

**Company Number: 04678051**

**Epsilon Telecommunications Holdings Limited**  
**Directors' Report and Consolidated Financial Statements**  
**for the Year Ended 31 December 2011**

SATURDAY



A23      \*A1D5GTT7\*      #174  
14/07/2012  
COMPANIES HOUSE

## **Epsilon Telecommunications Holdings Limited**

### **Contents**

Company Information	1
Directors' Report	2 to 4
Independent Auditors' Report	5 to 6
Consolidated Profit and Loss Account	7
Consolidated Balance Sheet	8
Balance Sheet	9
Consolidated Cash Flow Statement	10 to 11
Notes to the Financial Statements	12 to 25

**Epsilon Telecommunications Holdings Limited**  
**Company Information**

<b>Directors</b>	S Burton A Hipp (Singapore) K E Kuok (Hong Kong) K-C Tse (Hong Kong)
<b>Company secretary</b>	Mundays Company Secretaries Limited
<b>Registered office</b>	Cedar House 78 Portsmouth Road Cobham Surrey KT11 1AN
<b>Bankers</b>	HSBC Bank plc Poultry & Princes Street PO Box 648 27 - 32 Poultry London EC2P 2BX
<b>Auditors</b>	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 2011**

The directors present their report and the consolidated financial statements for the year ended 31 December 2011

#### **Statement of 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 group and the company and of the profit or loss of the 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company 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 2011**

.... continued

**Business review**

***Fair review of the business***

Epsilon Telecommunications Holdings Limited and its associated subsidiaries, moved under the umbrella of Epsilon Global Communications Pte Ltd (incorporated in Singapore) in 2010, which became the new parent company for the group. The Epsilon Telecommunications Holdings Ltd group has been able to execute its business transformation and complete its integration with the Asian entities making Epsilon a global enterprise. The Company was able to finish the year to 31 December 2011, with a consolidated profit of £2,093,132 which was a £256,882 increase compared to the year ended 31 December 2010. This makes Epsilon Telecommunications Holdings Limited group profitable for seven successive years.

The continued investment in network infrastructure and the expansion of the Epsilon Global Hubs Data Centre facility in London, has been vital to support the growth, reliability and efficiency of the network as well as providing additional rack inventory in the London Global Hubs facility, where we had no further racks to sell. We have been able to match the previous year with another 20% growth of our customer base, which grew from 300 clients at the beginning of the financial year to almost 365 Global Carriers. The Epsilon Connect business was the strongest performing part of the business, with consolidated group turnover growing from £12,588,793 in 2010 to £14,048,122 in 2011, with an improved operating profit of £2,756,132 in 2011 compared to £2,250,250 in 2010.

The 2011 financial year saw the completion of the ASON optical architecture deployment across the Epsilon network. The global Service Management Centre (SMC) first line support has been transferred to Singapore whilst second line support remains in London to strengthen customer support on a global basis. New Epsilon Connect points of presence have been established in the US, Asia and Europe to expand our reach and improve access to new customers.

The management plan for the 2012 financial year will see additional revenue growth from the core networking business especially from High Speed Wavelength and Metro Ethernet and Global Ethernet services from the newly connected regions in Asia, Africa and Latin America. Network outsourcing and local access management have been identified as significant growth areas during 2012 and beyond as customers seek to manage their international presence more cost effectively. The recent soft switch deployment has allowed Epsilon to enhance the voice business line and expand our portfolio into Asian, LATAM, and Eastern European markets, as well as transfer the conversion and managed switch partition business in-house for cost savings and improved operational control. The Directors believe that the focus on our "Global Network Exchange" and "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 2012.

The group's key financial and other performance indicators during the year were as follows:

	Unit	2011	2010
Turnover	£	14,048,122	12,588,793
Turnover growth	%	11	34
Gross profit margin	%	60	51
Profit before tax	£	2,756,132	2,250,250

**Epsilon Telecommunications Holdings Limited**  
**Directors' Report for the Year Ended 31 December 2011**

..... **continued**

**Principal risks and uncertainties**

The company's 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. The business makes use of money market facilities where funds are available.

