(7.0)
Carrying amount					
At 31 December 2012	11.8	0.4	3.2	21.6	37.0

There were no intangible assets with indefinite useful lives at 31 December 2013 and 2012.

Impairment testing on customer contracts, trademarks and goodwill

The customer contracts, trademarks and goodwill have been allocated to two CGUs, which are also the reportable operating segments, for impairment testing as follows:

- Network business
- Colocation business

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

	Network business		Colocation business		Total	
	2013 €'m	2012 €'m	2013 €'m	2012 €'m	2013 €'m	2012 €'m
Goodwill	17.5	17.5	4.1	4.1	21.6	21.6
Customer contracts	9.1	9.9	1.7	1.9	10.8	11.8
Trademarks	0.2	0.3	0.1	0.1	0.3	0.4

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 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 2013 in determining an appropriate pre-tax discount rate for impairment purposes. The resulting discount rate calculated was 10%.

(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 12 February 2014. The long-term forecast approved by the Board incorporates forecast operating cash flows for the networks 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, with the application of reasonable and possible changes in key assumptions. For both the Network business and Colocation business CGUs, the model showed sufficient headroom over the carrying value of assets, further indicating no impairment loss is required at 31 December 2013.

The testing carried out at the end of the year indicated that both the Network business and the Colocation business and associated goodwill were not impaired.

16. Prepayments

	Group		Company	
	2013 €'m	2012 €'m	2013 €'m	2012 €'m
Non-current	2.2	0.3	-	-
Current	4.7	3.6	0.6	0.2
	6.9	3.9	0.6	0.2

Prepayments mainly pertain to network expense, fibre and office rentals and insurance paid in advance.

Non-current payments arise from the cost of raising the Bank loan (see note 26). These costs are amortised over the life of the loan. The Bank loan is shown on a gross basis at €15m.

17. Investments in subsidiaries

	Company	
	2013 €'m	2012 €'m
Unquoted equity shares, at cost	84.0	84.0
Receivables from subsidiaries	158.7	160.3
	242.7	244.3

The receivables from subsidiaries of €158.7m (2012: €160.3m) were comprised mainly of 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 neither planned nor expected to be made 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 GmbH(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
euNetworks Managed Services GmbH (f.k.a.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

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.*

The Company has an effective equity interest of 100% in all subsidiaries as at 31 December 2013 and 2012.

18. Trade receivables

	Group	
	2013	2012
	€'m	€'m
Amounts due from third parties	9.6	12.6
Allowance for doubtful trade receivables	(0.9)	(1.5)
	8.7	11.1

The average credit period on trade receivables in 2013 is 30 days (2012: 38 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.

18. Trade receivables *(continued)*

Movements in allowance for doubtful trade receivables are as follows:

	Group	
	2013	2012
	€'m	€'m
Balance at 1 January	1.5	1.2
Written off against allowance	(0.7)	(0.8)
Charged to profit or loss	0.1	1.1
Balance at 31 December	0.9	1.5

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2013	2012
	€'m	€'m
Days due		
0 – 90 days	2.5	3.7
91 – 180 days	0.3	0.2
181 days and over	0.2	-
Total	3.0	3.9

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

Trade receivables that were past due but not impaired were substantially with companies with a good collection track record with the Group.

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

	Group	
	2013	2012
	€'m	€'m
Euro	7.3	10.0
Pound Sterling	1.2	1.0
US Dollar	0.2	-
Singapore Dollar	-	0.1
	8.7	11.1

19. Other receivables

	Group		Company	
	2013	2012	2013	2012
	€'m	€'m	€'m	€'m
Deposits	0.6	0.6	-	-
Sundry receivables	0.2	0.7	-	0.6
	0.8	1.3	-	0.6

19. Other receivables *(continued)*

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

	Group		Company	
	2013	2012	2013	2012
	€'m	€'m	€'m	€'m
Euro	0.6	0.7	-	-
Pound Sterling	0.2	0.6	-	0.6
	0.8	1.3	-	0.6

20. Cash and cash equivalents

	Group		Company	
	2013	2012	2013	2012
	€'m	€'m	€'m	€'m
Bank balances	14.6	20.9	0.2	2.4
Fixed deposits	1.7	1.7	-	-
	16.3	22.6	0.2	2.4

Fixed deposits of the Group amounting to €1.7m (2012: €1.7m) were pledged to banks to secure credit facilities granted to the subsidiaries.

Fixed deposits bear interest ranging from nil to 0.5% (2012: nil to 0.5%) per annum and are for a tenure of approximately 90 days (2012: 90 days).

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

	Group		Company	
	2013	2012	2013	2012
	€'m	€'m	€'m	€'m
Euro	11.9	12.3	-	-
Pound Sterling	3.6	7.7	0.1	-
Singapore Dollar	0.2	2.4	0.1	2.4
Others	0.6	0.2	-	-
	16.3	22.6	0.2	2.4

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

21. Share capital

	Group and Company			
	2013	2012	2013	2012
	No. of ordinary shares (m)		€'m	€'m
Issued and paid up:				
At beginning of year	22,504.6	17,141.4	291.7	222.1
Issued during year (1)	17.9	5,363.2	0.2	69.6
Total before share consolidation	22,522.5	22,504.6	291.9	291.7
Share consolidation (2)	(22,072.1)	-	-	-
At end of year	450.4	22,504.6	291.9	291.7

21. Share capital *(continued)*

Note: (1) *During the year, S$283,874 in principal of the convertible bonds were converted into 17,911,133 ordinary shares at a price of S$0.01999 each, increasing share capital by S$0.3m or €0.2m.*

In the previous year, S$84,770,731 in principal of the convertible bonds were converted or exchanged into 5,363,199,450 ordinary shares at an average price of S$0.01997 each, increasing share capital by S$107.1m or €69.6m.

(2) *On 31 May 2013, the Company consolidated every fifty (50) ordinary shares into one (1) ordinary share.*

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 (except treasury 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.

22. Treasury shares

	Group and Company			
	2013	2012	2013	2012
	Number of ordinary shares [1]		€	€'m
Issued and paid up:				
At beginning and of year [1]	923,200	46,160,000	(1.9)	(1.9)
Added during the year	12,932,000	-	(4.6)	-
At the end of the year	13,855,200	46,160,000	(6.5)	(1.9)

Note: (1) *The number of shares shown above for 2013 reflect the 50:1 share consolidation that took place on 31 May 2013.*

The Company acquired 12,932,000 of its own shares through purchases on the Singapore Exchange during the year. The total amount paid to acquire the shares was S$7,777,069 or €4,615,471 and has been deducted from shareholders' equity.

