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STRATOS GLOBAL LIMITED

Report and Financial Statements

31 December 2005

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COMPANIES HOUSE

Stratos Global Limited

Registered No. 04041428

DIRECTORS

David Oake

Maury Shenk

Ian Canning (appointed 23 June 2006)

SECRETARY

Richard Harris

AUDITORS

Ernst & Young LLP

1 More London Place

London SE1 2AF

BANKERS

HSBC Bank plc

9 Wellesley Road

Croydon

Surrey CR9 2AA

SOLICITORS

Steptoe & Johnson

99 Gresham Street

London EC2V 7NG

REGISTERED OFFICE

99 Gresham Street

London EC2V 7NG

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2005.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to US\$20,519,912 (2004 - US\$3,062,023). The directors do not recommend the payment of an ordinary dividend for the year which leaves an accumulated deficit on the profit and loss account of US\$32,180,251 (2004 - US\$11,660,339).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the business are to own and operate a land earth station located in Goonhilly, England and to provide fixed satellite remote communications solutions using broadband network technologies.

Subsequent to the year end the ultimate parent announced the acquisition of a competitor in Europe and as a result of that acquisition also announced the planned closure of the Goonhilly land earth station by the end of February 2007. The impairment in value of the company's intangible assets (\$1,053,018) and capital assets (\$15,987,227) as a result of the planned closure of the Goonhilly land earth station has been reflected in these financial statements. The company will continue to provide fixed satellite remote communications solutions using broadband network technologies.

The directors are satisfied with the results for the year.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

David Oake	
Sir Robert Walmsley	(resigned 23 rd June 2006)
Maury Shenk	
Ian Canning	(appointed 23 rd June 2006)

There are no directors' interests requiring disclosure under the Companies Act 1985.

CREDITOR PAYMENT POLICY

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its supplier, provided that all trading terms and conditions have been complied with.

At 31 December 2005, the company had an average of 42 days (31 December 2004 - 30 days) purchases outstanding in trade creditors.

AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



Director

19 DEC 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 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 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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE INDEPENDENT AUDITORS
to the members of Stratos Global Limited

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 21. 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 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

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.

REPORT OF THE INDEPENDENT AUDITORS (continued)
to the members of Stratos Global Limited

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Emphasis of matter – Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the provision of adequate financial support to the company by the ultimate parent undertaking. In view of the significance of the material uncertainty over the preparation of the financial statements on the going concern basis, the validity of which assumes that this financial support will be provided, we consider that this disclosure should be brought to your attention. Our opinion is not qualified in this respect.

Ernst & Young LLP
Registered Auditor
London

Ernst & Young LLP

21 DEC 2006

Stratos Global Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2005

	Notes	2005 US\$	2004 US\$
TURNOVER	3	27,686,976	32,042,480
Cost of sales		(16,118,193)	(18,476,604)
GROSS PROFIT		11,568,783	13,565,876
Operating expenses - normal		(11,166,107)	(11,188,765)
- exceptional	8	(17,090,245)	(1,105,267)
OPERATING (LOSS) /PROFIT	4	(16,687,569)	1,271,844
Interest payable	7	(3,832,343)	(4,333,867)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(20,519,912)	(3,062,023)
Tax on loss on ordinary activities	9	-	-
LOSS FOR THE FINANCIAL YEAR	18	(20,519,912)	(3,062,023)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than as shown in the profit and loss account above.

Stratos Global Limited

BALANCE SHEET at 31 December 2005

	Notes	2005 US\$	2004 US\$
FIXED ASSETS			
Intangible assets	10	12,150,385	14,320,217
Tangible assets	11	18,739,415	37,063,183
		<u>30,889,800</u>	<u>51,383,400</u>
CURRENT ASSETS			
Stocks	12	997,111	685,608
Debtors	13	9,325,477	7,906,133
		<u>10,322,588</u>	<u>8,591,741</u>
CREDITORS: amounts falling due within one year	14,15	<u>(60,892,624)</u>	<u>(60,635,465)</u>
NET CURRENT LIABILITIES		<u>(50,570,036)</u>	<u>(52,043,724)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(19,680,236)</u>	<u>(660,324)</u>
Provision for liabilities and charges	16	(1,500,000)	-
		<u>(21,180,236)</u>	<u>(660,324)</u>
CAPITAL AND RESERVES			
Called up share capital	17	188	188
Share premium	18	10,999,827	10,999,827
Profit and loss account	18	(32,180,251)	(11,660,339)
EQUITY SHAREHOLDERS' DEFICIT	18	<u>(21,180,236)</u>	<u>(660,324)</u>

