

Company Number: 4678051

Epsilon Telecommunications Holdings Limited
Directors' Report and Consolidated Financial Statements
for the Year Ended 31 December 2010



Epsilon Telecommunications Holdings Limited

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Epsilon Telecommunications Holdings Limited
Company Information

Chairman	M J C Stone
Directors	M J C Stone A Hipp (Singapore) K E Kuok C R H Stone K C Tse
Secretary	Mundays Company Secretaries Limited
Registered office	Cedar House 78 Portsmouth Road Cobham Surrey KT11 1AN
Bank	HSBC Bank plc Poultry & Price Street PO Box 648 27 - 32 Poultry London EC2P 2BX
Auditors	Hawsons Chartered Accountants Jubilee House 32 Duncan Close Moulton Park Northampton NN3 6WL

Epsilon Telecommunications Holdings Limited

Directors' Report for the Year Ended 31 December 2010

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2010

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the group is the provision of telephony services.

Epsilon Telecommunications Holdings Limited

Directors' Report for the Year Ended 31 December 2010

continued

Business review and future activities

At the end of 2009 Epsilon Telecommunications Holdings Limited and its associated subsidiaries moved under the umbrella of Epsilon Global Communications Pte Ltd (incorporated in Singapore) which has become the new parent company for the group. Epsilon Holdings Ltd has been able to execute its business transformation and integration with the Asian entities and was able to finish the year to 31 December 2010, with a consolidated profit of £1,836,250 which was a £328,250 increase in profits compared to a 31 December 2009 annualised pro forma profit of £1,508,000. This makes Epsilon Telecommunications Holdings Limited group profitable for six successive years running.

The continued investment in network infrastructure and the expansion of the Epsilon Global Hubs Telehouse in London during the first quarter of 2010 have been vital to support the growth, reliability and efficiency of the network as well as providing additional rack inventory in the London Telehouse, where the initial capacity was nearing full occupancy. We have been able to secure 20% growth of our customer base which grew from 250 clients at the beginning of the financial year to almost 300 Global Carriers. The Epsilon Connect business was the strongest performing part of the business, with consolidated group turnover growing from an annualised £11,200,000 in 2009 to £12,588,793 in 2010, with an improved operating profit of £2,250,250 in 2010 from an annualised £1,508,000 in 2009.

The 2010 financial year saw the initiation of a full network transformation to an ASON optical architecture and to fully enable Carrier Ethernet in all our Metro networks. During 2010 we started the process of integrating all processes and activities between the UK and Asian entities to create a unified global operation across the group. This initiative is well under way and due to be completed at the end of Q1 2011 resulting in two service provisioning and management centres located in London and Singapore supporting service implementation and management for our global customers across multiple time zones. New Epsilon Connect points of presence have been established in Pakistan and Indonesia to further expand our Global Network, enabling worldwide end to end connectivity services. The investment in a Telehouse facility has proven a vital strategic step up the value chain of services for our Carrier Customers and further opportunities in developing markets are under review.

The Management plan for the 2011 financial year will see additional revenue growth from the core networking business especially from High Speed Wavelength and Metro Ethernet applications as well as Global Ethernet services from the newly connected regions in Asia and Latin America. We have replaced our voice-switching platform with a "state of the art" soft switch and dedicated commercial resources will be allocated to reinvigorate the voice business line and expand our portfolio to include Asian markets as well. The Management believes that the focus on our "Managed Presence" concept based on Co-location, Connectivity, System Integration Solutions and First Line Maintenance (FLM) are the right product portfolio to attract additional business from existing clients as well as new customers from emerging markets.

The Group is financially stable and its turnover and profits should continue to grow during the year to 31 December 2011.

