

STRATOS GLOBAL LIMITED

Report and Financial Statements

31 December 2006

Registered No 04041428

MONDAY



A33 "A7WPAVRY" 472  
24/12/2007  
COMPANIES HOUSE

# Stratos Global Limited

---

Registered No 04041428

## **DIRECTORS**

David Oake  
Maury Shenk  
Ian Canning

## **SECRETARY**

Richard Harris

## **AUDITORS**

Ernst & Young LLP  
Registered auditors  
Barony House  
Stoneyfield Business Park  
Stoneyfield  
Inverness IV2 7PA

## **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

# Stratos Global Limited

## DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2006

### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to US\$7,478,208 (2005 - US\$20,519,912) 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\$39,658,459 (2005 - US\$32,180,251)

### 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

During the year 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 capital assets (\$1,315,907) (2005 - \$15,987,227) and intangible assets (\$Nil) (2005 - \$1,053,018) 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

### BUSINESS REVIEW

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

	2006 US\$	2005 US\$	Change %
Turnover	25,115,963	27,686,976	-9.3%
Operating Profit before exceptionals	(544,967)	402,676	235.3%
(Loss) profit after tax	(7,478,208)	(20,519,912)	63.6%
Shareholders' funds	(28,658,444)	(21,180,236)	-35.3%
Average number of employees	21	22	-16.7%

### PRINCIPAL RISKS AND UNCERTAINTIES

- Health, safety and environment

The highest standards of health, safety, and environmental, stewardship is of the essence Accordingly the provision of best practice training is a top priority and every precaution is taken otherwise to minimize risk No major incidents were recorded during the period under review

- Competitive risks

The group operates in a highly competitive environment but is not exposed to over reliance on a small number of customers nor to a particular business sector It also seeks to encourage customer loyalty by providing the highest practicable standard of service

- Credit risks

In order to minimize risk of loss through customers defaulting, a robust credit management process is in place

---

## Stratos Global Limited

### DIRECTORS' REPORT

---

#### PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

- Liquidity and cash flow risk

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. There is a treasury function in place within the company which monitors cash flows in order to ensure maximum flexibility for the group to meet its trading needs.

#### 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 2006, the company had an average of 322 days (31 December 2005 - 42 days) purchases outstanding in trade creditors.

#### DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

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

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

#### PROVISION OF INFORMATION TO AUDITORS

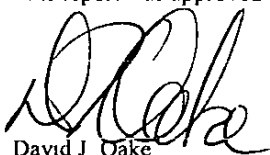
So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

#### AUDITORS

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

This report was approved by the board on **10 December 2007** and signed on its behalf:



David J. Oake

Director

---

## Stratos Global Limited

---

### 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

## **Independent Auditors' report to the members of Stratos Global Limited**

We have audited the company's financial statements for the year ended 31 December 2006, which comprise the Profit and Loss account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 23. 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' responsibilities for the preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 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 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.

**Independent Auditors' report to the members of Stratos Global Limited (continued)**

**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 2006 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 director's report is consistent with the financial statements

*Ernst & Young LLP*  
**Ernst & Young LLP**  
Registered Auditor  
Inverness

*19/12/2007*

## Stratos Global Limited

### PROFIT AND LOSS ACCOUNT for the year ended 31 December 2006

	Notes	2006 US\$	2005 US\$
<b>TURNOVER</b>	3	25,115,963	27,686,976
Cost of sales		(15,627,876)	(16,118,193)
<b>GROSS PROFIT</b>		9,488,087	11,568,783
Operating expenses - normal		(10,033,044)	(11,166,107)
- exceptional	8	(1,843,414)	(17,090,245)
<b>OPERATING LOSS</b>	4	(2,388,371)	(16,687,569)
Interest payable	7	(5,089,837)	(3,832,343)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(7,478,208)	(20,519,912)
Tax on loss on ordinary activities	9	-	-
<b>LOSS FOR THE FINANCIAL YEAR</b>	18	(7,478,208)	(20,519,912)