23. 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 (equivalent to S$1.25 post consolidation) 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 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.

23. Warrants *(continued)*

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.

On 21 May 2013, the Company announced certain adjustments to the 2009 Warrants following the recent share consolidation and pursuant to the terms and conditions of the 2009 Warrants. The exercise price of each 2009 Warrant was adjusted to S$1.625 and the number of 2009 Warrants in each of the warrant groups referred to above was adjusted from 172,910,800, 2009 Warrants, being the number of 2009 Warrants before such adjustment, to 3,458,216, 2009 Warrants, as a result of the Share Consolidation.

(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 (restated to 2,100,000 following the share consolidation) 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 (equivalent to S$0.50 post consolidation) 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.

On 21 May 2013, the Company announced certain adjustments to the 2009 Warrants following the recent share consolidation and pursuant to the terms and conditions of the 2009 Warrants. The exercise price of each 2009 Warrant was adjusted to S$1.00 and the number of 2009 Warrants in each of the warrant groups referred to above was adjusted from 105,000,000 2009 Warrants, being the number of 2009 Warrants before such adjustment, to 2,100,000 2009 Warrants, as a result of the Share Consolidation.

23. Warrants *(continued)*

	Number of Columbia Warrants before Adjustment	Number of Columbia Warrants after Adjustment
Group A Columbia Warrants	26,250,000	525,000
Group B Columbia Warrants	9,843,750	196,875
Group C Columbia Warrants	9,843,750	196,875
Group D Columbia Warrants	9,843,750	196,875
Group E Columbia Warrants	9,843,750	196,875
Group F Columbia Warrants	9,843,750	196,875
Group G Columbia Warrants	9,843,750	196,875
Group H Columbia Warrants	9,843,750	196,875
Group I Columbia Warrants	9,843,750	196,875

Except for the adjustments to reflect the share consolidation, there were no movements in warrants during the year.

		Balance at		Subscription price at		
	Date of Grant	1 January 2013	31 December 2013	1 January 2013 (S$)	31 December 2013 (S$)	Expiry date
2009 Warrants	08 December 2009	172,910,800	3,458,216	0.0325	1.625	08.12.2014
Columbia Warrants	08 August 2011	105,000,000	2,100,000	0.020	1.00	08.08.2016
		277,910,800	5,558,216			

24. Reserves

	Group		Company	
	2013 €'m	2012 €'m	2013 €'m	2012 €'m
Employee share option reserve	22.1	19.9	22.1	19.9
Foreign currency translation reserve	0.7	0.7	-	-
Asset revaluation reserve	-	-	19.8	19.8
	22.8	20.6	41.9	39.7

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.

(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.

25. Obligations under finance leases

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
2013			
Within one year	1.7	(0.4)	1.3
Within one to five years	5.1	(0.6)	4.5
Greater than five years	-	-	-
	6.8	(1.0)	5.8
Current			1.3
Non-current			4.5
			5.8
2012			
Within one year	2.0	(0.7)	1.3
Within one to five years	5.8	(1.3)	4.5
Greater than five years	1.6	(0.2)	1.4
	9.4	(2.2)	7.2
Current			1.3
Non-current			5.9
			7.2

The finance lease terms range from 5 to 18 years.

The average effective interest rate charged during the financial year is 7.54% (2012: 7.54%) 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 Group's obligations under finance leases are secured by the lessors' title to the leased assets, which will revert to the lessors in the event of default by the Group.

26. Interest bearing borrowings

	Group		Company	
	2013	2012	2013	2012
	€'m	€'m	€'m	€'m
Current:				
Bank loan	*	-	-	-
Loans from former owners of an acquired company	-	1.6	-	-
Liability component of convertible bonds	-	1.2	-	1.2
Total current portion	*	2.8	-	1.2
Non-current:				
Bank loan	15.0	-	-	-
Loans from former owners of an acquired company	-	4.7	-	-
Liability component of convertible bonds	-	-	-	-
Total non-current portion	15.0	4.7	-	-
	15.0	7.5	-	1.2

*Denotes amount less than €100,000

Bank loan

During the financial year the Group secured debt funding of €30m of which the Group has drawn down €15m. The bank loan is secured against the assets of the obligor group, which comprises all the member companies of the Group excluding euNetworks BVBA, European Fibre Networks Asset GmbH, European Fibre Networks GND GmbH, euNetworks SAS, LambdaNet Communications Austria GmbH, and LambdaNet Communications s.r.o

The Group is required to repay 1.0% (0.25% each quarter) of the loan outstanding at the end of each year and the remaining balance is repayable in full by 2019. The average effective borrowing rates range from 7.25% to 7.50% per annum. The bank loan is denominated in Euro.

Management estimates that the carrying amount of the bank loan approximates its fair value.

The loan from the former owner of an acquired company was fully repaid in 2013.

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	
	2013	2012
	€'m	€'m
Convertible Bond 3		
Liability component on 1 January/issue of bond	1.2	52.8
Converted to share capital	(0.2)	(62.6)
Repaid to bondholders	(1.1)	-
Interest expense	0.1	5.9
Foreign exchange movement	-	5.1
Liability component at 31 December	-	1.2
Total liability component of bonds at 31 December	-	1.2
Fair value of bonds at 31 December	-	1.2

26. Interest bearing borrowings *(continued)*

Convertible Bond 3

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

Each convertible bond will be convertible at the option of the holder into fully paid new equity shares of the Company at an initial conversion price of 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 in 2011 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 FRS 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 profit or loss and other comprehensive income.

The embedded derivative was valued at €8.0m at inception and nil at 31 December 2013 (2012: €0.1m).

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

During the year, S$283,874 of the convertible bonds were converted into 17,911,133 ordinary shares at a price of S$0.01999 each, increasing share capital by S$0.3m or €0.2m.

In the prior year, S$84,770,731 in principal of the convertible bonds were converted or exchanged into 5,363,199,450 ordinary shares at an average price of S$0.01997 each, increasing share capital by €69,560,836.