Development and performance of the business

	Year ended 31 December 2010	1 March 2009 to 31 December 2009
Turnover	£12,588,793	£9,390,101
Turnover growth	34%	23%
Gross profit margin	51%	52%
Profit before tax	£2,250,250	£1,246,759

Epsilon Telecommunications Holdings Limited
Directors' Report for the Year Ended 31 December 2010

continued

Financial risk

Price risk, credit risk, liquidity risk and cash flow risk

The business' principal financial instruments comprise bank balances, trade debtors, trade creditors and finance lease agreements. The main purpose of these instruments is to finance the business' operations.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. The amounts presented in the balance sheet are net of allowances for doubtful debtors.

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

The business is a lessee in respect of finance leased assets. The liquidity risk in respect of these is managed by ensuring that there are sufficient funds to meet the payments.

Dividend

The directors do not recommend the payment of a dividend.

Statement of disclosure of information to auditors

The directors of the company who held office at the date of the approval of this Annual Report as set out above each confirm that:

- so far as they are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors

The directors who held office during the year were as follows:

- M J C Stone
- A Hipp (Singapore)
- K E Kuok
- C R H Stone
- K C Tse

Approved by the Board and signed on its behalf by



A Hipp
Director

6 July 2011

Independent Auditors' Report to the Members of Epsilon Telecommunications Holdings Limited

We have audited the financial statements of Epsilon Telecommunications Holdings Limited for the year ended 31 December 2010, set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditors' Report to the Members of
Epsilon Telecommunications Holdings Limited**

continued

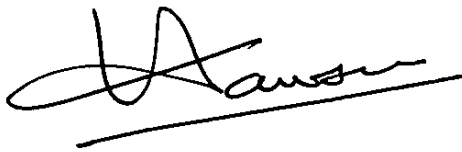
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

**Philip Lomas
Senior Statutory Auditor**

for and on behalf of
Hawsons Chartered Accountants
Statutory Auditor
Jubilee House
32 Duncan Close
Moulton Park
Northampton
NN3 6WL



18 August, 2011

Epsilon Telecommunications Holdings Limited
Consolidated Profit and Loss Account for the Year Ended 31 December 2010

	Note	Year ended 31 December 2010 £	1 March 2009 to 31 December 2009 £
Turnover		12,588,793	9,390,101
Cost of sales		<u>(6,112,316)</u>	<u>(4,507,380)</u>
Gross profit		6,476,477	4,882,721
Administrative expenses <i>including exceptional items of £0 (31 December 2009 £432,731)</i>		<u>(4,226,227)</u>	<u>(3,618,261)</u>
Operating profit			
Excluding exceptional items		2,250,250	1,697,191
Exceptional costs	4	<u>-</u>	<u>(432,731)</u>
Operating profit	3	2,250,250	1,264,460
Interest payable and similar charges		<u>-</u>	<u>(17,701)</u>
Profit on ordinary activities before taxation		2,250,250	1,246,759
Tax on profit on ordinary activities	6	<u>(414,000)</u>	<u>-</u>
Profit for the financial year	16	<u>1,836,250</u>	<u>1,246,759</u>

Turnover and operating profit derive wholly from continuing operations

The group has no recognised gains or losses for the year other than the results above

Epsilon Telecommunications Holdings Limited
Consolidated Balance Sheet as at 31 December 2010

Registration number: 4678051

		31 December 2010		31 December 2009	
	Note	£	£	£	£
Fixed assets					
Tangible assets	9		7,513,939		6,094,079
Current assets					
Debtors	11	1,743,791		1,438,429	
Cash at bank and in hand		<u>2,154,157</u>		<u>2,466,001</u>	
		3,897,948		3,904,430	
Creditors. Amounts falling due within one year	12	<u>(3,896,854)</u>		<u>(4,733,726)</u>	
Net current assets/(liabilities)			<u>1,094</u>		<u>(829,296)</u>
Total assets less current liabilities			7,515,033		5,264,783
Provisions for liabilities	13		<u>(414,000)</u>		<u>-</u>
Net assets			<u>7,101,033</u>		<u>5,264,783</u>
Capital and reserves					
Called up share capital	15		814,943		814,943
Share premium reserve	16		5,654,591		5,654,591
Profit and loss reserve	16		<u>631,499</u>		<u>(1,204,751)</u>
Shareholders' funds	17		<u>7,101,033</u>		<u>5,264,783</u>

