**EUNETWORKS GROUP LIMITED**
(Company Registration No. 199905625E)

**ANNUAL REPORT 2014**

**CONTENTS**

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

## CORPORATE INFORMATION BOARD OF DIRECTORS

**Non-Executive Chairman**
John Neil Hobbs

**Executive**

| | |
|---|---|
| Brady Reid Rafuse | Chief Executive Officer |
| Joachim Piroth | Chief Financial Officer |

**Non-Executive**
Daniel Simon Aegerter
Frederic Grant Emry III
Nicholas George
Lam Kwok Chong
Kai-Uwe Ricke
John Tyler Siegel Jr.

**AUDIT COMMITTEE**
Nicholas George (Chairman)
Lam Kwok Chong John Tyler Siegel Jr.

**REMUNERATION COMMITTEE**
John Neil Hobbs (Chairman)
Brady Reid Rafuse
John Tyler Siegel Jr.

**COMPANY SECRETARY**
Ngiam May Ling

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

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

**AUDITORS**
BDO LLP
21 Merchant Road
#05-01 Royal
Singapore 0589267

## CORPORATE INFORMATION

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

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

## REPORT OF THE DIRECTORS

The Directors are pleased to present their report to the members, together with the consolidated audited financial statements of the Group for the financial year ended 31 December 2014 and the statement of financial position of the Company as at 31 December 2014 and statement of changes in equity of the Company for the financial year ended 31 December 2014.

### 1. Directors

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

Nicholas George
Brady Reid Rafuse
Joachim Piroth
Daniel Simon Aegerter
Frederic Grant Emry III (appointed on 24 March 2015)
Lam Kwok Chong
John Neil Hobbs
Duncan James Daragon Lewis (resigned on 20 March 2015)
Kai-Uwe Ricke
John Tyler Siegel Jr.
Jason Robert Booma (Alternate Director to John Tyler Siegel Jr., resigned on 20 March 2015)
Simon Daniel Koenig (Alternate Director to Daniel Simon Aegerter, resigned on 20 March 2015))
John Louis Scarano (resigned on 13 February 2014)
Uwe Markus Nickl (resigned on 31 October 2014)

### 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** | **At beginning of the year** | **At end of the year** |
| **The Company (Ordinary shares)** | | | | |
| Daniel Simon Aegerter | 36,325,697 | 36,325,697 | - | - |
| Nicholas George | 231,540 | 231,540 | - | - |
| John Tyler Siegel Jr. | - | - | 171,831,970 | 275,816,499 |
| Lam Kwok Chong | 331,841 | - | 184,900 | - |
| Kai-Uwe Ricke | 965,270 | 965,270 | - | - |
| Brady Reid Rafuse | 100,000 | 100,000 | - | - |
| Simon Daniel Koenig (Alternate Director to Daniel Simon Aegerter) | 20,000 | - | - | - |

**3. Directors' interests in shares and debentures** (Continued)

| | 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** | **At beginning of the year** | **At end of the year** |
| **The Company (Options to subscribe for number of ordinary shares)** | | | | |
| Kai-Uwe Ricke | 1,684,552 | 205,000 | - | - |
| Nicholas George | 864,552 | - | - | - |
| Brady Reid Rafuse[1] | 17,245,155 | 17,245,155 | - | - |
| Lam Kwok Chong | 432,277 | 432,275 | - | - |
| Joachim Piroth | - | 5,000,000 | - | - |
| John Neil Hobbs | - | 500,000 | - | - |
| **The Company (Number of warrants)** | | | | |
| John Tyler Siegel Jr. | - | - | 1,508,920 | 1,508,920 |

*(1) Out of the 17,245,155 options to subscribe for or purchase, 606,958 ordinary shares are subject to the applicable performance target set out in the 2009 Scheme (defined below).*

By virtue of Section 7 of the Act, all of the Directors save for Duncan James Daragon Lewis, 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.

**4. Directors' contractual benefits**

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 (the "Scheme") was approved by the shareholders of the Company at an Extraordinary General Meeting held on 4 January 2000. The shareholders of the Company approved the change of name of the Scheme to the Global Voice Group Limited Share Option Scheme on 7 June 2005 and to the euNetworks Group Limited Share Option Scheme on 29 April 2009 (the "2000 Scheme"). The 2000 Scheme expired for the grant of new options on 4 January 2010, and the last outstanding offers expired on 30 June 2014.

(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 2009 Scheme is 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 2014 were as follows:

| Date of grant | Balance at 1 January 2014 | Granted during the year | Cancelled/ expired | Balance at 31 December 2014 | Subscription price | Vesting date |
|---|---|---|---|---|---|---|
| | No. | No. | No. | No. | S$ | |
| **2000 Scheme** | | | | | | |
| 30-Jun-09 | 432,277 | - | (432,277) | - | 1.50 | 29-Jun-12 |
| | 432,277 | - | (432,277) | - | | |

5. **Share options** (Continued)

(c) (Continued)

| Date of grant | Balance at 1 January 2014 | Granted during the year | Cancelled/ expired | Balance at 31 December 2014 | Subscription price | Vesting date |
|---|---|---|---|---|---|---|
| | No. | No. | No. | No. | S$ | |
| <u>2009 Scheme</u> | | | | | | |
| 27-Oct-09 | 1,561,065 | - | (177,782) | 1,383,283 | 1.25 | 27-Oct-10 |
| 27-Oct-09 | 1,561,065 | - | (177,782) | 1,383,283 | 1.25 | 27-Oct-11 |
| 27-Oct-09 | 1,388,154 | - | (177,782) | 1,210,372 | 1.25 | 27-Oct-12 |
| 27-Oct-09 | 1,152,739 | - | (1,152,739) | - | 0.75 | 16-Feb-10 |
| 27-Oct-09 | 1,729,108 | - | - | 1,729,108 | 0.75 | 15-Mar-10 |
| 27-Oct-09 | 1,152,739 | - | (1,152,739) | - | 0.75 | 16-Feb-11 |
| 27-Oct-09 | 1,729,108 | - | - | 1,729,108 | 0.75 | 15-Mar-11 |
| 27-Oct-09 | 1,152,739 | - | (1,152,739) | - | 0.75 | 16-Feb-12 |
| 27-Oct-09 | 1,729,108 | - | - | 1,729,108 | 0,75 | 15-Mar-12 |
| 27-Oct-09 | 1,729,108 | - | - | 1,729,108 | 0.75 | 15-Mar-13 |
| 26-Mar-10 | 230,548 | - | (57,638) | 172,910 | 0.75 | 26-Mar-11 |
| 26-Mar-10 | 230,548 | - | (57,638) | 172,910 | 0.75 | 26-Mar-12 |
| 26-Mar-10 | 230,548 | - | (57,638) | 172,910 | 0.75 | 26-Mar-13 |
| 28-Apr-10 | 576,369 | - | (576,369) | - | 1.00 | 28-Apr-11 |
| 28-Apr-10 | 576,369 | - | (576,369) | - | 1.00 | 28-Apr-12 |
| 28-Apr-10 | 576,369 | - | (576,369) | - | 1.00 | 28-Apr-13 |
| 28-Apr-10 | 4,502,105 | - | (513,785) | 3,988,320 | 1.00 | 28-Apr-14 |
| 2-Dec-10 | 317,333 | - | (317,333) | - | 0.80 | 2-Dec-11 |
| 2-Dec-10 | 317,333 | - | (317,333) | - | 0.80 | 2-Dec-12 |
| 2-Dec-10 | 317,333 | - | (317,333) | - | 0.80 | 2-Dec-13 |
| 14-Nov-11 | 12,074,575 | - | (1,832,805) | 10,241,770 | 0.79 | 14-Nov-13 |
| 14-Nov-11 | 6,037,288 | - | (916,403) | 5,120,885 | 0.79 | 14-Nov-14 |
| 14-Nov-11 | 6,037,288 | - | (811,344) | 5,225,944 | 0.79 | 14-Nov-15 |
| 21-Dec-11 | 1,887,676 | - | (1,887,676) | - | 0.89 | 21-Dec-12 |
| 21-Dec-11 | 1,887,676 | - | (1,887,676) | - | 0.89 | 21-Dec-13 |
| 21-Dec-11 | 1,887,676 | - | (1,887,676) | - | 0.89 | 21-Dec-14 |
| 4-Jan-13 | 200,000 | - | - | 200,000 | 0.75 | 4-Jan-15 |
| 4-Jan-13 | 100,000 | - | - | 100,000 | 0.75 | 4-Jan-16 |
| 4-Jan-13 | 100,000 | - | - | 100,000 | 0.75 | 4-Jan-17 |
| 8-Mar-13 | 1,747,029 | - | - | 1,747,029 | 0.80 | 8-Mar-15 |
| 8-Mar-13 | 873,514 | - | - | 873,514 | 0.80 | 8-Mar-16 |
| 8-Mar-13 | 873,514 | - | - | 873,514 | 0.80 | 8-Mar-17 |
| 25-Jun-13 | 675,000 | - | (175,000) | 500,000 | 0.75 | 25-Jun-15 |
| 25-Jun-13 | 337,500 | - | (87,500) | 250,000 | 0.75 | 25-Jun-16 |
| 25-Jun-13 | 337,500 | - | (87,500) | 250,000 | 0.75 | 25-Jun-17 |
| 17-Oct-13 | 300,000 | - | - | 300,000 | 0.75 | 17-Oct-15 |
| 17-Oct-13 | 150,000 | - | - | 150,000 | 0.75 | 17-Oct-16 |
| 17-Oct-13 | 150,000 | - | - | 150,000 | 0.75 | 17-Oct-17 |

5. **Share options** (Continued)

