

FREEDOM4 Access Limited

**Directors' report and financial
statements**

Registered number 03152569

31 December 2008



Directors' report	1
Independent auditor's report to the members of FREEDOM4 Access Limited	4
Profit and loss account	7
Balance Sheet	8
Notes to the financial statements	9

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2008.

Principal activity

The Company holds a telecommunications licence in the United Kingdom. The licence is used by the company's parent company Freedom4 Limited and any fees are paid by Freedom4 Limited on the company's behalf. There were no other activities during the year.

Proposed dividend

The directors do not recommend the payment of a dividend (£2007: £nil).

Directors and Directors' interests

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

S C Porter
P A D Dubens
M D Read

None of the directors who held office at the end of the period had any disclosable interest in the shares of the company. Directors' interests in the ordinary shares of the parent company FREEDOM4 Limited are disclosed in the financial statements of that company.

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year (2007: £nil).

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report continued

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board and signed on its behalf by:



Mike Read
Director

5 Roundwood Avenue
Stockley Park
Uxbridge
Middlesex
UB11 1FF
8 October 2009

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of FREEDOM4 Access Limited

We have audited the financial statements of FREEDOM4 Access Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing Directors' report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report consider the implications for our report if we become aware of any apparent misstatements within it.

Independent auditor's report to the members of FREEDOM4 Access Limited continued

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Independent auditor's report to the members of FREEDOM4 Access Limited continued

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £9,000 during the year ended 31 December 2008. In order to meet day to day working capital requirements, the company is reliant on funds made available to it by its parent company, Freedom4 Limited, whose ability to continue as a going concern is also uncertain. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 October 2009

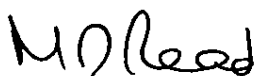
8 Salisbury Square
London
EC4Y 8BB

Balance sheet

at 31 December 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Intangible assets			
Wireless licence	7	3,667	3,917
Negative goodwill	7	(3,520)	(3,760)
		<u>147</u>	<u>157</u>
Creditors: amounts falling due within one year	8	-	(1)
Net current liabilities		<u>-</u>	<u>(1)</u>
Net assets		<u>147</u>	<u>156</u>
Capital and reserves			
Called up share capital	9	17	17
Share premium account	10	2,996	2,996
Profit and loss account	10	(2,866)	(2,857)
Shareholder's funds		<u>147</u>	<u>156</u>

These financial statements were approved for issue by the board of directors on 8 October 2009 and were signed on its behalf by:



Mike Read

Director

8 October 2009

Profit and loss account

For the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Turnover		-	-
Cost of sales		-	-
Gross loss		<u>-</u>	<u>-</u>
Operating expenses:			
Administrative expenses		(9)	(10)
Loss on ordinary activities before taxation		<u>(9)</u>	<u>(10)</u>
Tax on ordinary activities	6	-	-
Loss for the financial year		<u>(9)</u>	<u>(10)</u>

All results are derived from continuing operations.

During the current and preceding financial year the Company has no gains or losses other than those recognised in the profit and loss account above and consequently no separate statement of total recognised gains and losses has been presented.

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules.

Cash flow statement

The Company has taken advantage of the exemption in FRS 1 (revised) not to prepare a cash flow statement as it qualifies as a small company.

Intangible assets – goodwill

Goodwill arising on the acquisition of the trade and assets of another business represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. Negative goodwill arises where the fair value of the identifiable assets and liabilities acquired exceeds the fair value of consideration paid. Negative goodwill is also included in the balance sheet and is amortised to the profit and loss account in the period over which the acquired non-monetary assets are recovered through depreciation or sale.

Intangible assets –licences

Licences are included at cost and depreciated in equal annual instalments over a period of 20 years which is their expected useful economic lives. Provision is made for any impairment.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Notes to the financial statements (*continued*)

1 Accounting policies continued

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Related party disclosures

As the company is a wholly owned subsidiary of FREEDOM4 Limited, the company has taken advantage of the exemption contained in paragraph 3(c) of FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the FREEDOM4 Limited Group.

2 Going Concern

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons.

The Company incurred a net loss of £9,000 during the year ended 31 December 2008. The Company is dependent for its working capital on funds provided by FREEDOM4 Limited, the Company's immediate parent. FREEDOM4 Limited has indicated to the company that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

However, there is significant doubt about FREEDOM4 Limited's ability to continue as a going concern. The December 2008 financial statements of FREEDOM4 Limited disclose the following:

"In accordance with their responsibilities, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements. Notwithstanding that the Company has incurred a loss of £9,955,000 for the year ended 31 December 2008 and, at that date, the Company's liabilities exceeded its assets by £16,169,000, the financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons.

The Company is dependent on funding from its shareholders and has funded its operations to date through the issuance of ordinary and convertible redeemable preferred shares, further details of which are disclosed in note 17. Excluding the liabilities in respect of the convertible redeemable preferred shares, which are not redeemable by the holders before 31 March 2011, the company's assets exceed its liabilities at 31 December 2008 by £18,597,000.

Notes to the financial statements (continued)

Since October 2008, in response to the external financial climate, the Company has refocused its business strategy to minimise ongoing cash requirements. Capital expenditure plans to expand the Company's existing network infrastructure have been deferred, staff reductions have taken place and certain supplier contracts terminated. In December 2008, the Company applied to Ofcom for a variation to remove the fixed restriction from its 3.6GHz licence. Following initial assessment of the Freedom4 Limited's license variation application by Ofcom, the Directors are optimistic that the licence variation will be granted, allowing provision of mobile services, enhancing the value of the licence and creating significant new opportunities in the market for mobile broadband. The Directors are therefore of the opinion that the Company's opportunity for value creation in the long-term remains intact and that once the current liquidity crisis abates, funding from additional sources will be available to the Company.