Approved by the Board and signed on its behalf by



A Hipp
Director

6 July 2011

The notes on pages 11 to 21 form an integral part of these financial statements

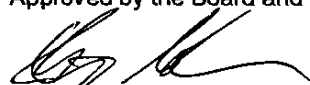
Epsilon Telecommunications Holdings Limited

Balance Sheet as at 31 December 2010

Registration number: 4678051

		31 December 2010		31 December 2009	
	Note	£	£	£	£
Fixed assets					
Investments	10		201		201
Current assets					
Debtors	11	7,393,935		8,052,593	
Cash at bank and in hand		<u>12,575</u>		<u>12,633</u>	
		7,406,510		8,065,226	
Creditors Amounts falling due within one year	12	<u>(1,034,656)</u>		<u>(1,609,500)</u>	
Net current assets			<u>6,371,854</u>		<u>6,455,726</u>
Total assets less current liabilities			<u>6,372,055</u>		<u>6,455,927</u>
Net assets			<u>6,372,055</u>		<u>6,455,927</u>
Capital and reserves					
Called up share capital	15		814,943		814,943
Share premium reserve	16	-	5,654,591		5,654,591
Profit and loss reserve	16		<u>(97,479)</u>		<u>(13,607)</u>
Shareholders' funds	17		<u>6,372,055</u>		<u>6,455,927</u>

Approved by the Board and signed on its behalf by



A Hipp
Director

6 July 2011

The notes on pages 11 to 21 form an integral part of these financial statements

Epsilon Telecommunications Holdings Limited
Consolidated Cash Flow Statement for the Year Ended 31 December 2010

		Year ended 31 December 2010	1 March 2009 to 31 December 2009
	Note	£	£
Net cash flow from operating activities	19	3,006,154	3,452,636
Returns on investment and servicing of finance	20	-	(17,701)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,433,780)	(2,776,980)
Sale of tangible fixed assets		67,221	-
		<u>(2,366,559)</u>	<u>(2,776,980)</u>
Cash inflow before management of liquid resources and financing		639,595	657,955
Financing			
Increase in loans and borrowings		-	1,600,000
Repayment of loans and borrowings		(904,119)	(500,000)
Issue of equity shares		-	375,050
Capital element of finance lease/HP contract rental payments		(47,320)	(39,432)
		<u>(951,439)</u>	<u>1,435,618</u>
(Decrease)/increase in cash		<u>(311,844)</u>	<u>2,093,573</u>

Reconciliation of net cash flow to movement in net funds

		Year ended 31 December 2010	1 March 2009 to 31 December 2009
	Note	£	£
(Decrease)/increase in cash in the year	21	(311,844)	2,093,573
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		951,439	(1,060,568)
Change in net funds resulting from cash flows		639,595	1,033,005
 Net funds/(debt) at the start of the year	21	814,538	(218,467)
Net funds at the end of the year	21	<u>1,454,133</u>	<u>814,538</u>

The notes on pages 11 to 22 form an integral part of these financial statements

Epsilon Telecommunications Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2010

1 Accounting policies

Accounting Convention

The financial statements have been prepared in accordance with applicable Accounting Standards, under the historical cost convention

Consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2010

Revenue recognition

Turnover represents the amounts receivable by the group for goods supplied and services provided, excluding VAT and trade discounts

The group's turnover arises from the provision of contracted telephony services to its customers. Income is only recognised in the profit and loss account in the month in which the service is actually provided. Turnover does not include any future income from contracts or amounts for services yet to be provided