(c) (Continued)

| Date of grant | Balance at 1 January 2014 | Granted during the year | Cancelled/ expired | Balance at 31 December 2014 | Subscription price | Vesting date |
|---|---|---|---|---|---|---|
| | No. | No. | No. | No. | S$ | |
| 2009 Scheme (Continued) | | | | | | |
| 15-Nov-13 | 100,000 | - | - | 100,000 | 0.85 | 15-Nov-15 |
| 15-Nov-13 | 50,000 | - | - | 50,000 | 0.85 | 15-Nov-16 |
| 15-Nov-13 | 50,000 | - | - | 50,000 | 0.85 | 15-Nov-17 |
| 7-Jan-14 | - | 1,250,000 | - | 1,250,000 | 0.80 | 7-Jan-15 |
| 7-Jan-14 | - | 1,250,000 | - | 1,250,000 | 0.80 | 7-Jan-16 |
| 7-Jan-14 | - | 1,250,000 | - | 1,250,000 | 0.80 | 7-Jan-17 |
| 7-Jan-14 | - | 1,250,000 | - | 1,250,000 | 0.80 | 7-Jan-18 |
| 5-Mar-14 | - | 2,100,000 | - | 2,100,000 | 0.75 | 5-Mar-16 |
| 5-Mar-14 | - | 1,050,000 | - | 1,050,000 | 0.75 | 5-Mar-17 |
| 5-Mar-14 | - | 1,050,000 | - | 1,050,000 | 0.75 | 5-Mar-18 |
| 8-Apr-14 | - | 100,000 | - | 100,000 | 0.75 | 8-Apr-16 |
| 8-Apr-14 | - | 50,000 | - | 50,000 | 0.75 | 8-Apr-17 |
| 8-Apr-I4 | - | 50,000 | - | 50,000 | 0.75 | 8-Apr-18 |
| 16-May-14 | - | 466,139 | - | 466,139 | 0.75 | 16-May-16 |
| 16-May-14 | - | 233,068 | - | 233,068 | 0.75 | 16-May-17 |
| 16-May-14 | - | 233,068 | - | 233,068 | 0.75 | 16-May-18 |
| 3-Jul-14 | - | 1,500,000 | - | 1,500,000 | 0.75 | 3-Jul-16 |
| 3-Jul-14 | - | 750,000 | - | 750,000 | 0.75 | 3-Jul-17 |
| 3-Jul-14 | - | 750,000 | - | 750,000 | 0.75 | 3-Jul-18 |
| | 58,616,024 | 13,332,275 | (16,932,948) | 55,015,351 | | |
| Total | 59,048,301 | 13,332,275 | (17,365,225) | 55,015,351 | | |

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”).

**6. Warrants** (Continued)

**(1) 2009 Warrants** (Continued)

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$4.3m. 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 recent rights issue and pursuant to the terms and conditions of the 2009 Warrants. The exercise price of each 2009 Warrant was adjusted to S$0.0325 and the number of 2009 Warrants in each of the warrant groups referred to above was adjusted, in each case doubling the number of 2009 Warrants.

Following these adjustments, the 2009 Warrants continued to represent 1.0% of the issued share capital of the Company 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$5.6m.

On 21 May 2013, the Company announced certain adjustments to the 2009 Warrants following the recent rights issue and pursuant to the terms and conditions of the 2009 Warrants. The exercise price of each 2009 Warrant was adjusted to S$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. On 8 December 2014, as announced by the Company, the warrants expired.

Pursuant to the terms and conditions of the 2009 Warrants, the rights to subscribe for new ordinary shares by way of exercise of the 2009 Warrants expired at 5.00 p.m. on 8 December 2014, whereby all 2009 Warrants which had not been exercised lapsed and ceased to be valid for any purpose. As stated in the announcement issued by the Company on 8 December 2014, as at 5.00 p.m., given that the Company had not received any notice from the 2009 warrant holders to exercise the 2009 Warrants, all the 2009 Warrants have lapsed and ceased to be valid for any purpose.

**(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;

6. **Warrants** (Continued)

(2) **Columbia Warrants** (Continued)

(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 rights issue 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 represents 0.5% of the issued share capital of the Company as at the date of this report. Assuming all of the Columbia Warrants were exercised by the warrant holders, the Company could expect to receive aggregate proceeds of S$2.1m. 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.

**6. Warrants** (Continued)

**(2) Columbia Warrants** (Continued)

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.

Save for the adjustments to reflect the share consolidation, there were no movements during the year.

| | Date of Grant | Balance at 1 January 2014 | Balance at 31 December 2014 | Subscription price at 1 January 2014 (S$) | Subscription price at 31 December 2014 (S$) | Expiry date |
|---|---|---|---|---|---|---|
| 2009 Warrants | 08 December 2009 | 3,458,216 | - | 1.625 | - | 8 December 2014 |
| Columbia Warrants | 08 August 2011* | 2,100,000 | 2,100,000 | 1.00 | 1.00 | 8 August 2016 |
| | | 2,100,000 | 2,100,000 | | | |

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

**7. Voluntary delisting**

On 17 November 2014, J.P. Morgan (S.E.A.) Limited (“JPMSEAL”), for and on behalf of EUN Holdings, LLP (the “Offeror”), announced the mandatory unconditional cash offer (the “Offer”) for all the issued ordinary shares (excluding treasury shares) in the capital of the Company (“Shares”), other than those already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it as at the date of the Offer.

In connection with the Offer, JPMSEAL, for and on behalf of the Offeror, also made a proposal (the “Options Proposal”) to holders (“Option Holders”) of options granted pursuant to the euNetworks Group Limited 2009 Share Option Scheme (the “Options”) that, subject to the Options having vested and continuing to be exercisable, the Offeror will pay the Option Holders the “see-through” price in consideration of the Option holders agreeing not to exercise all or any of their Options into new Shares and to surrender all of their Options for cancellation.

On 29 January 2015, the Company announced, in connection with the Offer, that the percentage of the total number of Shares which were held in public hands was approximately 9.7 per cent and, accordingly, the Company no longer met the free float requirement prescribed by the Rules of Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”). Following this, the Company and the Offeror made a joint announcement on 11 February 2015 that the Offeror had presented to the Directors a formal proposal to seek the voluntary delisting of the Company from the Official List of the SGX-ST (the “Delisting”) and was proposing that the Offer serve as the reasonable exit alternative offered to shareholders of the Company for the purposes of the Delisting.

On 23 February 2015, formal approval for Delisting was received from the SGX-ST and, following the close of the Offer on 13 March 2015, trading in the Shares was suspended from 16 March 2015 at 9.00a.m and the Shares were officially delisted and withdrawn from the Official List of the SGX-ST with effect from 9.00 a.m. on 20 March 2015.

Subsequent to 31 December 2014, following the close of the Offer, Columbia Capital V, LLC is deemed interested in an aggregate of 70.2% of the equity interest of euNetworks Group Limited, making Columbia Capital V, LLC the holding company and the ultimate holding company of euNetworks Group Limited.

**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
30 March 2015

## STATEMENT BY DIRECTORS

In the opinion of the Board of 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 2014, 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
30 March 2015

## 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 the statement of financial position of the Company as at 31 December 2014, and the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance 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.

**Report on the Financial Statements** (Continued)

*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 2014 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
30 March 2015

**EUNETWORKS GROUP LIMITED AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

| | Note | 2014<br>€'m | 2013<br>€'m |
|---|---|---|---|
| **Revenue** | 5 | 103.4 | 97.4 |
| Direct network expenses | 6 | (25.5) | (26.4) |
| Network operating expenses | 6 | (23.3) | (22.3) |
| Staff costs | 7 | (20.1) | (20.8) |
| Other expenses | 8 | (4.8) | (4.7) |
| Depreciation of plant and equipment | 13 | (25.7) | (25.4) |
| Amortisation of intangibles | 14 | (2.3) | (2.5) |
| Loss on disposal of plant and equipment | | (0.5) | (0.3) |
| **Operating profit/(loss)** | | 1.2 | (5.0) |
| Financial costs | 9 | (4.0) | (1.6) |
| Gain on bargain purchase | 16 | 1.0 | - |
| **Loss before income tax** | 10 | (1.8) | (6.6) |
| Income tax credit | 11 | 0.7 | 0.3 |
| **Loss for the year** | | (1.1) | (6.3) |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive loss for the year** | | (1.1) | (6.3) |
| Loss for the year and total comprehensive loss for the year attributable to: | | | |
| Shareholders of the Company | | (1.1) | (6.3) |
| Loss per ordinary share (eurocents) basic and diluted | 12 | (0.26) | (1.41) |

*The accompanying notes form an integral part of these financial statements.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | €'m | €'m |
| **Assets** | | | |
| **Non-current assets** | | | |
| Plant and equipment | 13 | 200.3 | 188.6 |
| Intangible assets | 14 | 33.9 | 35.3 |
| Deferred tax assets | 31 | 4.9 | 4.9 |
| Prepayments | 15 | 0.4 | 0.3 |
| Total non-current assets | | 239.5 | 229.1 |
| **Current assets** | | | |
| Infrastructure assets held for resale | 17 | 0.2 | - |
| Trade receivables | 18 | 9.7 | 8.7 |
| Other receivables | 19 | 1.6 | 0.8 |
| Prepayments | 15 | 4.6 | 4.2 |
| Cash and cash equivalents | 20 | 13.4 | 16.3 |
| Total current assets | | 29.5 | 30.0 |
| **Total assets** | | 269.0 | 259.1 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 21 | 291.9 | 291.9 |
| Treasury shares | 22 | (6.5) | (6.5) |
| Reserves | 24 | 20.0 | 22.8 |
| Accumulated losses | | (111.8) | (110.7) |
| Total equity | | 193.6 | 197.5 |
| **Non-current liabilities** | | | |
| Obligations under finance leases | 25 | 3.1 | 4.5 |
| Interest bearing borrowings | 26 | 19.2 | 12.6 |
| Provisions | 27 | 3.9 | 4.4 |
| Deferred revenue | 28 | 16.1 | 7.8 |
| Deferred tax liabilities | 31 | 4.7 | 5.3 |
| Total non-current liabilities | | 47.0 | 34.6 |
| **Current liabilities** | | | |
| Obligations under finance leases | 25 | 1.3 | 1.3 |
| Deferred revenue | 28 | 5.5 | 4.1 |
| Trade and other payables | 29 | 21.1 | 21.2 |
| Income tax payable | | 0.5 | 0.4 |
| Total current liabilities | | 28.4 | 27.0 |
| Total liabilities | | 75.4 | 61.6 |
| **Total equity and liabilities** | | 269.0 | 259.1 |

*The accompanying notes form an integral part of these financial statements.*

## STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER 2014

| | Note | 2014 €'m | 2013 €'m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current asset** | | | |
| Investments in subsidiaries | 16 | 238.1 | 242.7 |
| **Current assets** | | | |
| Other receivables | 19 | 0.2 | - |
| Prepayments | 15 | 0.5 | 0.6 |
| Cash and cash equivalents | 20 | 0.4 | 0.2 |
| Total current assets | | 1.1 | 0.8 |
| **Total assets** | | 239.2 | 243.5 |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Share capital | 21 | 291.9 | 291.9 |
| Treasury shares | 22 | (6.5) | (6.5) |
| Reserves | 24 | 39.1 | 41.9 |
| Accumulated losses | | (88.3) | (85.5) |
| Total equity | | 236.2 | 241.8 |
| **Current liabilities** | | | |
| Trade and other payables | 29 | 2.5 | 1.7 |
| Income tax payable | | 0.5 | - |
| Total current liabilities | | 3.0 | 1.7 |
| **Total equity and liabilities** | | 239.2 | 243.5 |