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.

**Dividends**

The directors do not recommend the payment of a dividend.

**Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

**Directors of the company**

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

S Burton (appointed 9 May 2011)

A Hipp (Singapore)

K E Kuok (Hong Kong)

K-C Tse (Hong Kong)

C R H Stone (resigned 9 May 2011)

M J C Stone (resigned 9 May 2011)

Approved by the Board and signed on its behalf by



A Hipp  
Director

30 June 2012

## **Independent Auditor's 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 2011, set out on pages 7 to 25. 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 auditor's 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 Statement of Directors' Responsibilities (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 and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 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 Auditor's Report to the Members of  
Epsilon Telecommunications Holdings Limited**

*..... continued*

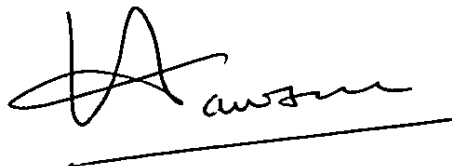
**Matters on which we are required to report by exception**

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



*13<sup>th</sup> July 2012 .*



**Epsilon Telecommunications Holdings Limited**  
**Consolidated Profit and Loss Account for the Year Ended 31 December 2011**

	Note	2011 £	2010 £
Turnover	2	14,048,122	12,588,793
Cost of sales		<u>(5,529,083)</u>	<u>(6,112,316)</u>
Gross profit		8,519,039	6,476,477
Administrative expenses		<u>(5,762,907)</u>	<u>(4,226,227)</u>
Group operating profit	3	<u>2,756,132</u>	<u>2,250,250</u>
Profit on ordinary activities before taxation		2,756,132	2,250,250
Tax on profit on ordinary activities	6	<u>(663,000)</u>	<u>(414,000)</u>
Profit for the financial year	15	<u><u>2,093,132</u></u>	<u><u>1,836,250</u></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

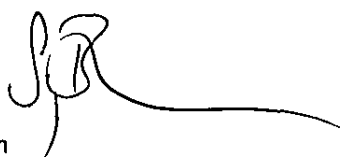
**Epsilon Telecommunications Holdings Limited**  
**(Registration number: 04678051)**  
**Consolidated Balance Sheet at 31 December 2011**

			2011		2010
	Note	£	£	£	£
<b>Fixed assets</b>					
Tangible fixed assets	9		9,129,525		7,513,939
<b>Current assets</b>					
Debtors	11	2,209,199		1,743,791	
Cash at bank and in hand		<u>1,829,943</u>		<u>2,154,157</u>	
		4,039,142		3,897,948	
Creditors Amounts falling due within one year	12	<u>(3,149,402)</u>		<u>(3,896,854)</u>	
Net current assets			<u>889,740</u>		<u>1,094</u>
Total assets less current liabilities			10,019,265		7,515,033
Provisions for liabilities	13		<u>(825,100)</u>		<u>(414,000)</u>
Net assets			<u>9,194,165</u>		<u>7,101,033</u>
<b>Capital and reserves</b>					
Called up share capital		814,943		814,943	
Capital redemption reserve	15	5,654,591		5,654,591	
Profit and loss account	15	<u>2,724,631</u>		<u>631,499</u>	
Shareholders' funds	16		<u>9,194,165</u>		<u>7,101,033</u>

Approved by the Board and signed on its behalf by



A Hipp  
Director



S Burton  
Director

30 June 2012

**Epsilon Telecommunications Holdings Limited**

**(Registration number: 04678051)**

**Balance Sheet at 31 December 2011**

	Note	2011 £	2010 £
<b>Fixed assets</b>			
Investments	10	201	201
<b>Current assets</b>			
Debtors	11	6,376,129	7,393,935
Cash at bank and in hand		27,914	12,575
		6,404,043	7,406,510
Creditors Amounts falling due within one year	12	(6,250)	(1,034,656)
Net current assets		6,397,793	6,371,854
Net assets		6,397,994	6,372,055
<b>Capital and reserves</b>			
Called up share capital		814,943	814,943
Capital redemption reserve	15	5,654,591	5,654,591
Profit and loss account	15	(71,540)	(97,479)
Shareholders' funds	16	6,397,994	6,372,055