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows

Network assets	15% reducing balance
Office equipment	33 3% straight line
Colocation equipment	14 years straight line
Leasehold property improvements	Straight line over the period of the lease

Deferred taxation

In accordance with Financial Reporting Standard 19 - Deferred Taxation, provision is made at current rates of tax for tax deferred in respect of all material timing differences. The group has not adopted a policy of discounting deferred tax assets and liabilities

Foreign currencies

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates at the balance sheet date and the exchange differences are included in the profit and loss account

Leasing and hire purchase commitments

Assets held under finance lease contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss accounts over the period of the lease

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term

2 Turnover

The turnover for the year was derived from the company's principal activity and arose in the following geographical areas

	Year ended 31 December 2010	Period ended 31 December 2009
United Kingdom	35%	39%
Europe	25%	27%
USA	15%	14%

Epsilon Telecommunications Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2010

continued

Other	25%	20%
	31 December	31 December
	2010	2009
	£	£
Africa	287,826	107,066
Asia	1,369,398	763,487
North America	1,879,125	1,342,833
South America	8,830	1,518
Middle East	1,508,606	1,016,446
UK	4,400,997	3,649,509
Turnover was derived from European countries (excluding UK) as follows.		
Austria	258,126	219,691
Croatia	52,405	37,024
Cyprus	18,705	12,453
Czech Republic	83,507	78,849
Denmark	68,399	44,679
Estonia	2,789	2,404
Finland	25,516	24,358
France	123,402	107,615
Germany	207,215	154,514
Gibraltar	3,735	3,353
Greece	29,657	13,187
Hungary	28,830	30,612
Ireland	194,174	249,132
Italy	152,645	118,845
Liechtenstein	4,991	10,649
Lithuania	9,174	14,738
Luxembourg	49,430	38,316
Malta	3,306	2,732
Monaco	43,915	28,999
Netherlands	404,495	293,223
Norway	217,388	103,661
Poland	28,310	7,650
Portugal	60,270	27,662
Romania	1,376	1,203
Russia	137,355	130,286
San Marino	19,452	6,469
Slovenia	4,391	3,522
Spain	264,858	260,258
Sweden	7,615	-
Switzerland	583,045	478,871
Turkey	45,535	4,287
	<u>12,588,793</u>	<u>9,390,101</u>

Epsilon Telecommunications Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2010

continued

3 Operating profit

Operating profit is stated after charging

	Year ended 31 December 2010 £	1 March 2009 to 31 December 2009 £
Hire of other assets - operating leases	937,818	563,947
Audit fees	14,250	14,250
Foreign currency losses	75,732	71,058
Depreciation tangible fixed assets	<u>946,699</u>	<u>534,522</u>

4 Exceptional items

	Year ended 31 December 2010 £	1 March 2009 to 31 December 2009 £
Exceptional write down of network assets	<u>-</u>	<u>432,731</u>

5 Particulars of employees

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows

	Year ended 31 December 2010 No.	1 March 2009 to 31 December 2009 No.
Administration	8	7
Technical services	25	16
Sales and marketing	16	14
Management	<u>1</u>	<u>3</u>
	<u>50</u>	<u>40</u>

The aggregate payroll costs of these persons were as follows

	2010 £	2009 £
Wages and salaries	1,482,697	1,350,015
Pensions	1,805	9,900
Social Security	<u>148,142</u>	<u>148,973</u>
	<u>1,632,644</u>	<u>1,508,888</u>

Epsilon Telecommunications Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2010

continued

6 Taxation

	Year ended 31 December 2010 £	1 March 2009 to 31 December 2009 £
Deferred tax		
Charged to the profit and loss account	<u>414,000</u>	<u>-</u>

Factors affecting current period tax credit

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (1 March 2009 to 31 December 2009 - 28%)