*The accompanying notes form an integral part of these financial statements.*

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 €'m | 2013 €'m |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Loss before income tax | | (1.8) | (6.6) |
| Add back/(deduct): | | | |
| Depreciation of plant and equipment | 13 | 25.7 | 25.4 |
| Amortisation of intangibles | 14 | 2.3 | 2.5 |
| Share options expenses | 7 | (2.8) | 2.2 |
| Financial costs | 9 | 4.0 | 1.6 |
| Loss on disposal of plant and equipment | | 0.5 | 0.3 |
| Gain on bargain purchase | | (1.0) | - |
| Provisions | | (0.5) | (0.9) |
| **Operating cash flows before working capital changes** | | 26.4 | 24.5 |
| Changes in working capital | 30 | 4.6 | 0.4 |
| Income tax paid | | (0.2) | (1.3) |
| **Net cash inflow from operating activities** | | 30.8 | 23.6 |
| **Cash flows from investing activities** | | | |
| Purchase of plant and equipment | A | (29.4) | (26.7) |
| Purchase of intangible assets | 14 | (1.0) | (0.8) |
| Net cash outflow on acquisition of subsidiary net of cash acquired | 16 | (2.1) | - |
| **Net cash outflow from investing activities** | | (32.5) | (27.5) |
| **Cash flows from financing activities** | | | |
| Debt raised | | 24.2 | 12.6 |
| Repayment of debt | | (20.0) | - |
| Repayment of 2014 convertible bond | | - | (1.1) |
| Share buy back | | - | (4.6) |
| Repayment of vendor loan | | - | (6.3) |
| Repayment of finance lease obligations | | (1.4) | (1.4) |
| Interest paid | | (4.2) | (1.1) |
| **Net cash outflow from financing activities** | | (1.4) | (1.9) |
| **Effect of exchange rates on cash and cash equivalents** | | 0.2 | (0.5) |
| Net change in cash and cash equivalents | | (2.9) | (6.3) |
| Cash and cash equivalents at beginning of the year | | 16.3 | 22.6 |
| **Cash and cash equivalents at end of the year** | 20 | 13.4 | 16.3 |

*The accompanying notes form an integral part of these financial statements.*

**Note A**

| | Note | 2014<br>€'m | 2013<br>€'m |
|---|---|---|---|
| Additions of plant and equipment | 13 | (27.7) | (28.5) |
| (Decrease)/Increase in other payables in relation to plant and equipment | | (1.7) | 1.8 |
| Purchase of plant and equipment per consolidated statement of cash flows | | (29.4) | 26.7 |

*The accompanying notes form an integral part of these financial statements.*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | | | Reserves | | | |
|---|---|---|---|---|---|---|
| | Share capital | Treasury shares | Employee share option reserve | Foreign currency translation reserve | Accumulated losses | Total equity |
| | €'m | €'m | €'m | €'m | €'m | €'m |
| **Group** | | | | | | |
| **2014** | | | | | | |
| At 1 January 2014 | 291.9 | (6.5) | 22.1 | 0.7 | (110.7) | 197.5 |
| Loss for the year, representing total comprehensive income for the year | - | - | - | - | (1.1) | (1.1) |
| Contributions by and distributions to owners | | | | | | |
| - Share options expenses (Note 7) | - | - | (2.8) | - | - | (2.8) |
| Total contributions by and distributions to owners | - | - | (2.8) | - | - | (2.8) |
| At 31 December 2014 | 291.9 | (6.5) | 19.3 | 0.7 | 111.8 | 193.6 |

*The accompanying notes form an integral part of these financial statements.*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | | | Reserves | | | |
|---|---|---|---|---|---|---|
| | Share capital | Treasury shares | Employee share option reserve | Foreign currency translation reserve | Accumulated losses | Total equity |
| | €'m | €'m | €'m | €'m | €'m | €'m |
| **Group** | | | | | | |
| **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 |

*The accompanying notes form an integral part of these financial statements.*

**STATEMENT OF CHANGES IN EQUITY OF THE COMPANY**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

| | | | Reserves | | | |
|---|---|---|---|---|---|---|
| | Share capital | Treasury shares | Employee share option reserve | Other reserve | Accumulated losses | Total equity |
| | €'m | €'m | €'m | €'m | €'m | €'m |
| **Company** | | | | | | |
| **2014** | | | | | | |
| At 1 January 2014 | 291.9 | (6.5) | 22.1 | 19.8 | (85.5) | 241.8 |
| Loss for the year, representing total comprehensive income for the year | - | - | - | - | (2.8) | (2.8) |
| Contributions by and distributions to owners | | | | | | |
| - Share options expenses (Note 7) | - | - | (2.8) | - | - | (2.8) |
| Total contributions by and distributions to owners | - | - | (2.8) | - | - | (2.8) |
| At 31 December 2014 | 291.9 | (6.5) | 19.3 | 19.8 | (88.3) | 236.2 |

*The accompanying notes form an integral part of these financial statements.*

**STATEMENT OF CHANGES IN EQUITY OF THE COMPANY**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

| | | | Reserves | | | |
|---|---|---|---|---|---|---|
| | Share capital | Treasury shares | Employee share option reserve | Other reserve | Accumulated losses | Total equity |
| | €'m | €'m | €'m | €'m | €'m | €'m |
| **Company** | | | | | | |
| **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 |

*The accompanying notes form an integral part of these 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 16 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, Switzerland 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 a secure data centre facility in Amsterdam and 25 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.

**2. Summary of significant accounting policies** (Continued)

**2.2 Basis of preparation** (Continued)

***FRS 112 Disclosure of Interests in Other Entities***

FRS 112 prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to disclose information that helps users to assess the nature and financial effects of relationships with subsidiaries, associates, joint arrangements and unconsolidated structured entities. As the new standard affects only disclosure, there is no effect on the Group's financial position or performance.

**Amendments to FRS 36 - *Recoverable Amount Disclosures for Non-financial Assets***

The amendments to FRS 36 were issued to remove the requirement to disclose the recoverable amount of any cash-generating unit for which the carrying amount of goodwill or intangible assets with an indefinite useful life is significant compared to the total carrying amount of goodwill or intangible assets with an indefinite useful life, and instead require disclosure about recoverable amount only when there is a significant impairment or reversal of an impairment, as well as to require additional disclosures when recoverable amount is based on fair value less costs of disposal.

The Group has adopted the amendments to FRS 36 from 1 January 2014, and reflected the relevant amended disclosure requirements in these financial statements. There is no impact on the Group's financial position or financial performance.

**FRS issued but not yet effective**

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

| | | **Effective date (annual periods beginning on or after)** |
|---|---|---|
| FRS 1 (Amendments) | : Disclosure Initiative | 1 January 2016 |
| FRS 27 (Amendments) | : Equity Method in Separate Financial Statements | 1 January 2016 |
| FRS 19 (Amendments) | : Defined Benefits Plans: Employee Contributions | 1 July 2014 |
| FRS 16 and FRS 38 (Amendments) | : Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Improvements to FRSs 2014 | (January 2014) | 1 July 2014 |
| Improvements to FRSs 2014 | (February 2014) | 1 July 2014 |
| Improvements to FRSs 2014 | (November 2014) | 1 January 2016 |
| FRS 109 | : Financial Instruments | 1 January 2018 |
| FRS 115 | : Revenue from Contracts with Customers | 1 January 2017 |

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

Except as disclosed below, management anticipates that the adoption of the above FRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

**2. Summary of significant accounting policies** (Continued)

**2.2 Basis of preparation** (Continued)

**FRS issued but not yet effective** (Continued)

***FRS 115 Revenue from Contracts with Customers***

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 January 2017 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

**FRS 109 Financial Instruments**

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

## 2. Summary of significant accounting policies (Continued)

### 2.2 Basis of preparation (Continued)

**FRS issued but not yet effective** (Continued)

**FRS 109 Financial Instruments** (Continued)

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard, however the Group will be required to reassess the classification and measurement of financial assets, particularly those currently classified as available for sale and held to maturity, and the new impairment requirements are expected to result in changes for impairment provisions on trade receivables and other financial assets not measured at fair value through profit or loss.

### 2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is obtained by the Group up to the effective date on which control is lost, 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.

### 2.4 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.

## 2. Summary of significant accounting policies (Continued)

### 2.4 Business combinations (Continued)

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.

### 2.5 Revenue recognition

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

*Rendering of network services*

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

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

*Sale of items of network infrastructure*

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. Summary of significant accounting policies** (Continued)

**2.6 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 financial 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 its 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 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.

## 2. Summary of significant accounting policies (Continued)

### 2.6 Income tax (Continued)

<u>Sales tax</u>

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

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation 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.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 2.7 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.

*Employees' leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave 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.

### 2.8 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.

### 2.9 Foreign currency transactions and translation

*Functional and presentation currency*

The individual financial statements of each entity in the Group are measured in the currency of the primary economic environment in which the entity operates ("functional currency").

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Euros (€), which is the functional currency of the Company.

## 2. Summary of significant accounting policies (Continued)

### 2.9 Foreign currency transactions and translation (Continued)

*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.

### 2.10 Plant and equipment

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

## 2. Summary of significant accounting policies (Continued)

### 2.10 Plant and equipment (Continued)

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 |

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

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

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

The Group capitalises costs directly associated with expansions and improvements of the Group's telecommunications network and customer installations, 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 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 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.

### 2.11 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 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.

## 2. Summary of significant accounting policies (Continued)

### 2.11 Intangible assets (Continued)

Goodwill (Continued)

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, the attributable amount of goodwill is included in the determination of gain or loss on disposal.

Customer Contracts acquired in a business combination

Customer contracts acquired are recognised at their fair value at the acquisition date. The customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the contract period of up to 15 years.

Software licences

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

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

Trademarks

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

### 2.12 Subsidiaries

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

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 16).

## 2. Summary of significant accounting policies (Continued)

### 2.13 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.

### 2.14 Assets classified as held-for-sale

Assets classified as held-for-sale are carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised 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.

**2. Summary of significant accounting policies** (Continued)

**2.15 Financial instruments** (Continued)

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.

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.

**2. Summary of significant accounting policies** (Continued)

**2.15 Financial instruments** (Continued)

**Financial assets** (Continued)

Impairment of financial assets (Continued)

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.