Approved by the Board and signed on its behalf by



A Hipp  
Director



S Burton  
Director

30 June 2012

The notes on pages 12 to 26 form an integral part of these financial statements

**Epsilon Telecommunications Holdings Limited**  
**Consolidated Cash Flow Statement for the Year Ended 31 December 2011**

**Reconciliation of operating profit to net cash flow from operating activities**

	<b>2011</b> <b>£</b>	<b>2010</b> <b>£</b>
Operating profit	2,756,132	2,250,250
Depreciation, amortisation and impairment charges	1,223,053	946,699
Loss on disposal of fixed assets	24,154	-
Increase in debtors	(193,438)	(305,362)
(Decrease)/increase in creditors	(849,519)	114,567
Net cash inflow from operating activities	<u>2,960,382</u>	<u>3,006,154</u>

**Cash flow statement**

	<b>2011</b> <b>£</b>	<b>2010</b> <b>£</b>
Net cash inflow from operating activities	<u>2,960,382</u>	<u>3,006,154</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(2,773,415)	(2,433,780)
Sale of tangible fixed assets	73,722	67,221
	<u>(2,699,693)</u>	<u>(2,366,559)</u>
Net cash inflow before management of liquid resources and financing	<u>260,689</u>	<u>639,595</u>
<b>Financing</b>		
Repayment of loans and borrowings	(695,881)	(904,119)
Repayment of capital element of finance leases and HP contracts	(4,143)	(47,320)
Movement on intra group borrowings	115,121	-
	<u>(584,903)</u>	<u>(951,439)</u>
Decrease in cash	<u>(324,214)</u>	<u>(311,844)</u>

**Epsilon Telecommunications Holdings Limited**  
**Consolidated Cash Flow Statement for the Year Ended 31 December 2011**  
*.... . continued*

**Reconciliation of net cash flow to movement in net debt**

	Note	2011 £	2010 £
Decrease in cash		(324,214)	(311,844)
Cash outflow from repayment of loans		695,881	904,119
Cash outflow from repayment of capital element of finance leases and hire purchase contracts		<u>4,143</u>	<u>47,320</u>
Change in net debt resulting from cash flows	19	<u>375,810</u>	<u>639,595</u>
Movement in net debt	19	375,810	639,595
Net funds at 1 January	19	<u>1,454,133</u>	<u>814,538</u>
Net funds at 31 December	19	<u><u>1,829,943</u></u>	<u><u>1,454,133</u></u>

**Epsilon Telecommunications Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**

**1 Accounting policies**

**Basis of preparation**

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

**Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2011

**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% straight line
Colocation equipment	Straight line over 14 years
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 currency**

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 retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account

**Hire purchase and leasing**

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

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 is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding

**Epsilon Telecommunications Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
**..... continued**

**Leasehold reconstruction provision**

Leasehold reconstruction provisions represent the directors' estimated cost of reinstating a leasehold property to its original condition on commencement of the lease. The estimated cost of reconstruction is capitalised within leasehold improvements and is written off over the period of the lease. The estimated cost includes an estimate for cost inflation during the lease period. The provision has then been discounted back to present day values.

**Epsilon Telecommunications Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**

... .. *continued*

**2 Turnover**

An analysis of turnover by geographical location is given below

	<b>31 December 2011</b>	<b>31 December 2010</b>
United Kingdom	33%	35%
Europe	27%	25%
USA	10%	15%
Other	<u>30%</u>	<u>25%</u>

	<b>31 December 2011 £</b>	<b>31 December 2010 £</b>
Africa	774,516	287,826
Asia	1,394,537	1,369,398
North America	1,400,654	1,879,125
South America	12,598	8,830
Middle East	2,053,938	1,508,606
UK	4,630,986	4,400,997