27. Provisions

	Group	
	2013	2012
	€'m	€'m
At 1 January	5.3	5.1
Additions during the year	0.8	0.2
Reversal of provision during the year	(1.7)	-
At 31 December	4.4	5.3

The provision for restoration costs was in relation to the rebuilding obligations that exist on the 25 (2011: 25) points of presence locations in Germany.

28. Deferred revenue

	Group	
	2013	2012
	€'m	€'m
The deferred revenue will be released		
- within one financial year	4.1	5.4
Total current deferred revenue	4.1	5.4
- between two and five financial years	4.3	4.2
- more than five financial years	3.5	4.0
Total non-current deferred revenue	7.8	8.2
Total deferred revenue	11.9	13.6

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

29. Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	€'m	€'m	€'m	€'m
Trade payables – owed to third parties	3.9	3.3	0.3	-
Other payables – owed to third parties	2.4	1.7	-	-
Accrued expenses	14.9	15.7	1.4	2.8
	21.2	20.7	1.7	2.8

The average credit period on trade payables is 34 days (2012: 29 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	
	2013	2012	2013	2012
	€'m	€'m	€'m	€'m
Euro	13.7	12.1	1.7	-
Pound Sterling	7.5	6.4	-	0.6
Singapore Dollar	-	2.2	-	2.2
	21.2	20.7	1.7	2.8

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

30. Changes in working capital

	Group	
	2013	2012
	€'m	€'m
Trade receivables	2.4	(2.4)
Other receivables	0.5	(0.2)
Prepayments	(3.0)	(0.5)
Trade and other payables	(0.2)	(2.3)
Deferred revenue	(1.7)	2.0
Infrastructure assets held for resale	-	0.3
	(2.0)	(3.1)

31. 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 statement of financial position of the Group as follows:

	Group	
	2013	2012
	€'m	€'m
Deferred tax assets		
- to be recovered after one year	4.9	4.9
Deferred tax liabilities		
- to be settled after one year	(5.3)	(6.3)

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
2013				
At beginning of financial year	3.2	2.9	0.2	6.3
Credited to profit or loss (Note 12)	-	(1.0)	-	(1.0)
At end of financial year	3.2	1.9	0.2	5.3
2012				
At beginning of financial year	3.2	3.3	0.2	6.7
Credited to profit or loss (Note 12)	-	(0.4)	-	(0.4)
At end of financial year	3.2	2.9	0.2	6.3

At the end of the financial year, the Group had unutilised tax losses of approximately €311.5m (2012: €309.6m) which are available for offset against future taxable profits. A deferred tax asset of €4.9m has been recognised in respect of €24.1m (2012: €24.1m) of such losses. This arose from the acquisition of euNetworks Managed Services GmbH ('LambdaNet') in the previous 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 €287.4m (2012: €285.5m) due to uncertainty of their future realisation. These losses may be carried forward indefinitely subject to agreement by relevant tax authorities.

32. 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	
	2013	2012
	€'m	€'m
Not later than one year	14.0	15.8
Later than one year and not later than five years	22.7	22.8
Later than five years	21.8	22.5
	58.5	61.1

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	
	2013	2012
	€'m	€'m
Not later than one year	13.3	8.8
Later than one year and not later than five years	25.4	19.5
Later than five years	15.4	14.6
	54.1	42.9

Capital commitments

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

	Group	
	2013	2012
	€'m	€'m
Capital expenditure contracted but not provided for		
- Commitments for the acquisition of property, plant and equipment	1.8	2.1

Notes to Financial Statements continued

33. 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.

There were no related party transactions in 2013 or 2012.

Compensation of key management personnel of the Group:

	2013 €'m	2012 €'m
Short term employee benefits	2.0	1.6
Share option expenses	1.9	2.5
	3.9	4.1

The total remuneration of the Directors of the Company during the year amounted to €4.3m (2012: €5.5m).

34. Share option scheme

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

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

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

Under the 2000 Scheme and the 2009 Scheme, share options granted, exercised and cancelled/expired during the financial year and outstanding as at 31 December 2013 are as follows:

Date of grant	Balance at 1 January 2013 No.	Restated following share consolidation 50:1 No.	Cancelled/ expired	Balance at 31 December 2013 No.	Subscription price S$	Vesting date
1 January 2007	32,560,713	651,214	(651,214)	-	2.33	31 December 2008
1 January 2007	14,961,969	299,239	(299,239)	-	2.16	31 December 2009
1 January 2007	22,500,000	450,000	(450,000)	-	1.66	31 December 2009
30 June 2009	21,613,850	432,277	-	432,277	1.50	29 June 2012
	91,636,532	1,832,730	(1,400,453)	432,277		