**2. Summary of significant accounting policies** (Continued)

**2.15 Financial instruments** (Continued)

**Financial liabilities and equity instruments** (Continued)

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 2.8).

*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. Summary of significant accounting policies** (Continued)

**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 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.

## 2. Summary of significant accounting policies (Continued)

### 2.18 Leases (Continued)

Finance leases (Continued)

*The Group as lessee* (Continued)

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

*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*

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. Summary of significant accounting policies** (Continued)

**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.

## 3. Critical accounting judgments and key sources of estimation uncertainty (Continued)

### 3.1 Critical judgments made in applying the accounting policies (Continued)

(i) Determination of functional currency

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

(ii) Leases

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

(iii) 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 the Group's income tax payable as at 31 December 2014 is €0.5m (2013: €0.4m) and the carrying amounts of deferred tax assets and liabilities as at 31 December 2014 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.

## 3. Critical accounting judgments and key sources of estimation uncertainty (Continued)

### 3.2 Key sources of estimation uncertainty (Continued)

(i) Depreciation of plant and equipment

The Group depreciates the 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 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 plant and equipment are disclosed in Note 13 to the financial statements.

(ii) Impairment of plant and equipment

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

An impairment exist when the carrying value of 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 plant and equipment is determined based on value-in-use, by discounting the expected future cash flows for each cash generating units ("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 11.76% (2013:10%) and a long term growth rate of 6.59% (2013: 3%). Based on this, Management estimated that recoverable of plant and equipment are in excess of its carrying value and accordingly no allowance for impairment was deemed necessary for plant and equipment as at 31 December 2014. The carrying amounts of the Group's plant and equipment are disclosed in Note 13 to the financial statements.

(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 and carrying amounts of Group's intangible assets, refer to Note 14 to the financial statements.

**3. Critical accounting judgments and key sources of estimation uncertainty** (Continued)

**3.2 Key sources of estimation uncertainty** (Continued)

(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 2014 was €238.1 (2013: €242.7m).

(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 are 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.

**4. Segmental reporting information** (Continued)

**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, Switzerland 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.

**Data Centres**

The Group also operates a secure data centre facility in Amsterdam and 25 in Germany.

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

| | **2014** | **2013** |
|---|---|---|
| | **€'m** | **€'m** |
| **Revenue** | | |
| Network business | 87.3 | 80.1 |
| Data centres | 16.1 | 17.3 |
| Total | 103.4 | 97.4 |

All revenue is derived from external sales.

| | **2014** | **2013** |
|---|---|---|
| **Gross profit** | | |
| Network business | 65.9 | 58.0 |
| Data centres | 12.0 | 13.0 |
| Total | 77.9 | 71.0 |

Gross profit is revenue less direct network expenses

| | **2014** | **2013** |
|---|---|---|
| **Operating profit/(loss)** | | |
| Network business | 1.6 | (3.4) |
| Data centres | 3.8 | 5.9 |
| Total segments | 5.4 | 2.5 |
| Corporate costs | (4.2) | (7.5) |
| Total | 1.2 | (5.0) |

Financial cost of €4.0m (2013: €1.6m) and other non-cash item of gain on bargain purchase amounted to €1.0m (2013: Nil) are included in Network business.

**4. Segmental reporting information** (Continued)

| | 2014<br>€'m | 2013<br>€'m |
|---|---|---|
| **Additions to plant and equipment and intangible assets** | | |
| Network business | 27.6 | 27.9 |
| Data centres | 1.1 | 0.5 |
| Corporate assets | - | 0.9 |
| Total | 28.7 | 29.3 |
| **Depreciation and amortisation** | | |
| Network business | (23.6) | (24.9) |
| Data centres | (4.4) | (3.0) |
| Total | (28.0) | (27.9) |
| **Statement of financial position (Group)** | | |
| **Assets** | | |
| Network business | 248.5 | 236.1 |
| Data centres | 19.4 | 22.2 |
| Total segment assets | 267.9 | 258.3 |
| Corporate assets | 1.1 | 0.8 |
| Total assets | 269.0 | 259.1 |
| **Liabilities** | | |
| Network business | 66.9 | 53.9 |
| Data centres | 5.5 | 6.0 |
| Total segment liabilities | 72.4 | 59.9 |
| Corporate liabilities | 3.0 | 1.7 |
| Total liabilities | 75.4 | 61.6 |

**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 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | €'m | €'m | €'m | €'m |
| Germany | 48.2 | 48.5 | 119.5 | 127.8 |
| Netherlands | 15.3 | 15.7 | 22.8 | 22.4 |
| United Kingdom | 18.2 | 15.4 | 55.8 | 50.3 |
| Switzerland | 0.9 | - | 10.2 | - |
| Ireland | 10.6 | 8.2 | 16.3 | 13.8 |
| United States of America | 5.4 | 4.3 | - | - |
| France | 1.7 | 1.5 | 7.9 | 8.5 |
| Others | 3.1 | 3.8 | 2.1 | 1.4 |
| | 103.4 | 97.4 | 234.6 | 224.2 |

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

## 5. Revenue

| | 2014 €'m | 2013 €'m |
|---|---|---|
| Network services and sale of network infrastructure | 87.3 | 80.1 |
| Data centre services | 16.1 | 17.3 |
| | 103.4 | 97.4 |

There was €0.9m from the sale of infrastructure included within network services in 2014 (2013: €0.3m).

Revenues from the single largest customer (in respect of data centre services) represented 4.2% of total revenues (2013: 5.0%).

## 6. Direct network expenses and network operating expenses

| | 2014 €'m | 2013 €'m |
|---|---|---|
| Direct network expenses | 25.5 | 26.4 |
| Network operating expenses | 23.3 | 22.3 |

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 €17.5m (2013: €18.2m).

## 7. Staff costs

| | 2014 €'m | 2013 €'m |
|---|---|---|
| Wages and salaries | 22.0 | 18.6 |
| Social security costs | 2.5 | 2.1 |
| Share options: | (2.8) | 2.2 |
| - expenses | 2.7 | 2.2 |
| - cancelled | (5.5) | - |
| National insurance on share options | 1.4 | - |
| Termination costs | 0.1 | 0.2 |
| Other staff costs | 0.2 | 0.6 |
| | 23.4 | 23.7 |
| Less: costs capitalised to software/network equipment | (3.3) | (2.9) |
| | 20.1 | 20.8 |

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

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

## 8. Other expenses

| | 2014 €'m | 2013 €'m |
|---|---|---|
| Legal and professional fees | 1.9 | 1.5 |
| Office rental | 1.0 | 0.5 |
| Other office costs | 0.7 | 0.5 |
| Travel expenses | 1.1 | 0.9 |
| Marketing costs | 0.1 | 0.4 |
| Allowance for doubtful receivables | - | 0.1 |
| Other costs | - | 0.8 |
| | 4.8 | 4.7 |

## 9. Financial costs

| | 2014 €'m | 2013 €'m |
|---|---|---|
| Interest on Convertible Bond 3 | - | 0.1 |
| Foreign exchange movements | (0.2) | 0.5 |
| Debt raise costs written off | 2.2 | - |
| Interest on bank loan | 1.5 | 0.8 |
| Other net interest | 0.5 | 0.2 |
| | 4.0 | 1.6 |

Details of the convertible bonds are given in Note 26.

## 10. 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:

| | 2014 €'m | 2013 €'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 | 0.1 |
| | 0.5 | 0.5 |

[1] Audit fee paid/payable to the auditors of the Company is €99,000 (2013: €99,000)
[2] Non-audit fee paid/payable to the auditors of the Company is €Nil (2013: €Nil)

## 11. Income tax credit

Major components of income tax for the financial years ended 31 December 2014 and 2013 are as follows:

| | 2014 €'m | 2013 €'m |
|---|---|---|
| Current tax: | | |
| - Current year | 0.3 | 0.7 |
| - Overprovision in prior year | (0.4) | - |
| Deferred income tax: | | |
| - Current year | - | (1.0) |
| - Overprovision in prior year | (0.6) | - |
| | (0.7) | (0.3) |

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 is as follows:

| | 2014 €'m | 2013 €'m |
|---|---|---|
| Loss before income tax | (1.8) | (6.6) |
| Tax at the domestic rates applicable to profits in the countries where the Group operates | (0.5) | (2.3) |
| Unrecognised deferred tax benefits | 1.8 | 4.2 |
| Income not subject to tax | (1.0) | (1.2) |
| Under provision of current tax in prior year | (0.4) | - |
| Overprovision of deferred tax in prior year | (0.6) | (1.0) |
| | (0.7) | (0.3) |

## 12. 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 2014 | 2013 |
|---|---|---|
| Loss attributable to ordinary equity holders of the Company (€'m) | (1.1) | (6.3) |
| Weighted average number of ordinary shares (m) | 438 | 447 |
| Loss per ordinary share (eurocents) | (0.26) | (1.41) |

56.9m (2013: 64.6m) 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.

## 13. Plant and equipment

| | Telecom-munications networks €'m | Network equipment €'m | Office furniture and equipment €'m | Total €'m |
|---|---|---|---|---|
| **Group** | | | | |
| **2014** | | | | |
| **Cost** | | | | |
| Balance at 1 January 2014 | 270.2 | 62.6 | 4.5 | 337.3 |
| Additions | 12.7 | 14.7 | 0.3 | 27.7 |
| Acquisition of subsidiary | 10.3 | - | - | 10.3 |
| Written off | (3.6) | (0.2) | (1.0) | (4.8) |
| Reclassifications | 31.3 | (31.3) | - | - |
| Balance at 31 December 2014 | 320.9 | 45.8 | 3.8 | 370.5 |
| | | | | |
| **Accumulated depreciation** | | | | |
| Balance at 1 January 2014 | (120.5) | (24.9) | (3.3) | (148.7) |
| Depreciation | (18.8) | (6.5) | (0.4) | (25.7) |
| Written off | 3.0 | 0.2 | 1.0 | 4.2 |
| Reclassifications | (20.9) | 20.9 | - | - |
| Balance at 31 December 2014 | (157.2) | (10.3) | (2.7) | (170.2) |
| | | | | |
| **Carrying amount** | | | | |
| At 31 December 2014 | 163.7 | 35.5 | 1.1 | 200.3 |
| | | | | |
| **2013** | | | | |
| **Cost** | | | | |
| Balance at 1 January 2013 | 255.6 | 51.1 | 3.5 | 310.2 |
| Additions | 16.0 | 11.5 | 1.0 | 28.5 |
| Written off | (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) |
| Written off | 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 |

As at 31 December 2014, network equipment of the Group with carrying amount of €3.0m (2013: €4.0m) were acquired under finance lease arrangements (Note 25). During the year, the Group acquired plant and equipment totalling €27.7m of which cash of €29.4m was paid and these payments reduced the brought forward liability in respect of plant and equipment.