**Turnover was derived from European countries (excluding UK) as follows**

Austria	277,080	258,126
Croatia	49,483	52,405
Cyprus	86,062	18,705
Czech Republic	87,039	83,507
Denmark	65,634	68,399
Estonia	2,834	2,789
Finland	24,152	25,516
France	93,832	123,402
Germany	275,676	207,215
Gibraltar	4,887	3,735
Greece	64,582	29,657
Hungary	61,711	28,830
Ireland	163,288	194,174



**Epsilon Telecommunications Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
..... *continued*

Italy	271,233	152,645
Liechtenstein	7,102	4,991
Lithuania	6,145	9,174
Luxembourg	28,985	49,430
Malta	11,806	3,306
Monaco	25,904	43,915
Netherlands	509,145	404,495
Norway	389,597	217,388
Poland	15,669	28,310
Portugal	65,886	60,270
Romania	1,312	1,376
Russia	138,892	137,355
Serbia	1,472	-
San Marino	21,952	19,452
Slovenia	12,966	4,391
Spain	299,959	264,858
Sweden	10,212	7,615
Switzerland	557,679	583,045
Turkey	148,717	45,535
	<u>14,048,122</u>	<u>12,588,793</u>

**3 Operating profit**

Operating profit is stated after charging/(crediting)

	2011 £	2010 £
Operating leases - other assets	1,027,367	937,818
Foreign currency (gains)/losses	(17,127)	75,732
Loss on sale of tangible fixed assets	24,154	-
Depreciation of owned assets	1,223,053	946,699
Auditor's remuneration	<u>14,250</u>	<u>14,250</u>

**Epsilon Telecommunications Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**

.... *continued*

**4 Particulars of employees**

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

	2011 No	2010 No
Administration and support	7	8
Technical services	21	25
Sales and marketing	20	16
Management	1	1
	<u>49</u>	<u>50</u>

The aggregate payroll costs were as follows

	2011 £	2010 £
Wages and salaries	1,629,564	1,482,697
Pensions	27,505	1,805
Social security	175,501	148,142
	<u>1,832,570</u>	<u>1,632,644</u>

**5 Directors' remuneration**

The directors' remuneration for the year was as follows

	2011 £	2010 £
Directors' remuneration	<u>95,850</u>	<u>96,298</u>

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

Details of directors' share options in the company's ultimate parent undertaking, Epsilon Global Communications PTE Limited, a company incorporated in Singapore, are disclosed in that company's financial statements

**Epsilon Telecommunications Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**

.... continued

**6 Taxation**

	2011 £	2010 £
<b>Current tax</b>		
Corporation tax charge at 26.5% (2010: 28%)	415,000	-
<b>Deferred tax</b>		
Charged to the profit and loss account	248,000	414,000
Total tax on profit on ordinary activities	<u>663,000</u>	<u>414,000</u>

**Factors affecting current tax charge for the year**

Tax on profit on ordinary activities for the year is lower than (2010: lower than) the standard rate of corporation tax in the UK of 26.5% (2010: 28%)

The differences are reconciled below

	2011 £	2010 £
Profit on ordinary activities before taxation	<u>2,756,132</u>	<u>2,250,250</u>
Corporation tax at standard rate	730,375	630,070
Capital allowances for the period in excess of depreciation	(97,829)	(137,848)
Expenses not deductible for tax purposes	6,684	23,140
Utilisation of losses from earlier period	(224,001)	(524,735)
Losses not attributable to UK Corporation tax	<u>(229)</u>	<u>9,373</u>
Total current tax	<u>415,000</u>	<u>-</u>

**7 Profit/(Loss) attributable to the members of the parent company**

Epsilon Telecommunications Holdings Limited has not presented a company profit and loss account or cash flow statement as permitted by Section 408 of the Companies Act 2006. The profit (2010: loss) for the financial period dealt with through its own profit and loss account was £25,939 (2010: £(83,872)).