Forecasts prepared by the directors for the period to August 2010 indicate that additional funding will be required by the Company during that period, even after the steps taken since October. In addition, further funding would be required to complete the proposed network deployment as set out in the business plan (which assumes an increase in revenues once the funding is secured and network deployment is complete) On 3 July 2009, Intel Corporation subscribed for an additional 826 convertible preference shares for cash amounting to \$0.5 million (£0.3 million), and FREEDOM4 Group plc an additional 995 convertible preference shares for cash amounting to \$0.6million (£0.3million). As disclosed in note 25, on [21 July 2009] FREEDOM4 Group plc was subject to a reverse takeover by Daisy Communications Limited and changed its name to Daisy Group plc. On 17 August 2009, the Company initiated a further funding round with the agreement of its shareholders which the directors believe will lead to additional cash being raised for the Company of approximately £0.7 million.

On this basis, the Directors are confident that the company's shareholders will continue to make available such funds as are needed by the company until such time as additional sources become available and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. However, as with any company placing reliance on related entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Further, in common with similar businesses at this stage of their development, the Directors recognise that there are material uncertainties over the Company's ability to realise future profitability and positive cash flows in the longer term.

Notes to the financial statements (*continued*)

As a result of these matters, there is material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business. However, on the basis of the above mentioned

cash flow information and discussions with the Company's shareholders, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not reflect any adjustments that would be required if the going concern basis of preparation ceased to be appropriate, which may include, among other adjustments, the impairment of the net book value of:

- *Tangible fixed assets, which at 31 December 2008 amounted to £3,604,000 as per note 11.*
- *Investments in subsidiaries holding the intangible asset licences, amounting to £13,692,000 as per note 12 at 31 December 2008"*

As a result, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the indication of support the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, this material uncertainty may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Notes to the financial statements (*continued*)

3 Operating loss

	2008 £'000	2007 £'000
Operating loss on ordinary activities before and after taxation is stated after charging:		
Amortisation of Wireless Licence	250	250
Amortisation of negative goodwill	(240)	(240)

In the current year, the auditor's remuneration of £3,000 (2007: £nil) for the audit of these financial statements was borne by another group company.

4 Remuneration of directors

The directors of the Company are also directors in FREEDOM4 Group Plc, one of the shareholding companies of the parent company FREEDOM4 Limited. It is not practicable to allocate their remuneration between their services to each company within the FREEDOM4 Group plc group of companies. Details of their remuneration for the year ended 31 December 2008 are disclosed in the financial statements of FREEDOM4 Group Plc. The directors received no remuneration from the Company for the year ended 31 December 2008 (2007: £nil).

5 Staff numbers and costs

The average number of employees (including executive directors) during the year was as follows:

	2008	2007
Operations	-	-
Executive and Administrative	3	3
	<u>3</u>	<u>3</u>

There were no payroll costs in the year (2007: £nil).

Notes to the financial statements (*continued*)

6 Tax on loss on ordinary activities

There is no current charge to Corporation tax due to losses in each year. The difference between the total current tax and the amount calculated by applying the standard rate of UK Corporation tax (period ended 31 December 2008: 30%) is as follows:

Current tax reconciliation	2008 £'000	2007 £'000
Loss on ordinary activities before tax	(9)	(10)
Current tax credit at 28% (2007: 30%)	(3)	(3)
Effects of:		
Unrelieved tax losses	3	3
Total current tax	-	-

Notes to the financial statements (*continued*)

7 Intangible fixed assets

	Wireless licence £'000	Negative goodwill £'000	Total £'000
Cost			
As at 1 January and 31 December 2008	5,000	(4,800)	200
Amortisation			
At 1 January 2008	(1,083)	1,040	(43)
(Charge)/credit for the year	(250)	240	(10)
At 31 December 2008	(1,333)	1,280	(53)
Net book value			
At 31 December 2008	3,667	(3,520)	147
At 31 December 2007	3,917	(3,760)	157

The Wireless licence was acquired on 10 January 2003 with the contracts, customer equipment and intellectual property of Liberty Broadband Limited and was recorded at estimated fair value on acquisition. The licence is being amortised over twenty years.

Negative goodwill arose on the acquisition of the assets of Liberty Broadband Limited on 10 January 2003. This negative goodwill is being released over a period of twenty years.

8 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Amounts due to other group undertakings	-	1
	-	1

Notes to the financial statements (*continued*)

9 Called up share capital

	2008 £	2007 £
Authorised		
20,000 ordinary shares of £1 each	20,000	20,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
17,450 ordinary shares of £1 each	17,450	17,450
	<hr/>	<hr/>

10 Share premium and reserves

	Share Premium £'000	Profit and loss £'000
At 1 January 2008	2,996	(2,857)
Retained loss for the period	-	(9)
At 31 December 2008	2,996	(2,866)
	<hr/>	<hr/>

11 Immediate and ultimate controlling parties

The immediate parent company is FREEDOM4 Limited, incorporated in England and Wales.

FREEDOM4 limited is a joint venture between FREEDOM4 Group plc, a company incorporated in England and Wales and Intel Capital (Cayman) Corporation, a company incorporated in Grand Cayman, whose ultimate parent is Intel Corporation. Under the terms of the shareholder agreement, key business decisions in FREEDOM4 Limited require the unanimous approval of the shareholders who thereby exercise joint control.