The differences are reconciled below

	Year ended 31 December 2010 £	1 March 2009 to 31 December 2009 £
Profit on ordinary activities before taxation	<u>2,250,250</u>	<u>1,246,759</u>
Standard rate corporation tax charge	630,070	349,093
Expenses not deductible for tax purposes (including goods)	23,140	35,198
Capital allowances for the period in excess of depreciation	(137,848)	(163,547)
Utilisation of losses from earlier period	(524,735)	(231,097)
Losses not attributable to UK Corporation tax	9,373	10,353
Total current tax for the year	<u>-</u>	<u>-</u>

7 Directors' remuneration

The directors' remuneration for the year was as follows

	Year ended 31 December 2010 £	1 March 2009 to 31 December 2009 £
Directors' remuneration (including benefits in kind)	<u>96,298</u>	<u>313,261</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £96,298 (2009 £149,850)

None of the directors have any benefits accruing under money purchase or defined benefit pension schemes

During the period the number of directors within the group who exercised options under long term incentive schemes was as follows

	31 December 2010	31 December 2009
Number of directors	<u>-</u>	<u>3</u>

Epsilon Telecommunications Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2010

continued

8 Loss attributable to members of the parent company

Epsilon Telecommunications Holdings Limited has not presented a company profit and loss accounts or cash flow statement as permitted by Section 408 of the Companies Act 2006. The (loss) (2009 profit) for the financial period dealt with through its own profit and loss account was £(83,872) (2009 - £43,711)

9 Tangible fixed assets

Group

	Leasehold property improvements £	Office equipment £	Network assets £	Total £
Cost				
As at 1 January 2010	56,691	55,219	6,904,620	7,016,530
Additions	-	5,869	2,427,911	2,433,780
Disposals	-	-	(68,296)	(68,296)
As at 31 December 2010	<u>56,691</u>	<u>61,088</u>	<u>9,264,235</u>	<u>9,382,014</u>
Depreciation				
As at 1 January 2010	14,127	5,092	903,232	922,451
Eliminated on disposals	-	-	(1,075)	(1,075)
Charge for the year	14,188	17,636	914,875	946,699
As at 31 December 2010	<u>28,315</u>	<u>22,728</u>	<u>1,817,032</u>	<u>1,868,075</u>
Net book value				
As at 31 December 2010	<u>28,376</u>	<u>38,360</u>	<u>7,447,203</u>	<u>7,513,939</u>
As at 31 December 2009	<u>42,564</u>	<u>50,127</u>	<u>6,001,388</u>	<u>6,094,079</u>

Hire purchase agreements

Included within the total net book value of tangible fixed assets is £97,537 (31 December 2009 - £114,749) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £17,212 (31 December 2009 - £11,830)

Epsilon Telecommunications Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2010

continued

10 Investments held as fixed assets

Company

	Shares in group undertakings £
Cost	
As at 1 January 2010 and 31 December 2010	<u>201</u>
Net book value	
As at 31 December 2010	<u>201</u>
As at 31 December 2009	<u>201</u>

The group holds more than 20% of the share capital of the following companies

	Country of incorporation	Principal activity	Class	%
Subsidiary undertakings				
Epsilon Telecommunications Limited	England	Telephony services	Ordinary	100
Epsilon Global Hub Limited	England	Telephony services	Ordinary	100
Epsilon Telecoms (HK) Limited	Hong Kong	Telephony services	Ordinary	100

Epsilon Telecommunications Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2010

continued

11 Debtors

	Group		Company	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	£	£	£	£
Trade debtors	1,433,661	986,512	-	-
Amounts owed by parent undertakings	-	-	7,386,808	8,047,391
Other debtors	128,123	368,404	-	-
Prepayments and accrued income	182,007	83,513	7,127	5,202
	<u>1,743,791</u>	<u>1,438,429</u>	<u>7,393,935</u>	<u>8,052,593</u>

Group debtors includes £nil (31 December 2009- £nil) receivable after more than one year and parent company debtors includes £7,386,808 (31 December 2009 - £8,047,391) receivable after more than one year