Notes to Financial Statements

34. Share option scheme *(continued)*

Date of grant	Balance at 1 January 2013	Restated following share consolidation 50:1	Cancelled/ expired	Balance at 31 December 2013	Subscription price	Vesting date
	No.	No.		No.	S$	
2009 Scheme						
27 October 2009	82,497,654	1,649,953	(88,888)	1,561,065	1.25	26 October 2010
27 October 2009	82,497,655	1,649,953	(88,888)	1,561,065	1.25	26 October 2011
27 October 2009	73,852,114	1,477,042	(88,888)	1,388,154	1.25	26 October 2012
27 October 2009	57,636,936	1,152,739	-	1,152,739	0.75	16 February 2010
27 October 2009	86,455,404	1,729,108	-	1,729,108	0.75	15 March 2010
27 October 2009	57,636,936	1,152,739	-	1,152,739	0.75	16 February 2011
27 October 2009	86,455,404	1,729,108	-	1,729,108	0.75	15 March 2011
27 October 2009	57,636,936	1,152,739	-	1,152,739	0.75	16 February 2012
27 October 2009	86,455,404	1,729,108	-	1,729,108	0.75	15 March 2012
27 October 2009	86,455,404	1,729,108	-	1,729,108	0.75	15 March 2013
26 March 2010	11,527,386	230,548	-	230,548	0.75	26 March 2011
26 March 2010	11,527,386	230,548	-	230,548	0.75	26 March 2012
26 March 2010	11,527,387	230,548	-	230,548	0.75	26 March 2013
28 April 2010	31,700,314	634,006	(57,637)	576,369	1.00	28 April 2011
28 April 2010	31,700,314	634,006	(57,637)	576,369	1.00	28 April 2012
28 April 2010	31,700,315	634,006	(57,637)	576,369	1.00	28 April 2013
28 April 2010	238,902,478	4,778,050	(275,945)	4,502,105	1.00	28 April 2014
6 July 2010	21,613,851	432,277	(432,277)	-	0.75	6 July 2011
6 July 2010	21,613,851	432,277	(432,277)	-	0.75	6 July 2012
6 July 2010	21,613,851	432,277	(432,277)	-	0.75	6 July 2013
6 July 2010	8,310,397	166,208	(166,208)	-	0.75	6 July 2014
2 December 2010	15,866,656	317,333	-	317,333	0.80	2 December 2011
2 December 2010	15,866,657	317,333	-	317,333	0.80	2 December 2012
2 December 2010	15,866,657	317,333	-	317,333	0.80	2 December 2013
14 November 2011	709,050,095	14,181,002	(2,106,427)	12,074,575	0.79	14 November 2013
14 November 2011	354,525,046	7,090,501	(1,053,213)	6,037,288	0.79	14 November 2014
14 November 2011	354,525,047	7,090,501	(1,053,213)	6,037,288	0.79	14 November 2015
21 December 2011	94,997,587	1,899,952	(12,276)	1,887,676	0.89	21 December 2012
21 December 2011	94,997,587	1,899,952	(12,276)	1,887,676	0.89	21 December 2013
21 December 2011	94,997,586	1,899,952	(12,276)	1,887,676	0.89	21 December 2014
4 January 2013	-	200,000	-	200,000	0.75	4 January 2015
4 January 2013	-	100,000	-	100,000	0.75	4 January 2016
4 January 2013	-	100,000	-	100,000	0.75	4 January 2017
8 March 2013	-	1,969,710	(222,681)	1,747,029	0.80	8 March 2015
8 March 2013	-	984,854	(111,340)	873,514	0.80	8 March 2016
8 March 2013	-	984,854	(111,340)	873,514	0.80	8 March 2017
25 June 2013	-	675,000	-	675,000	0.75	25 June 2015
25 June 2013	-	337,500	-	337,500	0.75	25 June 2016
25 June 2013	-	337,500	-	337,500	0.75	25 June 2017
17 October 2013	-	300,000	-	300,000	0.75	17 October 2015
17 October 2013	-	150,000	-	150,000	0.75	17 October 2016
17 October 2013	-	150,000	-	150,000	0.75	17 October 2017
15 November 2013	-	100,000	-	100,000	0.85	15 November 2015
15 November 2013	-	50,000	-	50,000	0.85	15 November 2016
15 November 2013	-	50,000	-	50,000	0.85	15 November 2017
	2,950,010,295	65,489,625	(6,873,601)	58,616,024		
Total	3,041,646,827	67,322,355	(8,274,054)	59,048,301		

34. Share option scheme *(continued)*

There were 6,489,418 share options granted in 2013 (2012: no share options). The estimated fair values of the share options granted in 2013 were €2.0m for the vesting period from 4 January 2015 to 15 November 2017.

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	Exercise price	Share price at date of grant	Fair value at measurement date	Valuation model
	(%)		(%)	(%)	(years)	(S$)	(S$)	(S$)	
Share options granted under the 2000 Scheme									
1 January 2007	0	No	70	3.03	5	0.0467	0.14	0.0837	Black-Scholes
1 January 2007	0	No	70	3.03	5	0.0433	0.13	0.0859	Black-Scholes
1 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
6 July 2010	0	No	70	0.80	8	0.015	0.02	0.0146	Black-Scholes
6 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
2 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
4 January 2013	0	No	70	0.91	8	0.75	0.75	0.51	Black-Scholes
8 March 2013	0	No	70	0.96	8	0.80	0.75	0.51	Black-Scholes
25 June 2013	0	No	69	2.09	8	0.75	0.66	0.44	Black-Scholes
17 October 2013	0	No	69	1.56	8	0.75	0.72	0.49	Black-Scholes
15 November 2013	0	No	69	1.45	8	0.85	0.84	0.58	Black-Scholes

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

35. Financial risk management objectives and policies

The Group's activities expose it to credit risks, market risks (including foreign currency risks and interest rate risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Group does not uses financial instruments such as foreign currency forward contracts and interest rate swaps to hedge certain financial risk exposures. It is, and has been throughout the financial year, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The Board of Directors are responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits in accordance with the objectives and underlying principles approved by the Board of Directors.

Financial risk management is carried out by a central finance team in accordance with the policies set by the management. 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.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis as indicated 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 since the previous financial year, revenue from the single largest customer represented 5.0% of total revenues (2012: 7.7%).

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.

35. Financial risk management objectives and policies

Group	Effective interest rate	Up to 3 months	Between 3 and 12 months	1 to 2 years	2 to 4 years	Over 4 years	Total
	%	€m	€m	€m	€m	€m	€m
Financial assets							
Cash and cash equivalents	0	16.3	-	-	-	-	16.3
Trade and other receivables	0	9.5	-	-	-	-	9.5
As at 31 December 2013		25.8	-	-	-	-	25.8
Cash and cash equivalents	0	22.6	-	-	-	-	22.6
Trade and other receivables	0	12.4	-	-	-	-	12.4
As at 31 December 2012		35.0	-	-	-	-	35.0
Financial liabilities							
Trade and other payables	0	21.2	-	-	-	-	21.2
Obligations under finance leases	8	0.3	1.0	2.6	1.9	-	5.8
Bank loan	8	-	-	-	-	15.0	15.0
As at 31 December 2013		21.5	1.0	2.6	1.9	15.0	42.0
Trade and other payables	0	20.7	-	-	-	-	20.7
Obligations under finance leases	8	0.3	1.0	2.6	3.3	-	7.2
Convertible Bonds	18	-	1.3	-	-	-	1.3
As at 31 December 2012		21.0	2.3	2.6	3.3	-	29.2

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	0.2	-	-	-	0.2
Other receivables	0	-	-	-	-	-
As at 31 December 2013		0.2	-	-	-	0.2
Cash and cash equivalents	0	2.4	-	-	-	2.4
Other receivables	0	0.6	-	-	-	0.6
As at 31 December 2012		3.0	-	-	-	3.0
Financial liabilities						
Other payables	0	1.7	-	-	-	1.7
As at 31 December 2013		1.7	-	-	-	1.7
Other payables	0	2.8	-	-	-	2.8
Convertible Bonds	18	-	1.3	-	-	1.3
As at 31 December 2012		2.8	1.3	-	-	4.1

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

Interest rate risk

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

The Group's income and operating cash flows are substantially independent of changes in market interest rate. The Group has no significant interest-bearing assets and liabilities other than the bank loan drawn down during the financial year as the convertible bond 2013 was partially converted to shares and the rest was redeemed.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risks for non-derivative instruments at the end of the financial year. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the financial year was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 5% change in the interest rates from the end of the financial year, with all variables held constant.