**Epsilon Telecommunications Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**

*..... continued*

**9 Tangible fixed assets**

**Group**

	Leasehold property improvements £	Office equipment £	Network assets £	Total £
<b>Cost or valuation</b>				
At 1 January 2011	56,691	61,088	9,264,235	9,382,014
Additions	163,100	5,935	2,767,480	2,936,515
Disposals	-	-	(147,048)	(147,048)
At 31 December 2011	<u>219,791</u>	<u>67,023</u>	<u>11,884,667</u>	<u>12,171,481</u>
<b>Depreciation</b>				
At 1 January 2011	28,315	22,728	1,817,032	1,868,075
Charge for the year	30,369	19,333	1,173,351	1,223,053
Eliminated on disposals	-	-	(49,172)	(49,172)
At 31 December 2011	<u>58,684</u>	<u>42,061</u>	<u>2,941,211</u>	<u>3,041,956</u>
<b>Net book value</b>				
At 31 December 2011	<u>161,107</u>	<u>24,962</u>	<u>8,943,456</u>	<u>9,129,525</u>
At 31 December 2010	<u>28,376</u>	<u>38,360</u>	<u>7,447,203</u>	<u>7,513,939</u>

**Leased assets**

Included within the net book value of tangible fixed assets is £nil (2010 - £97,537) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £nil (2010 - £17,212).

**Epsilon Telecommunications Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
... .. *continued*

**10 Investments held as fixed assets**

**Company**

	Shares in group undertakings £
<b>Cost</b>	
At 1 January 2011	201
At 31 December 2011	201
<b>Net book value</b>	
At 31 December 2011 and 2010	201

**Details of undertakings**

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
<b>Subsidiary undertakings</b>			
Epsilon Telecommunications Limited (England)	Ordinary	100%	Telephony services
Epsilon Global Hub Limited (England)	Ordinary	100%	Telephony services
Epsilon Telecommunications Limited (Hong Kong)	(HK) Ordinary	100%	Telephony services

**Epsilon Telecommunications Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
..... *continued*

**11 Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	1,502,632	1,433,661	-	-
Amounts owed by group undertakings	271,970	-	6,376,129	7,386,808
Other debtors	150,117	128,123	-	-
Prepayments and accrued income	284,480	182,007	-	7,127
	<u>2,209,199</u>	<u>1,743,791</u>	<u>6,376,129</u>	<u>7,393,935</u>

Company debtors includes £6,376,129 (2010 - £7,386,808) receivable after more than one year

This can be analysed as follows

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Amounts owed by group undertakings	-	-	6,376,129	7,386,808
	<u>-</u>	<u>-</u>	<u>6,376,129</u>	<u>7,386,808</u>

**12 Creditors. Amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	900,909	659,573	-	-
Obligations under finance lease and hire purchase contracts	-	4,143	-	-
Amounts owed to group undertakings	387,091	695,881	-	654,558
Corporation tax	415,000	-	-	-
Other taxes and social security	46,483	40,164	-	-
Other creditors	539,999	1,259,327	-	375,050
Accruals and deferred income	859,920	1,237,766	6,250	5,048
	<u>3,149,402</u>	<u>3,896,854</u>	<u>6,250</u>	<u>1,034,656</u>

**Epsilon Telecommunications Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
*... continued*

**13 Provisions for liabilities**

**Group**

	Deferred tax £	Leasehold reconstruction costs £	Total £
At 1 January 2011	414,000	-	414,000
Charged to the profit and loss account	248,000	-	248,000
Amount set aside during the year	-	163,100	163,100
Movement in provisions during the year	248,000	163,100	411,100
At 31 December 2011	662,000	163,100	825,100

As at 31 December 2011 companies within the group had cumulative taxation losses of £481,255 (2010 £1,133,761) to offset against future trade taxable profits

**Leasehold reconstruction provision**

Leasehold reconstruction provisions represent the directors' estimated cost of reinstating a leasehold property to its original condition on commencement of the lease. The estimated cost of reconstruction is capitalised within leasehold improvements and is written off over the period of the lease. The estimated cost includes an estimate for cost inflation during the lease period. The provision has then been discounted back to present day values.