All amounts relate to continuing activities

### 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 2006

	Notes	2006 US\$	2005 US\$
<b>FIXED ASSETS</b>			
Intangible assets	10	11,033,570	12,150,385
Tangible assets	11	13,086,026	18,739,415
		<u>24,119,596</u>	<u>30,889,800</u>
<b>CURRENT ASSETS</b>			
Stocks	12	737,863	997,111
Debtors	13	22,402,088	9,325,477
Cash at bank and in hand		7,313,743	-
		<u>30,453,694</u>	<u>10,322,588</u>
<b>CREDITORS</b> amounts falling due within one year	14,15	(81,594,660)	(60,892,624)
<b>NET CURRENT LIABILITIES</b>		<u>(51,140,966)</u>	<u>(50,570,036)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(27,021,370)</u>	<u>(19,680,236)</u>
Provision for liabilities and charges	16	(1,637,074)	(1,500,000)
		<u>(28,658,444)</u>	<u>(21,180,236)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	188	188
Share premium	18	10,999,827	10,999,827
Profit and loss account	18	(39,658,459)	(32,180,251)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>	18	<u>(28,658,444)</u>	<u>(21,180,236)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 December 2007



David J Oake

Director

# Stratos Global Limited

---

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2006

### 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. 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 inter-company 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 in the UK and comply with the requirements of the Companies Act 1985.

#### *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.

#### *Tangible assets*

Tangible assets are stated at cost less accumulated depreciation and impairment losses.

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.

# Stratos Global Limited

---

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2006

### 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.

The foreign currency translation rate used was sterling to dollar rate of 1.9564.

#### *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 2006

### 2 ACCOUNTING POLICIES (continued)

#### *Provisions for liabilities*

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

### 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)

	2006	2005
	US\$	US\$
Auditors' remuneration – audit fees	66,964	73,902
Depreciation of tangible fixed assets	6,289,786	7,766,763
Amortisation of intangible fixed assets	373,081	373,080
Amortisation of goodwill	743,734	743,734
Loss / (Gain) on foreign exchange transactions	147,961	(355,356)

### 5 DIRECTORS' REMUNERATION

During the year, the directors did not receive any remuneration from the company (2005 - US\$nil)

### 6 STAFF COSTS

	2006	2005
	US\$	US\$
Wages, salaries and other remuneration	2,378,583	1,711,303
Social security costs	241,058	206,151
Pension costs	65,148	68,785
	<u>2,684,789</u>	<u>1,986,239</u>

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

	2006	2005
	No	No
Sales, marketing and administration	<u>21</u>	<u>18</u>

### 7 INTEREST PAYABLE

	2006	2005
	US\$	US\$
On loan notes (note 15)	<u>5,089,837</u>	<u>3,832,343</u>

# Stratos Global Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2006

### 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. Also due to workforce reductions in 2006 and 2005 the company incurred certain restructuring costs as follows

	2006 US\$	2005 US\$
Impairment of intangible fixed assets	-	1,053,018
Impairment of tangible fixed assets	1,315,907	15,987,227
Severance and other termination costs	527,507	50,000
	<u>1,843,414</u>	<u>17,090,245</u>

### 9 TAXATION

- (a) The company has incurred a loss for the year and accordingly no tax charge arises (2005 - US\$ Nil). The movement in deferred tax has not been recognized in the year.
- (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

	2006 US\$	2005 US\$
Loss on ordinary activities before tax	(7,478,208)	(20,519,912)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%)	(2,243,462)	(6,155,974)
Effects of		
Expenses not deductible for tax purposes	2,876	3,013
Depreciation in advance of capital allowances	1,722,082	5,988,156
Tax losses generated (Utilisation of group relief losses) for nil payment	518,504	164,805
	<u>-</u>	<u>-</u>

- (c) Factors that may affect future tax charges

Deferred tax assets of US\$13,310,745 (2005 - US\$8,263,728) 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

# Stratos Global Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2006

### 10. INTANGIBLE FIXED ASSETS

	<i>Patents and licences US\$</i>	<i>Goodwill US\$</i>	<i>Total US\$</i>
Cost			
At 1 January 2006 and 31 December 2006	3,730,750	14,909,393	18,640,143
Amortisation			
At 1 January 2006	2,731,872	3,757,886	6,489,758
Provided during the year	373,081	743,734	1,116,815
At 31 December 2006	3,104,953	4,501,620	7,606,573
Net book amount			
At 31 December 2006	625,797	10,407,773	11,033,570
At 1 January 2006	998,878	11,151,507	12,150,385