	← Increase/(Decrease) →	
Group	**Consolidated statement of profit or loss and other comprehensive income**	
	2013	**2012**
	€'m	**€'m**
Bank Loan		
Interest rate increases by 5%	(0.75)	-
Interest rate decreases by 5%	0.75	-

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.

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

Group	Increase/(Decrease) Consolidated statement of profit or loss and other comprehensive income 2013 €'m	2012 €'m
Pound Sterling		
Strengthens against Euro	0.3	0.2
Weakens against Euro	(0.3)	(0.2)
Singapore Dollar		
Strengthens against Euro	-	(0.1)
Weakens against Euro	-	0.1

36. Fair value of financial assets and financial liabilities

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:

Group	Loans and receivables 2013 €'m	2012 €'m
Financial assets		
Cash and cash equivalents	16.3	22.6
Trade and other receivables	9.5	12.4
Total loans and receivables	25.8	35.0

	Amortised cost 2013 €'m	2012 €'m	Fair value through profit and loss 2013 €'m	2012 €'m
Financial liabilities				
Trade and other payables	21.2	20.7	-	-
Obligations under finance lease	5.8	7.2	-	-
Convertible bonds	-	1.2	-	-
Interest bearing borrowings	15.0	6.3	-	-
Total financial liabilities at amortised cost	42.0	35.4	-	-

Notes to Financial Statements

36. Fair value of financial assets and financial liabilities *(continued)*

Movements in level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value base on significant unobservable input (Level 3):

Embedded derivative	2013 €'m	2012 €'m
Opening balance	-	6.5
Released during the year	-	(6.5)
Closing balance	-	-

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	
Embedded derivative	Carrying Amount €'m	Favourable €'m	Unfavourable €'m
2013	-	-	-
2012	*	*	*

*Denotes amount less than €100,000

For embedded derivatives, the fair value had been determined using either the Black Scholes valuation model or Monte Carlo simulation 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.

37. 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 2012.

	Group 2013 €'m	Group 2012 €'m
Interest bearing borrowings	15.0	6.3
Convertible bonds	-	1.2
Obligations under finance leases	5.8	7.2
Cash and cash equivalents	(16.3)	(22.6)
Net debt/(asset)	4.5	(7.9)
Total equity	197.5	206.0
Total capital	202.0	198.1
Gearing ratio	2.2%	n/a

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.

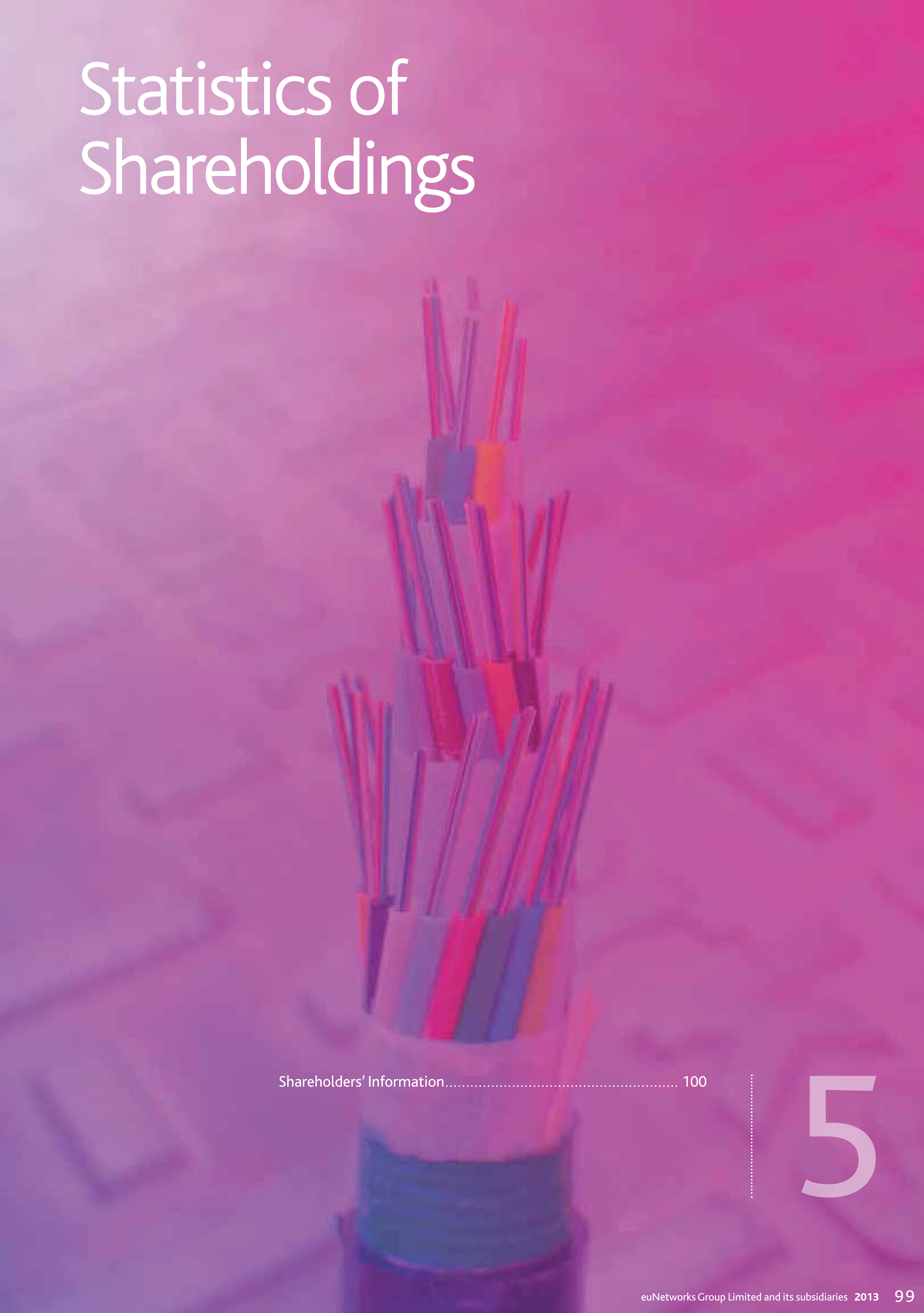
There are no further changes in the Group's approach to capital management during the financial year.