## 14. Intangible assets

| | Customer contracts | Trademarks | Software | Goodwill | Total |
|---|---|---|---|---|---|
| | €'m | €'m | €'m | €'m | €'m |
| **Group** | | | | | |
| **2014** | | | | | |
| **Cost** | | | | | |
| Balance at 1 January 2014 | 17.2 | 0.5 | 5.5 | 21.6 | 44.8 |
| Additions | - | - | 1.0 | - | 1.0 |
| Written off | - | - | (0.4) | - | (0.4) |
| Balance at 31 December 2014 | 17.2 | 0.5 | 6.1 | 21.6 | 45.4 |
| | | | | | |
| **Accumulated amortisation** | | | | | |
| Balance at 1 January 2014 | (6.4) | (0.2) | (2.9) | - | (9.5) |
| Amortisation | (1.0) | (0.1) | (1.2) | - | (2.3) |
| Written off | - | - | 0.3 | - | 0.3 |
| Balance at 31 December 2014 | (7.4) | (0.3) | (3.8) | - | (11.5) |
| | | | | | |
| **Carrying amount** | | | | | |
| At 31 December 2014 | 9.8 | 0.2 | 2.3 | 21.6 | 33.9 |
| | | | | | |
| **2013** | | | | | |
| **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 |

**14. Intangible assets** (Continued)

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
- Data Centres

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

| | **Network business** | | **Data Centres** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| | **€'m** | **€'m** | **€'m** | **€'m** | **€'m** | **€'m** |
| Goodwill | 17.5 | 17.5 | 4.1 | 4.1 | 21.6 | 21.6 |
| Customer contracts | 8.3 | 9.1 | 1.5 | 1.7 | 9.8 | 10.8 |
| Trademarks | 0.1 | 0.2 | 0.1 | 0.1 | 0.2 | 0.3 |

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 2014 in determining an appropriate pre-tax discount rate for impairment purposes. The resulting discount rate calculated was 11.76% (2013: 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% (2013: 3%).

(d) The terminal value growth rate applied is 6.59% (2013: 3%).

(e) Sensitivity testing has been performed on the value-in-use model applied for a reasonably possible change in key assumptions. For both the Network business and Data Centre CGUs, the model showed sufficient headroom over the carrying value of assets, further indicating no impairment loss is required at 31 December 2014.

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

## 15. Prepayments

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | €'m | €'m | €'m | €'m |
| Non-current | 0.4 | 0.3 | - | - |
| Current | 4.6 | 4.2 | 0.5 | 0.6 |
| | 5.0 | 4.5 | 0.5 | 0.6 |

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

## 16. Investments in subsidiaries

| | Company | |
|---|---|---|
| | 2014 | 2013 |
| | €'m | €'m |
| Unquoted equity shares, at cost | 84.0 | 84.0 |
| Receivables from subsidiaries | 154.1 | 158.7 |
| | 238.1 | 242.7 |

The receivables from subsidiaries of €154.1m (2013: €158.7m) comprise 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[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 |

**16. Investments in subsidiaries** (Continued)

| **Name** | **Country of incorporation and operation** | **Principal activities** |
|---|---|---|
| euNetworks SAS[7] | France | Data network services |
| euNetworks BVBA[6] | Belgium | Data network services |
| Fibre Lac S.A.[6](Now known as euNetworks SA) | Switzerland | 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) Audit by Deloitte SA.

The Company has an effective equity interest of 100% in all subsidiaries as at 31 December 2014 and 2013.

On 16 October 2014, the Company acquired 100% equity interest in Fibre Lac S.A.. Upon the acquisition, Fibre Lac S.A. became a subsidiary of the Group. The Company has acquired Fibre Lac S.A. to strengthen its position in Switzerland, and to reduce costs through economies of scale.

**Acquisition of subsidiary**

The fair values of the identifiable assets and liabilities of Fibre Lac S.A. as at the date of acquisition were:

| | **Fair value recognised on date of acquisition** |
|---|---|
| | **€'m** |
| Plant and equipment | 10.3 |
| Trade receivables | 0.1 |
| Other receivables | 0.4 |
| Cash and cash equivalents | 0.4 |
| Less: | |
| Trade and other payables | (7.7) |
| Total Identifiable assets at acquisition | 3.5 |
| Purchase consideration in cash | (2.5) |
| Gain on bargain purchase | 1.0 |

From the date of acquisition, Fibre Lac S.A. has contributed €0.5m and €0.1m to the revenue and profit net of tax of the Group respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and profits, net of tax would have been €2.5m and €0.5m respectively.

Transaction costs related to the acquisition of €0.5m have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2014.

## 16. Investments in subsidiaries (Continued)

**Acquisition of subsidiary** (Continued)

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

| | €'m |
|---|---|
| Total consideration for 100% equity interest acquired and settled in cash | (2.5) |
| Less: Cash and cash equivalents of subsidiary acquired | 0.4 |
| Net cash outflow on acquisition | (2.1) |

## 17. Infrastructure assets held for resale

The infrastructure assets held for resale of €0.2m at 31 December 2014 (2013: nil) comprised specific network assets.

## 18. Trade receivables

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | €'m | €'m |
| Amounts due from third parties | 10.6 | 9.6 |
| Allowance for doubtful trade receivables | (0.9) | (0.9) |
| | 9.7 | 8.7 |

The average credit period on trade receivables in 2014 is 31.5 days (2013: 30 days).

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

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

Movements in allowance for doubtful trade receivables are as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | €'m | €'m |
| Balance at 1 January | 0.9 | 1.5 |
| Written off against allowance | (0.2) | (0.7) |
| Acquired with subsidiary | 0.2 | - |
| Charged to profit or loss | - | 0.1 |
| Balance at 31 December | 0.9 | 0.9 |

**18. Trade receivables** (Continued)

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

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **€'m** | **€'m** |
| Days due | | |
| 0 – 90 days | 3.4 | 2.5 |
| 91 – 180 days | 0.7 | 0.3 |
| 181 days and over | 0.9 | 0.2 |
| Total | 5.0 | 3.0 |

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

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

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

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **€'m** | **€'m** |
| Euro | 8.4 | 7.3 |
| Pound Sterling | 0.9 | 1.2 |
| United States Dollar | 0.3 | 0.2 |
| Swiss Franc | 0.1 | - |
| | 9.7 | 8.7 |

**19. Other receivables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **€'m** | **€'m** | **€'m** | **€'m** |
| Deposits | 0.7 | 0.6 | - | - |
| Sundry receivables | 0.9 | 0.2 | 0.2 | - |
| | 1.6 | 0.8 | 0.2 | - |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **€'m** | **€'m** | **€'m** | **€'m** |
| Euro | 1.4 | 0.6 | 0.2 | - |
| Pound Sterling | 0.2 | 0.2 | - | - |
| | 1.6 | 0.8 | 0.2 | - |

## 20. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | €'m | €'m | €'m | €'m |
| Bank balances | 11.4 | 14.6 | 0.4 | 0.2 |
| Short-term deposits | 2.0 | 1.7 | - | - |
| | 13.4 | 16.3 | 0.4 | 0.2 |

Short-term deposits of the Group amounting to €2.0m (2013: €1.7m) were pledged by fixed and floating charges to banks to secure credit facilities granted to the subsidiaries.

Short-term deposits bear interest ranging from nil to 0.15% (2013: nil to 0.5%) per annum and are for a tenure of approximately 90 days (2013: 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 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | €'m | €'m | €'m | €'m |
| Euro | 10.2 | 11.9 | - | - |
| Pound Sterling | 2.8 | 3.6 | 0.3 | 0.1 |
| Singapore Dollar | 0.1 | 0.2 | 0.1 | 0.1 |
| Others | 0.3 | 0.6 | - | - |
| | 13.4 | 16.3 | 0.4 | 0.2 |

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

## 21. Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | No. of ordinary shares (m) | | €'m | €'m |
| **Issued and paid up:** | | | | |
| At beginning of year | 450.4 | 22,504.6 | 291.9 | 291.7 |
| Issued during year (1) | - | 17.9 | - | 0.2 |
| Total before share consolidation | 450.4 | 22,522.5 | 291.9 | 291.9 |
| Share consolidation (2) | - | (22,072.1) | - | - |
| At end of year | 450.4 | 450.4 | 291.9 | 291.9 |

(1) In the previous year, S$0.3m 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.

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

## 21. Share capital (Continued)

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 | | | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | No. of ordinary shares | | €'m | €'m |
| **Issued and paid up:** | | | | |
| At beginning and of year [1] | 13,855,200 | 923,200 | (6.5) | (1.9) |
| Added during the year | - | 12,932,000 | - | (4.6) |
| At the end of the year | 13,855,200 | 13,855,200 | (6.5) | (6.5) |

[1] The number of shares shown above for 2014 and 2013 reflect the 50:1 share consolidation that took place on 31 May 2013.

In the previous year 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$7.8m or €4.6m 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$4.3m. 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.

**23. Warrants** (Continued)

**(1) 2009 Warrants** (Continued)

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

Following these adjustments, the 2009 Warrants continued to represent 1.0% of the issued share capital of the Company. Assuming all of the 2009 Warrants were exercised by the warrant holder, the Company could expect to receive aggregate proceeds of S$5.6m.

On 21 May 2014, the Company announced certain adjustments to the 2009 Warrants following the recent rights issue and pursuant to the terms and conditions of the 2009 Warrants. The exercise price of each 2009 Warrant was adjusted to S$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. On 8 December 2014, as announced by the Company, the warrants expired.

**(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 2013;
e) 9,843,750 Group E Warrants, 31 May 2013;
f) 9,843,750 Group F Warrants, 31 August 2013;
g) 9,843,750 Group G Warrants, 30 November 2013;
h) 9,843,750 Group H Warrants, 28 February 2014; and
i) 9,843,750 Group I Warrants, 31 May 2014

(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$2.1m. 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.