Director

Manny Ghent

19 DEC 2006

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2005

1. FUNDAMENTAL ACCOUNTING CONCEPT

The financial statements have been prepared on a going concern basis, the validity of which is dependent on the continuation of adequate financial support from the ultimate parent undertaking. There is therefore a material uncertainty which may cause significant doubt over the entity's ability to continue as a going concern. The ultimate parent has provided an undertaking that it will continue to provide adequate financial support to the company in order that it can meet its liabilities as and when they fall due and has also guaranteed the payment and recoverability of all intercompany balances within the group. The directors have no reason to believe that this financial support will not continue in the future, and therefore consider it appropriate to adopt a going concern basis.

However, should the ultimate parent undertaking fail to provide such support, the going concern basis used in preparing the group's financial statements would be invalid and adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might accrue and to reclassify fixed assets as current assets.

2. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

The company has taken advantage of the exemption under FRS 1 not to produce a cash flow statement as its ultimate parent undertaking produces publicly available consolidated financial statements.

Stocks

Stocks consist of telecommunications equipment held for resale and is carried at the lower of average cost and net realizable value.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset over its expected useful life, as follows:

Earth station equipment	-	10% per annum straight-line
Computer hardware and software	-	30% per annum reducing balance
Other equipment	-	20% per annum reducing balance

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Patents and licences

Patents and licences reflect the cost of acquiring the right to transmit radio signals in a given licensed area and software licences. These have been amortised on a straight line basis over the shorter of the duration of the licence term or 10 years.

The carrying values of patents and licences are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2005

2. ACCOUNTING POLICIES (continued)

Development costs

Development costs are charged as an expense in the period in which they are incurred, unless they meet specified criteria related to commercial feasibility. Where these criteria are met, the costs are deferred and amortised on a straight line basis over the shorter of the product's estimated life cycle and three years. Amortisation will commence when the product becomes commercially available for use.

The carrying values of development costs are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill

Goodwill represents the excess of the cost of investments in the former Inmarsat and VSAT businesses of British Telecommunications plc over the fair value of the net identifiable assets acquired and is amortised on a straight-line basis over its estimated useful life of 20 years.

The carrying value of goodwill is reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Currency of accounting and foreign currencies

The functional and reporting currency is the US dollar as the majority of operational transactions are denominated in US dollars.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Pensions

The company has defined contribution pension plans covering substantially all of its employees whereby the company matches a portion of employee contributions to the plan. The company does not provide defined benefit pension arrangements for its employees nor does it provide other post-retirement benefits.

The cost of compensated absences and other post-employment benefits, such as health care, dental and similar employee benefit plans, are expensed as employee services are rendered.

Capital Instruments

Shares are included in shareholders' funds. Other instruments are classified as debt finance if they contain an obligation to transfer economic benefits.

Stratos Global Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2005

3. TURNOVER

Turnover, which is stated net of value added tax, represents amounts received and receivable from the company's continuing principal activity. Turnover is derived primarily from the company's European market.

4. OPERATING (LOSS)/PROFIT

This is stated after charging/(crediting):

	2005	2004
	US\$	US\$
Auditors' remuneration – audit fees	73,902	46,033
Depreciation of tangible fixed assets	7,766,763	7,523,939
Amortisation of intangible fixed assets	373,080	373,080
Amortisation of goodwill	743,734	674,302
Gain on foreign exchange transactions	(355,356)	(522,236)
	<u> </u>	<u> </u>

5. DIRECTORS' REMUNERATION

During the year, the directors did not receive any remuneration from the company (2004 - US\$nil).