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

38. 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 27 March 2014.

Statistics of Shareholdings



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Shareholders' Information
as at 20 March 2014

Shareholders' Information as at 20 March 2014

I.	Class of equity securities	:	Ordinary shares
	Number of equity securities	:	437,517,419
	Voting rights	:	One vote per share
II.	Number of treasury shares	:	13,855,200
	Voting Rights	:	None

The percentage of this holding against equity securities excluding treasury shares is 3.17%.

Statistics of Shareholdings

Distribution of Shareholdings

Size of Holdings	Number of Shareholders	%	Number of Shares	%
1 - 999	2,991	50.69	852,970	0.20
1,000 - 10,000	2,371	40.18	7,657,742	1.75
10,001 - 1,000,000	523	8.86	28,673,071	6.55
1,000,001 and above	16	0.27	400,333,636	91.50
Total	5,901	100.00	437,517,419	100.00

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

	Direct Interests		Deemed Interests		Total Interests	
Substantial Shareholder	No. of Shares	% [(1)]	No. of Shares	% [(1)]	No. of Shares	% [(1)]
Mr. Daniel Simon Aegerter [(2)]	36,325,697	8.30	-	-	36,325,697	8.30
Columbia EUN Partners V, LLC [(3)]	40,753,838	9.31	-	-	40,753,838	9.31
EUN Partners V, LLC [(4)]	131,078,132	29.96	-	-	131,078,132	29.96
Columbia Capital V, LLC and others [(5)]	-	-	171,831,970	39.27	171,831,970	39.27
Columbia Capital Equity Partners V, L.P.[(5)]	-	-	171,831,970	39.27	171,831,970	39.27
Mr. James B. Fleming Jr. [(5)]	-	-	171,831,970	39.27	171,831,970	39.27
Mr. John T. Siegel Jr. [(5)]	-	-	171,831,970	39.27	171,831,970	39.27
G.K. Goh Strategic Holdings Pte Ltd	41,657,719	9.52	-	-	41,657,719	9.52
G.K. Goh Holdings Ltd [(6)]	-	-	41,657,719	9.52	41,657,719	9.52
GKG Investment Holdings Pte Ltd [(7)]	-	-	56,574,461	12.93	56,574,461	12.93
Mr. Goh Yew Lin [(7)]	2,849,782	0.65	56,574,461	12.93	58,674,243	13.41
Mr. Goh Geok Khim [(7)]	7,600,000	1.73	56,574,461	12.93	64,174,461	14.67
Mackenzie Cundill Recovery Fund [(8)]	37,910,464	8.66	-	-	37,910,464	
Mackenzie Financial Corporation [(9)]	-	-	37,942,464	8.67	37,942,464	8.67
Gelco Enterprises Ltd. [(9)]	-	-	37,942,464	8.67	37,942,464	8.67
Nordex Inc. [(9)]	-	-	37,942,464	8.67	37,942,464	8.67
Pansolo Holdings Inc. [(9)]	-	-	37,942,464	8.67	37,942,464	8.67
Power Financial Corporation [(9)]	-	-	37,942,464	8.67	37,942,464	8.67
171263 Canada Inc. [(9)]	-	-	37,942,464	8.67	37,942,464	8.67
Power Corporation of Canada [(9)]	-	-	37,942,464	8.67	37,942,464	8.67
Mackenzie Inc. [(9)]	-	-	37,942,464	8.67	37,942,464	8.67
IGM Financial Inc. [(9)]	-	-	37,942,464	8.67	37,942,464	8.67
Mrs. Jacqueline Desmarais [(10)]	-	-	37,942,464	8.67	37,942,464	8.67
Mr. Paul Desmarais Jr. [(10)]	-	-	37,942,464	8.67	37,942,464	8.67

Shareholders' Information continued

Substantial Shareholders (continued)

Substantial Shareholder	Direct Interests No. of Shares	Direct Interests %[1]	Deemed Interests No. of Shares	Deemed Interests %[1]	Total Interests No. of Shares	Total Interests %[1]
Mr. Andre Desmarais [10]	-	-	37,942,464	8.67	37,942,464	8.67
Mr. Michel Plessis-Belair [10]	-	-	37,942,464	8.67	37,942,464	8.67
Mr. Guy Fortin [10]	-	-	37,942,464	8.67	37,942,464	8.67
Fortress Partners Offshore Securities LLC [11]	23,546,140	5.38	-	-	23,546,140	5.38
Fortress Partners Master Fund L.P. and Fortress Partners Offshore Master GP LLC [12]	-	-	23,546,140	5.38	23,546,140	5.38
Fortress Partners Advisors LLC, Fortress Investment Holdings II LLC, Fortress Operating Entity I L.P., FIG Corp. and Fortress Investment Group LLC [13]	-	-	37,854,540	8.65	37,854,540	8.65

Notes:

(1) *Based on 437,517,419 Shares (excluding treasury shares) as at 20 March 2014.*

(2) *The 36,325,697 Shares are registered in the name of Citibank Nominees Singapore Pte Ltd.*

(3) *Out of 40,753,838 Shares held by Columbia EUN Partners V, LLC, 629,182 Shares are registered in the name of Citibank Nominees Singapore Pte Ltd.*

(4) *Out of 131,078,132 Shares held by EUN Partners V, LLC, 1,210,819 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 "Columbia Manager"). Accordingly, both Columbia LP and the Columbia Manager are deemed to be interested in the 40,753,838 Shares held by Columbia EUN Partners V, LLC and in the 131,078,132 Shares held by EUN Partners V, LLC. Each of James B. Fleming Jr. and John T. Siegel Jr. (each, a "Management Individual"), is deemed to be interested in the 40,753,838 Shares held by Columbia EUN Partners V, LLC and in the 131,078,132 Shares held by EUN Partners V, LLC because the Columbia Manager is accustomed to act in accordance with their directions.*

In addition to the Columbia Manager, Columbia LP and the Management Individuals:

(a) *Columbia Capital Equity Partners V (QP) L.P. is also deemed to be interested in the 40,753,838 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 131,078,132 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 41,657,719 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 41,657,719 Shares held by G.K. Goh Strategic Holdings Pte Ltd and 15,092,742 Shares held by Alpha Securities Pte Ltd.*

(8) *The 37,910,464 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. ("MCIMBL"), a wholly-owned, direct subsidiary of MFC, is the investment manager of Cundill International Company Limited ("CICL"). Accordingly, MFC is a substantial shareholder by virtue of its deemed interest in the 37,910,464 Shares held by MCRF and 32,000 Shares held by CICL. The 37,910,464 Shares held by MCRF are registered in the name of DBS Nominees (Private) Limited and the 32,000 Shares held by CICL are registered in the*

name of DBSN Services Pte Ltd. Both MCIMBL and CICL hold deemed and direct interests, respectively, in the Shares but are not substantial shareholders of euNetworks Group Limited.