**23. Warrants** (Continued)

**(2) Columbia Warrants** (Continued)

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 2014, the Company announced certain adjustments to the 2009 Warrants following the recent rights issue and pursuant to the terms and conditions of the 2009 Warrants. The exercise price of each 2009 Warrant was adjusted to S$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** |
|---|---|
| Group A Columbia Warrants | 525,000 |
| Group B Columbia Warrants | 196,875 |
| Group C Columbia Warrants | 196,875 |
| Group D Columbia Warrants | 196,875 |
| Group E Columbia Warrants | 196,875 |
| Group F Columbia Warrants | 196,875 |
| Group G Columbia Warrants | 196,875 |
| Group H Columbia Warrants | 196,875 |
| Group I Columbia Warrants | 196,875 |

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 2014** | **Balance at 31 December 2014** | **Subscription price at 1 January 2014 (S$)** | **Subscription price at 31 December 2014 (S$)** | **Expiry date** |
|---|---|---|---|---|---|---|
| 2009 Warrants | 08 December 2009 | 3,458,216 | - | 1.625 | - | 8 December 2014 |
| Columbia Warrants | 08 August 2011 | 2,100,000 | 2,100,000 | 1.00 | 1.00 | 8 August 2016 |
| | | 2,100,000 | 2,100,000 | | | |

## 24. Reserves

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | €'m | €'m | €'m | €'m |
| Employee share option reserve | 19.3 | 22.1 | 19.3 | 22.1 |
| Foreign currency translation reserve | 0.7 | 0.7 | - | - |
| Other reserve | - | - | 19.8 | 19.8 |
| | 20.0 | 22.8 | 39.1 | 41.9 |

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.

## 25. Obligations under finance leases

The Group has finance leases for certain items of 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 |
| **2014** | | | |
| Within one year | 1.7 | (0.4) | 1.3 |
| Within one to five years | 3.4 | (0.3) | 3.1 |
| | 5.1 | (0.7) | 4.4 |
| Current | | | 1.3 |
| Non-current | | | 3.1 |
| | | | 4.4 |

## 25. Obligations under finance leases (Continued)

The Group has finance leases for certain items of 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 |
| | 6.8 | (1.0) | 5.8 |
| Current | | | 1.3 |
| Non-current | | | 4.5 |
| | | | 5.8 |

The finance lease terms range from 5 to 18 years.

The average effective interest rate charged during the financial year is 7.25% (2013: 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 leased assets, which will revert to the lessors in the event of default by the Group.

## 26. Interest bearing borrowings

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | €'m | €'m |
| | | As stated |
| Current: | | |
| Bank loan | - | * |
| Liability component of convertible bonds | - | - |
| Total current portion | - | * |
| Non-current: | | |
| Bank loan | 19.2 | 12.6 |
| Liability component of convertible bonds | - | - |
| Total non-current portion | 19.2 | 12.6 |
| | 19.2 | 12.6 |

* Denotes amount less than €100,000

**26. Interest bearing borrowings** (Continued)

**Bank loan**

The Group's secured bank loans are secured by a fixed and floating charge over certain of the Group's assets.

The average effective borrowing rates during the financial year is Euribor plus 3.5% (2013: range from 7.25% to 7.5%) per annum and have a maturity date of 5 years from financial year 2014.

The bank loan is denominated in Euro.

On 8 May 2013 the Group secured debt funding of €30m which was able to be expanded to €45m. On 8 May 2013 the Group drew down the first €15m and has subsequently made 4 scheduled repayments. In September 2014 a further drawdown of €5m was made.

On 2 October 2014 the Group secured new funding of €30m at which time the balance outstanding on the debt funding raised on 8 May 2013 was repaid and debt of €20.8m was drawn down. Costs taken to the balance sheet in respect of this debt, to be amortised over its life, were €1.6m and these deferred costs have been netted off against the debt in the consolidated statement of financial position. The comparative number for 2013 has been restated to net off the deferred costs which were shown as current and non-current assets "Other receivable and prepayments" in the report last year.

Management estimates that the carrying amount of the bank loan approximates its fair value due to frequent re-pricing.

**Convertible Bond 3**

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 | |
|---|---|---|
| | **2014** | **2013** |
| | **€'m** | **€'m** |
| Liability component on 1 January/issue of bond | - | 1.2 |
| Converted to share capital | - | (0.2) |
| Repaid to bondholders | - | (1.1) |
| Interest expense | - | 0.1 |
| Foreign exchange movement | - | - |
| Liability component at 31 December | - | - |
| Total liability component of bonds at 31 December | - | - |
| Fair value of bonds at 31 December | - | - |

**26. Interest bearing borrowings** (Continued)

**Convertible Bond 3** (Continued)

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 2014 (2013: €nil).

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

In the prior year, S$0.3 m of the convertible bonds were converted into 17,911,133 ordinary shares at a price of S$0.015806 each, increasing share capital by S$0.3m or €0.2m.

## 27. Provisions

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | €'m | €'m |
| At 1 January | 4.4 | 5.3 |
| Additions during the year | - | 0.8 |
| Reversal of provision during the year | (0.5) | (1.7) |
| At 31 December | 3.9 | 4.4 |

The provision for restoration costs was in relation to the rebuilding obligations that exist on the 25 (2013: 25) points of presence locations in Germany.

## 28. Deferred revenue

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | €'m | €'m |
| The deferred revenue will be released | | |
| - within one financial year | 5.5 | 4.1 |
| Total current deferred revenue | 5.5 | 4.1 |
| - Between two and five financial years | 10.8 | 4.3 |
| - more than five financial years | 5.3 | 3.5 |
| Total non-current deferred revenue | 16.1 | 7.8 |
| Total deferred revenue | 21.6 | 11.9 |

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

## 29. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | €'m | €'m | €'m | €'m |
| Trade payables – owed to third parties | 2.4 | 3.9 | 0.4 | 0.3 |
| Other payables – owed to third parties | 4.3 | 2.4 | 0.1 | - |
| Accrued expenses | 14.4 | 14.9 | 2.0 | 1.4 |
| | 21.1 | 21.2 | 2.5 | 1.7 |

The average credit period on trade payables is 25 days (2013: 34 days).

No interest is charged on the trade and other payables.

## 29. Trade and other payables (Continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | €'m | €'m | €'m | €'m |
| Euro | 12.0 | 13.7 | 2.0 | 1.7 |
| Pound Sterling | 8.3 | 7.5 | - | - |
| Singapore Dollar | 0.5 | - | 0.5 | - |
| Swiss Franc | 0.3 | - | - | - |
| | 21.1 | 21.2 | 2.5 | 1.7 |

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 | |
|---|---|---|
| | 2014 | 2013 |
| | €'m | €'m |
| Trade receivables | (0.9) | 2.4 |
| Other receivables | 0.8 | 0.5 |
| Prepayments | 2.2 | (0.6) |
| Trade and other payables | 0.1 | (0.2) |
| Deferred revenue | 2.4 | (1.7) |
| | 4.6 | 0.4 |

## 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 | |
|---|---|---|
| | 2014 | 2013 |
| | €'m | €'m |
| **Deferred tax assets** | | |
| - to be recovered after one year | 4.9 | 4.9 |
| **Deferred tax liabilities** | | |
| - to be settled after one year | (4.7) | (5.3) |

**31. Deferred tax assets/(liabilities)** (Continued)

The movements in deferred tax liabilities are as follows:

| | **Difference in amortisation of intangibles** | **Difference in depreciation for tax purposes** | **Provisions** | **Total** |
|---|---|---|---|---|
| | **€'m** | **€'m** | **€'m** | **€'m** |
| **Group** | | | | |
| **2014** | | | | |
| At beginning of financial year | 3.2 | 1.9 | 0.2 | 5.3 |
| Credited to profit or loss (Note 11) | - | (0.6) | - | (0.6) |
| At end of financial year | 3.2 | 1.3 | 0.2 | 4.7 |
| **2013** | | | | |
| At beginning of financial year | 3.2 | 2.9 | 0.2 | 6.3 |
| Credited to profit or loss (Note 11) | - | (1.0) | - | (1.0) |
| At end of financial year | 3.2 | 1.9 | 0.2 | 5.3 |

At the end of the financial year, the Group had unutilised tax losses of approximately €297.1m (2013: €311.5m) which are available for offset against future taxable profits. A deferred tax asset of €4.9m has been recognised in respect of €22.1m (2013: €24.1m) of such losses.

No deferred tax asset has been recognised in respect of the remaining of €275m (2013: €287.4m) tax losses 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** | |
|---|---|---|
| | **2014** | **2013** |
| | **€'m** | **€'m** |
| Not later than one year | 16.6 | 14.0 |
| Later than one year and not later than five years | 30.2 | 22.7 |
| Later than five years | 20.0 | 21.8 |
| | 66.8 | 58.5 |

## 32. Commitments (Continued)

**Operating lease commitments** (Continued)

***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 | |
|---|---|---|
| | **2014** | **2013** |
| | **€'m** | **€'m** |
| Not later than one year | 15.0 | 13.3 |
| Later than one year and not later than five years | 28.7 | 25.4 |
| Later than five years | 14.7 | 15.4 |
| | 58.4 | 54.1 |

**Capital commitments**

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

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **€'m** | **€'m** |
| Capital expenditure contracted but not provided for | | |
| - Commitments for the acquisition of plant and equipment | 3.7 | 1.8 |

## 33. Related parties disclosures

Compensation of key management personnel of the Group:

| | **2014** | **2013** |
|---|---|---|
| | **€m** | **€m** |
| Short term employee benefits | 2.3 | 2.0 |
| Share option expenses | 0.8 | 1.9 |
| | 3.1 | 3.9 |

The total remuneration of the Directors of the Company including fees paid to Independent Directors during the year amounted to €3.6m (2013: €4.3m).

## 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 share or a multiple thereof on the payment of the subscription price.