**Analysis of deferred tax**

	2011 £	2010 £
Accelerated capital allowances	748,000	414,000
Tax losses available (trading)	(92,000)	-
	656,000	414,000

**14 Share capital**

**Allotted, called up and fully paid shares**

	2011		2010	
	No	£	No	£
Ordinary shares of £0.10 each	8,149,430	814,943	8 149,430	814,943

**Epsilon Telecommunications Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**

..... *continued*

**15 Reserves**

**Group**

	Share premium reserve £	Profit and loss account £	Total £
At 1 January 2011	5,654,591	631,499	6,286,090
Profit for the year	-	2,093,132	2,093,132
At 31 December 2011	<u>5,654,591</u>	<u>2,724,631</u>	<u>8,379,222</u>

**Company**

	Share premium reserve £	Profit and loss account £	Total £
At 1 January 2011	5,654,591	(97,479)	5,557,112
Profit for the year	-	25,939	25,939
At 31 December 2011	<u>5,654,591</u>	<u>(71,540)</u>	<u>5,583,051</u>



**Epsilon Telecommunications Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
*. . . . . continued*

**16 Reconciliation of movement in shareholders' funds**

**Group**

	2011 £	2010 £
Profit attributable to the members of the group	2,093,132	1,836,250
Net addition to shareholders' funds	2,093,132	1,836,250
Shareholders' funds at 1 January	7,101,033	5,264,783
Shareholders' funds at 31 December	<u>9,194,165</u>	<u>7,101,033</u>

**Company**

	2011 £	2010 £
Profit/(loss) attributable to the members of the company	25,939	(83,872)
Net addition/(reduction) to shareholders' funds	25,939	(83,872)
Shareholders' funds at 1 January	6,372,055	6,455,927
Shareholders' funds at 31 December	<u>6,397,994</u>	<u>6,372,055</u>

**Epsilon Telecommunications Holdings Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
*... continued*

**17 Commitments**

**Operating lease commitments**

**Group**

As at 31 December 2011 the group had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

	2011 £	2010 £
<b>Land and buildings</b>		
Within one year	-	133,955
Within two and five years	62,232	77,700
Over five years	293,917	314,216
	<u>356,149</u>	<u>525,871</u>
<b>Other</b>		
Within two and five years	629,112	1,252,536
Over five years	603,828	542,928
	<u>1,232,940</u>	<u>1,795,464</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

**19 Analysis of net debt**

	At 1 January 2011 £	Cash flow £	At 31 December 2011 £
Cash at bank and in hand	2,154,157	(324,214)	1,829,943
Debt due within one year	(695,881)	695,881	-
Finance leases and hire purchase contracts	(4,143)	4,143	-
Net funds	<u>1,454,133</u>	<u>375,810</u>	<u>1,829,943</u>

## **Epsilon Telecommunications Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2011**

*... continued*

#### **20 Related party transactions**

##### **Other related party transactions**

During the year the company made the following 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 £1,878 (2010 £107,863) and £265,728 (2010 £293,425) respectively. At 31 December 2011 the company owed Gamma Telecom Holdings Limited £nil (2010 £12,464) and was owed £34,852 (2010 £26,123).

During the year the group recharged costs of £178,385 (2010 £99,771) to, and purchased services to the value of £955,171 (2010 £66,856) from, Epsilon Telecommunications (SP) PTE Limited, a fellow subsidiary of Epsilon Global Communications PTE Limited. At the period end the group was owed £243,304 (2010 £18,156).

During the year the group was loaned £nil (2010 £412,700) by Epsilon Global Communications PTE Limited toward the investment in its business in Hong Kong. At the period end the group was owed £28,666 (2010 £412,700).

During the year the group recharged costs of £nil, (2010 £100,136) to, made loan advances of £nil (2010 £800,000) to, provided services to the value of £nil (2010 £543,516) to, and was charged management fees of £938,974 (2010 £553,069) by, Epsilon Global Communications PTE Limited. At the period end the group owed £387,091 (2010 £353,221). Epsilon Global Communications PTE Limited loaned the group £1,600,000 during 2009. The balance owing at the year end was £nil (2010 £654,558).

In 2009 the group made a commitment to repay a loan of £375,000 on behalf of Epsilon Global Communications PTE Limited to M Stone. During the year the loan was repaid in full.

#### **21 Control**

The company's ultimate parent undertaking is Epsilon Global Communications PTE Limited, a company incorporated in Singapore.