In addition to MFC, the following persons, as either direct or indirect parent companies of MFC in the same corporate group of companies, are also deemed to be interested in the 37,910,464 Shares held by MCRF and in the 32,000 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; and

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

(10) Before 8 October 2013, the substantial shareholder with deemed interest in the Shares was Mr. Paul G. Desmarais ("Mr. Desmarais"). Mr. Desmarais passed away on 8 October 2013. His estate, which includes his indirect controlling interests in amongst others, PCC (which has deemed interest in the Shares), are held jointly in a trust by the 5 individual trustees namely, Mrs. Jacqueline Desmarais, Mr. Paul Desmarais Jr. and Mr. Andre Desmarais, Mr. Michel Plessis-Belair and Mr. Guy Fortin (the "Trustees"). Under Canadian law, the Trustees have retrospectively been vested with the legal title to the Shares when Mr. Desmarais passed on 8 October 2013. Additionally, under the terms of the Trust, Mrs. Jacqueline Desmarais is the sole beneficiary of the revenue of the assets under the Trust also as at 8 October 2013.

(11) The 23,546,140 Shares held by Fortress Partners Offshore Securities LLC ("FPOSL") comprised 16,958,220 Shares registered in the name of DBS Nominees (Private) Limited and 6,587,920 Shares registered in the name of Raffles Nominees (Pte.) Limited.

(12) Fortress Partners Master Fund L.P. ("FPMFL") is deemed interested in the 23,546,140 Shares held by FPOSL through its 100% shareholding in FPOSL. Fortress Partners Offshore Master GP LLC ("FPOMGL") is also deemed interested in the 23,546,140 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.

(13) The following persons are deemed to be interested in 37,854,540 Shares comprising (i) 23.546,140 Shares held by FPOSL and (ii) 14,308,400 Shares held by Fortress Partners Securities LLC ("FPSL"), comprising 13,339,400 Shares registered in the name of DBS Nominees (Private) Limited and 969,000 Shares registered in the name of Raffles Nominees (Pte.) Limited:

(a) Fortress Partners Advisors LLC ("FPAL") is deemed interested in the 37,854,540 Shares held by FPOSL and FPSL as FPAL is the investment manager of both FPMFL (which in turn is deemed interested in the 23,546,140 Shares held by FPOSL through its 100% shareholding in FPOSL) and Fortress Partners Fund LP ("FPFL", which in turn is deemed interested in the 14,308,400 Shares held by FPSL through its 100% shareholding in FPSL);

(b) Fortress Investment Holdings II LLC ("FIHIL") is deemed interested in the 37,854,540 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 37,854,540 Shares held by FPOSL and FPSL through its 100% shareholding in FIHIL.

For completeness, FOEIL is also deemed interested in:

(i) the 23,546,140 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 14,308,400 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 37,854,540 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 37,854,540 Shares held by FPOSL and FPSL through its 100% shareholding in FC.

Shareholders' Information

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	EUN Partners V, LLC	129,867,313	29.68
2	DBS Nominees (Private) Limited	72,394,820	16.55
3	Citibank Nominees Singapore Pte Ltd	56,991,593	13.03
4	G K Goh Strategic Holdings Pte Ltd	41,657,719	9.52
5	Columbia EUN Partners V, LLC	40,124,656	9.17
6	Alpha Securities Pte Ltd	15,092,742	3.45
7	Raffles Nominees (Pte) Limited	7,716,084	1.76
8	Goh Geok Khim	7,700,000	1.76
9	Leong Wah Kheong	6,283,000	1.44
10	Morgan Stanley Asia (Singapore) Securities Pte Ltd	5,800,000	1.33
11	HSBC (Singapore) Nominees Pte Ltd	5,008,695	1.14
12	DBSN Services Pte. Ltd.	3,325,000	0.76
13	Goh Yew Lin	2,849,782	0.65
14	Ho Kam Yew	2,400,000	0.55
15	United Overseas Bank Nominees (Private) Limited	1,760,800	0.40
16	UOB Kay Hian Private Limited	1,361,432	0.31
17	Maybank Kim Eng Securities Pte. Ltd.	991,033	0.23
18	Brenda Ann O'keefe	877,980	0.20
19	CIMB Securities (Singapore) Pte. Ltd.	655,080	0.15
20	Toh Chye Lam	620,000	0.14
	Total	403,477,729	92.22

Percentage of Shareholdings in Public Hands

19.29% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the SGX-ST's Listing Manual Section B: Rules of Catalist.

Notice of Annual General Meeting

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Notice of Annual General Meeting

EUNETWORKS GROUP LIMITED
(Company Registration No. 199905625E)
(Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of euNetworks Group Limited (the "Company") will be held at Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Level 3, Meeting Room 333, Singapore 039593 on Tuesday, 29 April 2014 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 2013 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. Nicholas George	(Retiring under Article 91)	**(Resolution 2)**
Mr. Daniel Simon Aegerter	(Retiring under Article 91)	**(Resolution 3)**
Mr. Duncan James Daragon Lewis	(Retiring under Article 91)	**(Resolution 4)**
Mr. John Tyler Siegel Jr.	(Retiring under Article 91)	**(Resolution 5)**
Mr. Joachim Piroth	(Retiring under Article 97)	**(Resolution 6)**
Mr. John Neil Hobbs	(Retiring under Article 97)	**(Resolution 7)**

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

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

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

   Mr. John Tyler Siegel Jr. will, upon re-election as a Director of the Company, remain as a member of the Audit, Nominating, Remuneration and ESOS Committees and will be considered Non-Independent. Mr. Siegel has offered to stand for re-election although he is not required to under Article 91 of the Articles of Association of the Company.