Under the 2000 Scheme and the 2009 Scheme, share options granted, exercised and cancelled/expired during the financial year and outstanding as at 31 December 2014 are as follows:

| Date of grant | Balance at 1 January 2014 | Granted during the year | Cancelled/ expired | Balance at 31 December 2014 | Subscription price | Vesting date |
|---|---|---|---|---|---|---|
| | No. | No. | No. | No. | S$ | |
| **2000 Scheme** | | | | | | |
| 30-Jun-09 | 432,277 | - | (432,277) | - | 1.50 | 29-Jun-12 |
| | 432,277 | - | (432,277) | - | | |

| Date of grant | Balance at 1 January 2014 | Granted during the year | Cancelled/ expired | Balance at 31 December 2014 | Subscription price | Vesting date |
|---|---|---|---|---|---|---|
| | No. | No. | No. | No. | S$ | |
| **2009 Scheme** | | | | | | |
| 27-Oct-09 | 1,561,065 | - | (177,782) | 1,383,283 | 1.25 | 27-Oct-10 |
| 27-Oct-09 | 1,561,065 | - | (177,782) | 1,383,283 | 1.25 | 27-Oct-11 |
| 27-Oct-09 | 1,388,154 | - | (177,782) | 1,210,372 | 1.25 | 27-Oct-12 |
| 27-Oct-09 | 1,152,739 | - | (1,152,739) | - | 0.75 | 16-Feb-10 |
| 27-Oct-09 | 1,729,108 | - | - | 1,729,108 | 0.75 | 15-Mar-10 |
| 27-Oct-09 | 1,152,739 | - | (1,152,739) | - | 0.75 | 16-Feb-11 |
| 27-Oct-09 | 1,729,108 | - | - | 1,729,108 | 0.75 | 15-Mar-11 |
| 27-Oct-09 | 1,152,739 | - | (1,152,739) | - | 0.75 | 16-Feb-12 |
| 27-Oct-09 | 1,729,108 | - | - | 1,729,108 | 0,75 | 15-Mar-12 |
| 27-Oct-09 | 1,729,108 | - | - | 1,729,108 | 0.75 | 15-Mar-13 |
| 26-Mar-10 | 230,548 | - | (57,638) | 172,910 | 0.75 | 26-Mar-11 |
| 26-Mar-10 | 230,548 | - | (57,638) | 172,910 | 0.75 | 26-Mar-12 |
| 26-Mar-10 | 230,548 | - | (57,638) | 172,910 | 0.75 | 26-Mar-13 |
| 28-Apr-10 | 576,369 | - | (576,369) | - | 1.00 | 28-Apr-11 |
| 28-Apr-10 | 576,369 | - | (576,369) | - | 1.00 | 28-Apr-12 |
| 28-Apr-10 | 576,369 | - | (576,369) | - | 1.00 | 28-Apr-13 |
| 28-Apr-10 | 4,502,105 | - | (513,785) | 3,988,320 | 1.00 | 28-Apr-14 |

**34. Share option scheme** (Continued)

| Date of grant | Balance at 1 January 2014 | Granted during the year | Cancelled/ expired | Balance at 31 December 2014 | Subscription price | Vesting date |
|---|---|---|---|---|---|---|
| | No. | No. | No. | No. | S$ | |
| 2009 Scheme (Continued) | | | | | | |
| 2-Dec-10 | 317,333 | - | (317,333) | - | 0.80 | 2-Dec-11 |
| 2-Dec-10 | 317,333 | - | (317,333) | - | 0.80 | 2-Dec-12 |
| 2-Dec-10 | 317,333 | - | (317,333) | - | 0.80 | 2-Dec-13 |
| 14-Nov-11 | 12,074,575 | - | (1,832,805) | 10,241,770 | 0.79 | 14-Nov-13 |
| 14-Nov-11 | 6,037,288 | - | (916,403) | 5,120,885 | 0.79 | 14-Nov-14 |
| 14-Nov-11 | 6,037,288 | - | (811,344) | 5,225,944 | 0.79 | 14-Nov-15 |
| 21-Dec-11 | 1,887,676 | - | (1,887,676) | - | 0.89 | 21-Dec-12 |
| 21-Dec-11 | 1,887,676 | - | (1,887,676) | - | 0.89 | 21-Dec-13 |
| 21-Dec-11 | 1,887,676 | - | (1,887,676) | - | 0.89 | 21-Dec-14 |
| 4-Jan-13 | 200,000 | - | - | 200,000 | 0.75 | 4-Jan-15 |
| 4-Jan-13 | 100,000 | - | - | 100,000 | 0.75 | 4-Jan-16 |
| 4-Jan-13 | 100,000 | - | - | 100,000 | 0.75 | 4-Jan-17 |
| 8-Mar-13 | 1,747,029 | - | - | 1,747,029 | 0.80 | 8-Mar-15 |
| 8-Mar-13 | 873,514 | - | - | 873,514 | 0.80 | 8-Mar-16 |
| 8-Mar-13 | 873,514 | - | - | 873,514 | 0.80 | 8-Mar-17 |
| 25-Jun-13 | 675,000 | - | (175,000) | 500,000 | 0.75 | 25-Jun-15 |
| 25-Jun-13 | 337,500 | - | (87,500) | 250,000 | 0.75 | 25-Jun-16 |
| 25-Jun-13 | 337,500 | - | (87,500) | 250,000 | 0.75 | 25-Jun-17 |
| 17-Oct-13 | 300,000 | - | - | 300,000 | 0.75 | 17-Oct-15 |
| 17-Oct-13 | 150,000 | - | - | 150,000 | 0.75 | 17-Oct-16 |
| 17-Oct-13 | 150,000 | - | - | 150,000 | 0.75 | 17-Oct-17 |
| 15-Nov-13 | 100,000 | - | - | 100,000 | 0.85 | 15-Nov-15 |
| 15-Nov-13 | 50,000 | - | - | 50,000 | 0.85 | 15-Nov-16 |
| 15-Nov-13 | 50,000 | - | - | 50,000 | 0.85 | 15-Nov-17 |
| 7-Jan-14 | - | 1,250,000 | - | 1,250,000 | 0.80 | 7-Jan-15 |
| 7-Jan-14 | - | 1,250,000 | - | 1,250,000 | 0.80 | 7-Jan-16 |
| 7-Jan-14 | - | 1,250,000 | - | 1,250,000 | 0.80 | 7-Jan-17 |
| 7-Jan-14 | - | 1,250,000 | - | 1,250,000 | 0.80 | 7-Jan-18 |
| 5-Mar-14 | - | 2,100,000 | - | 2,100,000 | 0.75 | 5-Mar-16 |
| 5-Mar-14 | - | 1,050,000 | - | 1,050,000 | 0.75 | 5-Mar-17 |
| 5-Mar-14 | - | 1,050,000 | - | 1,050,000 | 0.75 | 5-Mar-18 |
| 8-Apr-14 | - | 100,000 | - | 100,000 | 0.75 | 8-Apr-16 |
| 8-Apr-14 | - | 50,000 | - | 50,000 | 0.75 | 8-Apr-17 |
| 8-Apr-I4 | - | 50,000 | - | 50,000 | 0.75 | 8-Apr-18 |
| 16-May-14 | - | 466,139 | - | 466,139 | 0.75 | 16-May-16 |
| 16-May-14 | - | 233,068 | - | 233,068 | 0.75 | 16-May-17 |
| 16-May-14 | - | 233,068 | - | 233,068 | 0.75 | 16-May-18 |

**34. Share option scheme** (Continued)

| Date of grant | Balance at 1 January 2014 | Granted during the year | Cancelled/ expired | Balance at 31 December 2014 | Subscription price | Vesting date |
|---|---|---|---|---|---|---|
| | No. | No. | No. | No. | S$ | |
| 2009 Scheme (Continued) | | | | | | |
| 3-Jul-14 | - | 1,500,000 | - | 1,500,000 | 0.75 | 3-Jul-16 |
| 3-Jul-14 | - | 750,000 | - | 750,000 | 0.75 | 3-Jul-17 |
| 3-Jul-14 | - | 750,000 | - | 750,000 | 0.75 | 3-Jul-18 |
| | 58,616,024 | 13,332,275 | (16,932,948) | 55,015,351 | | |
| Total | 59,048,301 | 13,332,275 | (17,365,225) | 55,015,351 | | |

There were 13,332,275 share options granted in 2014 (2013: 6,489,418). The estimated fair values of the share options granted in 2014 were €2.0m for the vesting period from January 2015 to July 2018.

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.

**34. Share option scheme** (Continued)

| Date of grant | Expected dividend yield (%) | Performance conditions | Expected volatility (%) | Risk-free interest rate (%) | Expected life of options (years) | Exercise price (S$) | Share price at date of grant (S$) | Fair value at measurement date (S$) | Valuation model |
|---|---|---|---|---|---|---|---|---|---|
| **Share options granted under the 2000 Scheme** | | | | | | | | | |
| 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 |

**34. Share option scheme** (Continued)

| Date of grant | Expected dividend yield (%) | Performance conditions | Expected volatility (%) | Risk-free interest rate (%) | Expected life of options (years) | Exercise price (S$) | Share price at date of grant (S$) | Fair value at measurement date (S$) | Valuation model |
|---|---|---|---|---|---|---|---|---|---|
| **Share options granted under the 2009 Scheme** (Continued) | | | | | | | | | |
| 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 |
| 7 January 2014 | 0 | No | 65 | 1.09 | 4 | 0.80 | 0.77 | 0.37 | Black-Scholes |
| 8 March 2014 | 0 | No | 69 | 2.44 | 8 | 0.75 | 0.70 | 0.48 | Black-Scholes |
| 8 April 2014 | 0 | No | 68 | 2.48 | 8 | 0.75 | 0.66 | 0.43 | Black-Scholes |
| 16 May 2014 | 0 | No | 66 | 1.28 | 4 | 0.75 | 0.66 | 0.31 | Black-Scholes |
| 3 July 2014 | 0 | No | 66 | 2.33 | 8 | 0.75 | 0.54 | 0.34 | 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 use 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 4.2% of total revenues (2013: 5%).

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 and the Company, 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.

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

***Liquidity risk***

Liquidity risk is the risk that the Group and the Company will not be able to meet it's 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.

| | 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 |
| **Group** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | 0 | 13.4 | - | - | - | - | 13.4 |
| Trade and other receivables | 0 | 11.3 | - | - | - | - | 11.3 |
| **As at 31 December 2014** | | 24.7 | - | - | - | - | 24.7 |
| 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 |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | 0 | 21.1 | - | - | - | - | 21.1 |
| Obligations under finance leases | 8 | 0.4 | 1.2 | 1.6 | 1.9 | - | 5.1 |
| Bank loan | 4 | - | 0.7 | 0.7 | 0.7 | 21.5 | 23.6 |
| **As at 31 December 2014** | | 21.5 | 1.9 | 2.3 | 2.6 | 21.5 | 49.8 |
| Trade and other payables | 0 | 21.2 | - | - | - | - | 21.2 |
| Obligations under finance leases | 8 | 0.4 | 1.3 | 2.9 | 2.2 | - | 6.8 |
| Bank loan | 8 | - | 0.1 | 0.1 | 0.2 | 15.2 | 15.6 |
| **As at 31 December 2013** | | 21.6 | 1.4 | 3.0 | 2.4 | 15.2 | 43.6 |

## 35. Financial risk management objectives and policies (Continued)

*Liquidity risk* (Continued)

| | 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 |
| **Company** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | | 0.4 | - | - | - | 0.4 |
| **As at 31 December 2014** | | 0.4 | - | - | - | 0.4 |
| Cash and cash equivalents | 0 | 0.2 | - | - | - | 0.2 |
| **As at 31 December 2013** | | 0.2 | - | - | - | 0.2 |
| **Financial liabilities** | | | | | | |
| Other payables | 0 | 2.5 | - | - | - | 2.5 |
| **As at 31 December 2014** | | 2.5 | - | - | - | 2.5 |
| Other payables | 0 | 1.7 | - | - | - | 1.7 |
| **As at 31 December 2013** | | 1.7 | - | - | - | 1.7 |

### *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 2014 was partially converted to shares and 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.