6. STAFF COSTS

	2005	2004
	US\$	US\$
Wages, salaries and other remuneration	1,711,303	2,547,596
Social security costs	206,151	251,248
Pension costs	68,785	69,769
	<u>1,986,239</u>	<u>2,868,613</u>

The average monthly number of employees during the year was as follows:

	2005	2004
	No.	No.
Sales, marketing and administration	18	25
	<u> </u>	<u> </u>

7. INTEREST PAYABLE

	2005	2004
	US\$	US\$
On loan notes (note 15)	<u>3,832,343</u>	<u>4,333,867</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2005

8. EXCEPTIONAL ITEMS

As a result of the planned closure of the Goonhilly land earth station in 2007 the company has recognized the impairment in value of its Goonhilly assets in these financial statements. Also due to workforce reductions in 2005 and 2004 and the termination of a contract in 2004 which utilized specific assets which are not being redeployed due to the nature of the technology, the company incurred certain restructuring costs as follows:

	2005 US\$	2004 US\$
Impairment of intangible fixed assets	1,053,018	-
Impairment of tangible fixed assets	15,987,227	675,096
Severance and other termination costs	50,000	430,171
	<u>17,090,245</u>	<u>1,105,267</u>

9. TAXATION

(a) The company has incurred a loss for the year and accordingly no tax charge arises (2004 - US\$ Nil).

(b) The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2005 US\$	2004 US\$
Loss on ordinary activities before tax	(20,519,912)	(3,062,023)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 30%)	(6,155,974)	(918,607)
Effects of:		
Expenses not deductible for tax purposes	3,013	458
Depreciation in advance of capital allowances	5,988,156	2,571,396
Tax losses generated (Utilisation of group relief losses) for nil payment	164,805	(1,653,247)
	<u>-</u>	<u>-</u>

(c) Factors that may affect future tax charges

Deferred tax assets of US\$8,263,728 (2004 - US\$3,426,868) in respect of timing differences between accounting and tax depreciation, have not been recognised as they do not meet the recognition criteria for deferred tax assets set out in FRS 19.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2005

10. INTANGIBLE FIXED ASSETS

	<i>Patents and licences US\$</i>	<i>Goodwill US\$</i>	<i>Total US\$</i>
Cost:			
At 1 January 2005 and 31 December 2005	3,730,750	14,909,393	18,640,143
Amortisation:			
At 1 January 2005	1,305,774	3,014,152	4,319,926
Provided during the year	373,080	743,734	1,116,814
Impairment	1,053,018	-	1,053,018
At 31 December 2005	2,731,872	3,757,886	6,489,758
Net book amount:			
At 31 December 2005	998,878	11,151,507	12,150,385
At 1 January 2005	2,424,976	11,895,241	14,320,217

On 31 December 2000, the Company acquired a portion of the Inmarsat and VSAT businesses of British Telecommunications plc, a leading provider of remote communications solutions to customers around the world, for cash consideration of US\$50,173,170, including acquisition costs. The original goodwill associated with this acquisition was US\$15,569,000 but was adjusted down in 2002 by US\$659,607 for certain liabilities that did not represent future obligations to pay. Goodwill of US\$14,909,393 is being amortised over a 20 year period.

11. TANGIBLE FIXED ASSETS

	<i>Earth station equipment US\$</i>	<i>Computer hardware and software US\$</i>	<i>Other equipment US\$</i>	<i>Total US\$</i>
Cost:				
At 1 January 2005	48,695,186	1,721,157	13,039,384	63,455,727
Additions	834,929	92,384	3,002,909	3,930,222
Asset realized in the year	-	-	1,500,000	1,500,000
At 31 December 2005	49,530,115	1,813,541	17,542,293	68,885,949
Depreciation:				
At 1 January 2005	17,595,375	1,042,733	7,754,436	26,392,544
Provided during the year	5,150,091	204,711	2,411,961	7,766,763
Impairment	14,323,801	-	1,663,426	15,987,227
At 31 December 2005	37,069,267	1,247,444	11,829,823	50,146,534
Net book amount:				
At 31 December 2005	12,460,848	566,097	5,712,470	18,739,415
Net book amount:				
At 1 January 2005	31,099,811	678,424	5,284,948	37,063,183

Stratos Global Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2005

12. STOCKS

	2005	2004
	US\$	US\$
Finished goods held for resale	997,111	685,608

13. DEBTORS

	2005	2004
	US\$	US\$
Trade debtors	1,727,627	4,029,865
Other debtors	718,100	844,535
Amounts due from group undertakings	5,443,661	1,671,058
Prepayments	1,436,089	1,360,675
	9,325,477	7,906,133