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

   Mr. John Neil Hobbs will, upon re-election as a Director of the Company, be considered Independent.

3. To approve the payment of Directors' fees of up to €350,000 (equivalent to S$615,000) for the year ending 31 December 2014 (2013: €250,000 (equivalent to S$408,000)).
   (Resolution 8)

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 9)

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

As Special Business

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

6. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalist (the "Catalist Rules"), the Directors of the Company be authorised and empowered to:

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

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

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

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

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

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

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

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

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

(4) unless revoked or varied by the Company in a General Meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)]

(Resolution 10)

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

That pursuant to Section 161 of the Companies Act, Chapter 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 or to be 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 11)

By Order of the Board

Jimmy Yap Tuck Kong
Secretary
Singapore, 11 April 2014

Notice of Annual General Meeting continued

Explanatory Notes:

(i) The Ordinary Resolution 10 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a General Meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to shareholders.

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 11 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).

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 (48) hours before the time appointed for holding the Meeting.

This notice and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this notice. This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice. The contact person for the Sponsor is Mr Jason Chian (Director, Corporate Finance), CIMB Bank Berhad, Singapore Branch, 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone (65) 6337 5115.

Notes

Disclosure

Form of disclosure pursuant to note 2 on section 2 of appendix 1 of the Singapore Code on Takeovers and Mergers

Warrants issued to the Columbia Concert Party Group

On 8 August 2011, euNetworks Group Limited (the "Company") had allotted and issued, and 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. (collectively, the "Columbia Warrantholders") had subscribed for, an aggregate of 105,000,000 non-listed warrants (the "Warrants"), pursuant to a subscription agreement dated 30 June 2011 entered into between the Company and the Columbia Warrantholders (the "Warrant Subscription Agreement").

The Warrants were adjusted with effect from 30 May 2013, as announced on 21 May 2013, as a result of the Company's share consolidation. The number of Warrants and prices referred to below are post-adjustment.

Each Warrant carries the right to subscribe for one new Share (each, a "Warrant Share") at the exercise price of S$1.00 (the "Warrant Exercise Price"). The Warrant Exercise Price and the number of Warrants held by a Warrantholder are subject to adjustments from time to time in accordance with the terms and conditions of the Warrants. The Warrants may be exercised in the numbers, and at any time during the periods commencing on and including the dates, as follows:

525,000 Warrants, 8 August 2011;

196,875 Warrants, 31 August 2011;

196,875Warrants, 30 November 2011;

196,875 Warrants, 29 February 2012;

196,875 Warrants, 31 May 2012;

196,875 Warrants, 31 August 2012;

196,875 Warrants, 30 November 2012;

196,875 Warrants, 28 February 2013; and

196,875 Warrants, 31 May 2013,

in each case expiring at 5.00 p.m. on the date five years from the date of issue of the Warrants.

Details of the Whitewash Resolution

Prior to the issue of the Warrants, Shareholders independent of Columbia Capital V, LLC and parties acting in concert with it (the "Columbia Concert Party Group") had, at an extraordinary general meeting of the Company held on 5 August 2011, passed an Ordinary Resolution waiving their rights to receive a mandatory general offer from the Columbia Concert Party Group for all the Shares not already owned or controlled by them, in the event an obligation to extend such an offer is incurred pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers ("Code"), as a result of the acquisition by the Columbia Concert Party Group of the Warrant Shares pursuant to the exercise of the Warrants (the "Whitewash Resolution").

For the purposes of the Whitewash Resolution, the acquisition of the Warrant Shares by the Columbia Concert Party Group upon the exercise of the Warrants must be completed within five years of the date of issue of the Warrants. Accordingly, the waiver pursuant to the Whitewash Resolution is valid, in relation to the exercise of the Warrants, from 8 August 2011 (being the date of the issue of the Warrants) to 8 August 2016 (being the date five years from the date of issue of the Warrants). Further details of the Warrants and the Whitewash Resolution are set out in the Company's circular dated 20 July 2011.

Holdings and Interests of the Columbia Concert Party Group

As at the date hereof, the Columbia Concert Party Group holds or is interested in:

- 171,831,970 Shares, representing 39.27 per cent of the 437,517,419 Shares in issue; and
- 2,100,000 Warrants

Save as disclosed, none of the Columbia Concert Party Group holds any voting rights in the Company and instruments convertible into, rights to subscribe for and options in respect of the Shares as at the date hereof.

Maximum Potential Interests of the Columbia Concert Party Group

The Columbia Concert Party Group would acquire a maximum potential interest of 39.56 per cent. in the Company's enlarged share capital of 439,617,419 Shares in issue assuming the Columbia Concert Party Group exercises and converts the Warrants (assuming no adjustments thereto) they hold in full and no other holders of instruments convertible into, rights to subscribe for and options in respect of the Shares exercise and convert such instruments, rights and options.

Cautionary Statement

Shareholders should note that, having approved the Whitewash Resolution, Shareholders have waived their rights to receive a general offer from the Columbia Concert Party Group at the highest price paid by the Columbia Concert Party Group for Shares in the past 6 months preceding the date of the offer.

Shareholders should also note that, having approved the Whitewash Resolution, Shareholders could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Warrants.

Proxy Form

(Please see notes overleaf before completing this Form)

IMPORTANT:

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

euNetworks Group Limited (Incorporated in the Republic of Singapore) (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 held at Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Level 3, Meeting Room 333, Singapore 039593 on Tuesday, 29 April 2014 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 2013		
2	Re-election of Mr. Nicholas George as a Director		
3	Re-election of Mr. Daniel Simon Aegerter 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. Joachim Piroth as a Director		
7	Re-election of Mr. John Neil Hobbs as a Director		
8	Approval of Directors' fees amounting to €350,000 (equivalent to S$615,000) for the year ending 31 December 2014		
9	Re-appointment of Messrs BDO LLP as Auditors		
10	Authority to issue shares		
11	Authority to issue shares under the euNetworks Group Limited 2009 Share Option Scheme		

Dated this ________________ day of ________________ 2014

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 forty-eight (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 forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Singapore

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Directors: Brady Rafuse, Nicholas George
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Registered in the Netherlands Number 501 073 21
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Registered in the British Virgin Islands No 521121

eunetworks

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bandwidth. from the ground up.

ANNUAL REPORT 2013