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

***Interest rate sensitivity analysis*** (Continued)

| | Increase/(Decrease) Consolidated statement of profit or loss and other comprehensive income | |
|---|---|---|
| | **2014** | **2013** |
| | **€'m** | **€'m** |
| **Group** | | |
| **Bank Loan** | | |
| Interest rate increases by 5% | (1.04) | (0.75) |
| Interest rate decreases by 5% | 1.04 | 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 in financial year 2014 and 2013.

***Foreign currency sensitivity analysis***

The Group is mainly exposed to Pound Sterling and Singapore Dollars.

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

| | Increase/(Decrease) Consolidated statement of profit or loss and other comprehensive income | |
|---|---|---|
| | **2014** | **2013** |
| | **€'m** | **€'m** |
| **Group** | | |
| **Pound Sterling** | | |
| Strengthens against Euro | 0.5 | 0.3 |
| Weakens against Euro | (0.5) | (0.3) |

## 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:

| | 2014 | 2013 |
|---|---|---|
| | €'m | €'m |
| **Group** | | |
| **Financial assets** | | |
| Cash and cash equivalents | 13.4 | 16.3 |
| Trade and other receivables | 11.3 | 9.5 |
| Total loans and receivables | 24.7 | 25.8 |

| | 2014 | 2013 |
|---|---|---|
| | €'m | €'m |
| **Financial liabilities** | | |
| Trade and other payables | 21.1 | 21.2 |
| Obligations under finance lease | 4.4 | 5.8 |
| Interest bearing borrowings | 19.2 | 12.6 |
| Total financial liabilities at amortised cost | 44.7 | 39.6 |

## 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 2013.

**37. Capital management policies and objectives** (Continued)

| | Group 2014 €'m | Group 2013 €'m |
|---|---|---|
| Interest bearing borrowings | 19.2 | 12.6 |
| Obligations under finance leases | 4.4 | 5.8 |
| Cash and cash equivalents | (13.4) | (16.3) |
| Net debt | 10.2 | 2.1 |
| Total equity | 193.6 | 197.5 |
| Total capital | 203.8 | 199.6 |
| Gearing ratio | 5.0% | 1.1% |

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. Reclassifications and comparative

Certain reclassifications have been made to the prior year financial statements to enhance comparability with the current financial statements the items reclassified are as follows:

The effect of the reclassification was to restate the following amounts:

| | Re-classified 2013 €'m | Previously reported 2013 €'m |
|---|---|---|
| **Consolidated statement of financial position** | | |
| **Non-current assets** | | |
| Prepayments | 0.3 | 2.2 |
| **Current assets** | | |
| Prepayments | 4.2 | 4.7 |
| **Non-current liabilities** | | |
| Interest-bearing borrowings | 12.6 | 15.0 |
| **Consolidated statement of cash flows** | | |
| Changes in working capital | 0.4 | (2.0) |
| Debt raised | 12.6 | 15.0 |

## 39. Events after the reporting period

Subsequent to 31 December 2014, the following events have taken place:

**Voluntary delisting**

On 17 November 2014, J.P. Morgan (S.E.A.) Limited ("JPMSEAL"), for and on behalf of EUN Holdings, LLP (the "Offeror"), announced the mandatory unconditional cash offer (the "Offer") for all the issued ordinary shares (excluding treasury shares) in the capital of the Company ("Shares"), other than those already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it as at the date of the Offer.

In connection with the Offer, JPMSEAL, for and on behalf of the Offeror, also made a proposal (the "Options Proposal") to holders ("Option Holders") of options granted pursuant to the euNetworks Group Limited 2009 Share Option Scheme (the "Options") that, subject to the Options having vested and continuing to be exercisable, the Offeror will pay the Option Holders the "see-through" price in consideration of the Option holders agreeing not to exercise all or any of their Options into new Shares and to surrender all of their Options for cancellation.

On 29 January 2015, the Company announced, in connection with the Offer, that the percentage of the total number of Shares which were held in public hands was approximately 9.7 per cent and, accordingly, the Company no longer met the free float requirement prescribed by the Rules of Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Following this, the Company and the Offeror made a joint announcement on 11 February 2015 that the Offeror had presented to the Directors a formal proposal to seek the voluntary delisting of the Company from the Official List of the SGX-ST (the "Delisting") and was proposing that the Offer serve as the reasonable exit alternative offered to shareholders of the Company for the purposes of the Delisting.

## 39. Events after the reporting period (Continued)

**Voluntary delisting** (Continued)

On 23 February 2015, formal approval for Delisting was received from the SGX-ST and, following the close of the Offer on 13 March 2015, trading in the Shares was suspended from 16 March 2015 at 9.00a.m and the Shares were officially delisted and withdrawn from the Official List of the SGX-ST with effect from 9.00 a.m. on 20 March 2015.

Subsequent to 31 December 2014, following the close of the Offer, Columbia Capital V, LLC is deemed interested in an aggregate of 70.2% of the equity interest of euNetworks Group Limited, making Columbia Capital V, LLC the holding company and the ultimate holding company of euNetworks Group Limited.

**Change of name of subsidiary**

A subsidiary of the Group, Fibrelac S.A. was renamed as euNetworks SA with effect from 13 January 2015.

## 40. 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 30 March 2015.

**EUNETWORKS GROUP LIMITED**
(Company Registration No. 199905625E)
(Incorporated in the Republic of Singapore)

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of euNetworks Group Limited (the "**Company**") will be held at Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Level 3, Meeting Room 305, Singapore 039593 on Wednesday, 29 April 2015 at 10.30 a.m. for the following purposes:

**AS ROUTINE BUSINESS**

**ORDINARY RESOLUTIONS**

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2014 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. Brady Rafuse | (Retiring under Article 91) | **(Resolution 2)** |
| Mr. Lam Kwok Chong | (Retiring under Article 91) | **(Resolution 3)** |
| Mr. Kai-Uwe Ricke | (Retiring under Article 91) | **(Resolution 4)** |
| Mr. Frederic Grant Emry III | (Retiring under Article 97) | **(Resolution 5)** |

3. To approve the payment of Directors' fees of up to €350,000 (equivalent to S$525,000) for the year ending 31 December 2015 (2014: €350,000 (equivalent to S$615,000)).
**(Resolution 6)**

4. To re-appoint Messrs BDO LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
**(Resolution 7)**

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

**AS SPECIAL BUSINESS**

**ORDINARY RESOLUTIONS**

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

6. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, 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 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) 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 under the Articles of Association of the Company; and

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

[See Explanatory Note (i)]

**(Resolution 8)**

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 of Singapore, the Directors of the Company be authorised and empowered to offer and grant options under the euNetworks Group Limited 2009 Share Option Scheme (the "**2009 Scheme**") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted 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 2009 Scheme, the euNetworks Group Limited Share Performance Plan and such other share incentive schemes as may be operated by the Company from time to time (collectively, the "**Share Incentive Schemes**") and (b) held by the trustee of any employee share trust as may be established by any member of the Group (being the Company, its subsidiaries and, if any, its associated companies over which the Company has control) from time to time, in connection with any Share Incentive Scheme or otherwise (the "**Trustee**"), exceed twenty-two per centum (22%) of the total number of issued shares (excluding treasury shares) in the capital of the Company on that date, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)]

**(Resolution 9)**

**SPECIAL RESOLUTION**

8. **Alterations to the Articles of Association**

That the Articles of Association of the Company be altered in the manner as set out in the Appendix to the Letter to Shareholders dated 6 April 2015.

**(Resolution 10)**

By Order of the Board

Ngiam May Ling
Secretary
Singapore, 6 April 2015

**Explanatory Notes:**

(i) The Ordinary Resolution 8 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a General Meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company.

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 9 in item 7 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a General Meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the 2009 Scheme on any date, up to a number when aggregated with any shares (a) capable of issue pursuant to outstanding options and awards granted under the Share Incentive Schemes and (b) held by the Trustee not exceeding in total (for the entire duration of the 2009 Scheme) twenty-two per centum (22%) of the total number of issued shares (excluding treasury shares) in the capital of the Company on that date.

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

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

(iii) The Special Resolution 10 in item 8 above, if passed, will approve the proposed alterations to the Articles of Association to update, streamline and rationalise provisions in the existing Articles of Association which are no longer necessary or applicable as a consequence of the Company's delisting from the Singapore Exchange Securities Trading Limited. Please refer to the Letter to Shareholders dated 6 April 2015 for more details.

**Notes:**

1. Every shareholder of the Company entitled to attend and vote at the Annual General Meeting (the "**AGM**") 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 AGM.

**Personal data privacy:**
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

## EUNETWORKS GROUP LIMITED

(Company Registration No. 199905625E)
(Incorporated in the Republic of Singapore)

**PROXY FORM**
*(Please see notes overleaf before completing this Form)*

I/We*, ........................................................................................................ (Name)
of ........................................................................................................ (Address)
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 305, Singapore 039593 on Wednesday, 29 April 2015 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 |
|---|---|---|---|
| **Ordinary Resolutions** | | | |
| 1 | Adoption of Directors' Report and Audited Accounts for the year ended 31 December 2014 | | |
| 2 | Re-election of Mr. Brady Rafuse as Director of the Company | | |
| 3 | Re-election of Mr. Lam Kwok Chong as Director of the Company | | |
| 4 | Re-election of Mr. Kai-Uwe Ricke as Director of the Company | | |
| 5 | Re-election of Mr. Frederic Grant Emry III as Director of the Company | | |
| 6 | Approval of Directors' fees amounting to €350,000 (equivalent to S$525,000) for the year ending 31 December 2015 | | |
| 7 | Re-appointment of Messrs BDO LLP as Auditors | | |
| 8 | Authority to issue shares | | |
| 9 | Authority to issue shares under the euNetworks Group Limited 2009 Share Option Scheme | | |
| **Special Resolution** | | | |
| 10 | Alterations to the Articles of Association | | |

Dated this ______ day of ______________ 2015

| Total number of Shares in Register of Members: | |
|---|---|

______________________________________

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

*Delete where inapplicable

**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. 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.

**PERSONAL DATA PRIVACY:**
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2015.

**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.