Other debtors includes an amount of \$14,211 falling due after more than one year (2004 - \$432,648)

14. CREDITORS: amounts falling due within one year

	2005	2004
	US\$	US\$
Notes payable (note 15)	26,307,500	26,307,500
Bank overdraft (unsecured see note 20)	1,200,720	512,811
Trade creditors	2,039,301	7,767,488
Other creditors	1,431,184	1,773,326
Accruals	29,913,919	24,274,340
	60,892,624	60,635,465

15. NOTES PAYABLE

	2005	2004
	US\$	US\$
Loan notes payable (note 14)	26,307,500	26,307,500

Notes payable of US\$26,307,500 represents an interest bearing, unsecured, demand promissory note with no set terms of repayment from the immediate parent undertaking. Interest is calculated and payable monthly at an internal cost of funds rate (note 7).

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2005

16. PROVISION FOR LIABILITIES AND CHARGES

	<i>Restoration Charge US\$</i>
Charged to the profit and loss account during the year	1,500,000
At December 31, 2005	<u>1,500,000</u>

The company's lease agreement for the Goonhilly Land Earth Station requires the company to restore the site to its condition prior to the installation of the facilities. These costs are expected to be incurred in 2007.

17. SHARE CAPITAL

	<i>2005 No.</i>	<i>Authorised 2005 GBP£</i>	<i>2004 No.</i>	<i>Authorised 2004 GBP£</i>
Ordinary shares of £0.01 each	10,000	100	10,000	100
	<u>10,000</u>	<u>100</u>	<u>10,000</u>	<u>100</u>
	<i>2005 No.</i>	<i>Allotted, called up and fully paid 2005 US\$</i>	<i>2004 No.</i>	<i>Allotted, called up and fully paid 2004 US\$</i>
Ordinary shares of £0.01 each	10,000	188	10,000	188
	<u>10,000</u>	<u>188</u>	<u>10,000</u>	<u>188</u>

18. RECONCILIATION OF SHAREHOLDERS' DEFICIT AND MOVEMENTS ON RESERVES

	<i>Share Capital US\$</i>	<i>Share Premium US\$</i>	<i>Profit and loss account US\$</i>	<i>Total US\$</i>
At 31 December 2003	15	-	(8,598,316)	(8,598,301)
Loss for the year	-	-	(3,062,023)	(3,062,023)
Share capital issuance	173	10,999,827	-	11,000,000
At 31 December 2004	188	10,999,827	(11,660,339)	(660,324)
Loss for the year	-	-	(20,519,912)	(20,519,912)
At 31 December 2005	<u>188</u>	<u>10,999,827</u>	<u>(32,180,251)</u>	<u>(21,180,236)</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2005

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other members of the Stratos Global Corporation group as it is included in consolidated financial statements which are publicly available.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The directors consider the ultimate parent undertaking and controlling party to be Stratos Global Corporation, a company incorporated in Canada.

The parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which the company is a member is Stratos Global Holdings Limited. Copies of its financial statements can be obtained from Companies House, Cardiff.

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Stratos Global Corporation.

Copies of these financial statements can be obtained from: Corporate Head Office, 6901 Rockledge Drive, Suite 900, Bethesda, MD 20817, USA.

21. CONTINGENT LIABILITIES

(a) The company has entered into a composite accounting agreement with its bankers. The terms of the agreement permit the bankers, without notice, to draw down funds deposited into the system, to offset borrowings drawn down from the system by other group members who are also parties to these arrangements. At the balance sheet date, the company was in an overdraft position and did not have funds deposited into the system and potentially at risk to cover liabilities elsewhere in the group (2004 - US\$nil).

(b) The company has provided a guarantee in support of its ultimate parent, Stratos Global Corporation and its subsidiaries (the "Borrowers") in respect of borrowings made under the terms of an agreement dated February 13, 2006 (the "Credit Agreement"). The company has entered into a guarantee agreement with the Royal Bank of Canada as Agent for the lenders under the Credit Agreement in which the company guarantees payment of all amounts due under the Credit Agreement. As at December 31, 2005, the Borrowers had outstanding a \$225.0 million non-revolving Term B credit facility and a \$25 million revolving facility provided by a syndicate of financial institutions.