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 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 2006	49,530,115	1,813,541	17,542,293	68,885,949
Additions	1,381,032	32,192	1,303,715	2,716,939
Disposals	(1,483,075)	-	(529,549)	(2,012,624)
At 31 December 2006	49,428,072	1,845,733	18,316,459	69,590,264
Depreciation				
At 1 January 2006	37,069,267	1,247,444	11,829,823	50,146,534
Provided during the year	4,702,218	157,991	1,429,577	6,289,786
Disposals	(817,872)	-	(430,117)	(1,247,989)
Impairment	679,603	304,966	331,338	1,315,907
At 31 December 2006	41,633,216	1,710,401	13,160,621	56,504,238
Net book amount				
At 31 December 2006	7,794,856	135,332	5,155,838	13,086,026
Net book amount				
At 1 January 2006	12,460,848	566,097	5,712,470	18,739,415

# Stratos Global Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2006

### 12 STOCKS

	2006 US\$	2005 US\$
Finished goods held for resale	737,863	997,111

### 13 DEBTORS

	2006 US\$	2005 US\$
Trade debtors	2,646,964	1,727,627
Other debtors	1,050,180	718,100
Amounts due from group undertakings	16,827,903	5,443,661
Prepayments	1,877,041	1,436,089
	22,402,088	9,325,477

Other debtors includes an amount of \$Nil falling due after more than one year (2005 - \$14,211)

### 14 CREDITORS amounts falling due within one year

	2006 US\$	2005 US\$
Notes payable (note 15)	26,307,500	26,307,500
Bank overdraft (unsecured see note 21)	-	1,200,720
Trade creditors	13,575,585	2,039,301
Other taxes and social security	-	-
Other creditors	1,480,430	1,431,184
Accruals	18,340,590	29,913,919
Amounts due to Group Undertakings	21,890,555	-
	81,594,660	60,892,624

### 15 NOTES PAYABLE

	2006 US\$	2005 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)

# Stratos Global Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2006

### 16 PROVISION FOR LIABILITIES AND CHARGES

	2006	2005
	US\$	US\$
Balance at 1 January 2006	1,500,000	-
Increase in provision (charged to profit and loss account)	331,338	1,500,000
Reduction in provision (charged against provision)	(194,264)	-
At 31 December 2006	<u>1,637,074</u>	<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 as part of the site restoration and are based on estimates provided by engineers.

### 17 SHARE CAPITAL

	2006	Authorised 2006	2005	Authorised 2005
	No	GBP£	No	GBP£
Ordinary shares of £0.01 each	<u>10,000</u>	<u>100</u>	<u>10,000</u>	<u>100</u>

	2006	Allotted, called up and fully paid 2006	2005	Allotted, called up and fully paid 2005
	No	US\$	No	US\$
Ordinary shares of £0.01 each	<u>10,000</u>	<u>188</u>	<u>10,000</u>	<u>188</u>

### 18 RECONCILIATION OF SHAREHOLDERS' DEFICIT AND MOVEMENTS ON RESERVES

	Share Capital US\$	Share Premium US\$	Profit and loss account US\$	Total US\$
At 31 December 2005	188	10,999,827	(32,180,251)	(21,180,236)
Loss for the year	-	-	(7,478,208)	(7,478,208)
At 31 December 2006	<u>188</u>	<u>10,999,827</u>	<u>(39,658,459)</u>	<u>(28,658,444)</u>



---

## Stratos Global Limited

---

### NOTES TO THE FINANCIAL STATEMENTS at 31 December 2006

#### 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 a wholly owned subsidiary 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, funds deposited by the company into the system and potentially at risk to cover liabilities elsewhere in the group amounted to US\$7,313,743 (2005 – 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, 2006, 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

#### 22 PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to US\$65,148 (2005 – US\$68,785). Contributions totalling US\$nil (2005 – US\$nil) were payable to the fund at the balance sheet date

#### 23 CAPITAL COMMITMENTS

The estimated future minimum payments for committed capital expenditures, operating leases and maintenance contracts for the next five years and thereafter from December 31 2006 are US\$10,149,572, payable as follows

2007	\$4,319,654
2008	\$1,532,716
2009	\$ 517,938
2010	\$ 236,204
2011	\$ 236,204
Thereafter	\$3,306,856