This can be analysed as follows

	Group		Company	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	£	£	£	£
Amounts owed by parent undertakings	<u>-</u>	<u>-</u>	<u>7,386,808</u>	<u>8,047,391</u>

12 Creditors Amounts falling due within one year

	Group		Company	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	£	£	£	£
Obligations under finance leases and hire purchase contracts	4,143	51,463	-	-
Trade creditors	659,573	1,410,608	-	-
Amounts owed to parent undertakings	695,881	1,600,000	654,558	1,600,000
Taxation and social security	40,164	44,657	-	-
Other creditors	1,259,327	319,854	375,050	-
Accruals and deferred income	1,237,766	1,307,144	5,048	9,500
	<u>3,896,854</u>	<u>4,733,726</u>	<u>1,034,656</u>	<u>1,609,500</u>

Epsilon Telecommunications Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2010

continued

Obligations under hire purchase agreements are secured on the assets to which they relate

13 Provisions for liabilities

Group

	Deferred tax provision £
Accelerated capital allowances	414,000
As at 31 December 2010	<u>414,000</u>

There was no deferred tax provision as at 31 December 2009. As at 31 December 2010 the group had cumulative losses of £1,133,761 (2009 £3,007,815) to offset against future trade taxable profits

14 Operating lease commitments

Group

As at 31 December 2010 the group had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

	Land and Buildings		Other	
	31 December 2010 £	31 December 2009 £	31 December 2010 £	31 December 2009 £
Within one year	133,955	-	-	133,882
Within two and five years	77,700	93,228	1,252,536	2,176,143
Over five years	314,216	477,850	542,928	1,318,971
	<u>525,871</u>	<u>571,078</u>	<u>1,795,464</u>	<u>3,628,996</u>

Epsilon Telecommunications Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2010

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15 Share capital

	31 December 2010	31 December 2009
	Number	Number
Ordinary shares of 10p each		
Opening balance	8,149,430	7,240,760
Share issue	-	776,670
Bonus issue	-	132,000
Closing balance	<u>8,149,430</u>	<u>8,149,430</u>
	Amount £	Amount £
Ordinary shares 10p each		
Opening balance	814,943	724,076
Share issue	-	77,667
Bonus issue	-	13,200
Closing balance	<u>814,943</u>	<u>814,943</u>

During 2009 options over 776,760 shares which had been granted to directors and staff of the company were exercised. The shares were subsequently acquired by Ellington PTE Limited, Singapore, on 31 December 2009. Subsequently, no options remain outstanding.

16 Reserves

Group

	Share premium reserve £	Profit and loss reserve £	Total £
Balance at 1 January 2010	5,654,591	(1,204,751)	4,449,840
Transfer from profit and loss account for the year	-	1,836,250	1,836,250
Balance at 31 December 2010	<u>5,654,591</u>	<u>631,499</u>	<u>6,286,090</u>

Company

	Share premium reserve £	Profit and loss reserve £	Total £
Balance at 1 January 2010	5,654,591	(13,607)	5,640,984
Transfer from profit and loss account for the year	-	(83,872)	(83,872)
Balance at 31 December 2010	<u>5,654,591</u>	<u>(97,479)</u>	<u>5,557,112</u>

Epsilon Telecommunications Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2010

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17 Reconciliation of movements in shareholders' funds

	Group		Company	
	31 December 2010 £	31 December 2009 £	31 December 2010 £	31 December 2009 £
Profit attributable to members of the group / company	1,836,250	1,246,759	(83,872)	43,711
New share capital subscribed	-	375,050	-	375,050
Net addition to shareholders' funds	<u>1,836,250</u>	<u>1,621,809</u>	<u>(83,872)</u>	<u>418,761</u>
Opening shareholders' funds	<u>5,264,783</u>	<u>3,642,972</u>	<u>6,455,927</u>	<u>3,642,972</u>
Closing shareholders' funds	<u><u>7,101,033</u></u>	<u><u>5,264,783</u></u>	<u><u>6,372,055</u></u>	<u><u>6,455,927</u></u>

18 Contingent liabilities

Under a lease agreement dated 30 September 2009 BES Properties Limited has a mortgage charge, limited to £11,500, over a cash deposit belonging to a group company

Epsilon Telecommunications Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2010

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19 Reconciliation of operating profit to operating cash flows

	Year ended 31 December 2010 £	1 March 2009 to 31 December 2009 £
Operating profit	2,250,250	1,264,460
Depreciation, amortisation and impairment charges	946,699	534,522
Loss on disposal of fixed assets	-	432,731
Increase in debtors	(305,362)	(189,045)
Increase in creditors	114,567	1,409,968
Net cash inflow from operating activities	<u>3,006,154</u>	<u>3,452,636</u>

20 Analysis of cash flows

	Year ended 31 December 2010 £	1 March 2009 to 31 December 2009 £
Returns on investment and servicing of finance		
Other interest paid	<u>-</u>	<u>(17,701)</u>

21 Analysis of net funds

	At start of period £	Cash flow £	At end of period £
Cash at bank and in hand	<u>2,466,001</u>	<u>(311,844)</u>	<u>2,154,157</u>
Debt due within one year	(1,600,000)	904,119	(695,881)
Finance leases	-	-	-
Finance leases and hire purchase contracts	(51,463)	47,320	(4,143)
Change in debt	<u>(1,651,463)</u>	<u>951,439</u>	<u>(700,024)</u>
Net funds	<u>814,538</u>	<u>639,595</u>	<u>1,454,133</u>

Epsilon Telecommunications Holdings Limited

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22 Related parties

Controlling entity

The entire share capital of the company was acquired by Ellington PTE Limited, a company incorporated in Singapore, on 31 December 2009. Since the acquisition, Ellington PTE Limited has changed its name to Epsilon Global Communications PTE Limited.

Related party transactions

With the exception of A Hipp, the directors who held office during the period were also directors of the company and of Gamma Telecom Holdings Limited. During the period, the group acquired services from, and supplied services to, Gamma Telecom Holdings Limited to the value of £107,863 (Period ended 31 December 2009: £80,700) and £293,425 (Period ended 31 December 2009: £329,144) respectively. At 31 December 2010, the company owed Gamma Telecom Holdings Limited £12,464 (Period ended 31 December 2009: £6,449) and was owed £26,123 (Period ended 31 December 2009: £nil).

During the year, the group recharged costs of £99,771 (2009: £28,666) to, and purchased services to the value of £66,856 (2009: £nil) from, Epsilon Telecommunications (SP) PTE Limited, a fellow subsidiary of Epsilon Global Communications PTE Limited. At the period end, the group was owed £18,156 (2009: £28,666).

During the year, the group recharged costs of £100,136 to, made loan advances of £800,000 to, provided services to the value of £543,516 (2009: £9,554) to, and was charged management fees of £553,069 (2009: £nil) by, Epsilon Global Communications PTE Limited. At the period end, the group was owed £353,221 (2009: £9,554). Epsilon Global Communications PTE Limited loaned the group £1,600,000 during 2009. The balance owing at the year end was £654,558 (2009: £1,600,000).

During the year, the group was loaned £412,700 (2009: £nil) by Epsilon Global Communications PTE Limited toward the investment in its business in Hong Kong. At the period end, the group owed £412,700 (2009: £nil).

During 2009, the group repaid a loan advance to M Stone amounting to £500,000. The balance owing at the period end was £nil (2009: £nil). The loan bore interest at 7% and interest of £nil (2009: £3,050) was paid during the year.

The group has made a commitment to repay a loan of £375,050 on behalf of Epsilon Global Communications PTE Limited to M Stone. £375,050 (2009: £nil) was outstanding at the end of the year.